montec
International Limited
Making dairy foods healthier... naturally

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Beijing Sanyuan Foods Limited (BSF)

Processing Licence and Co-operation Agreement

The Board of Montec International Limited ("Montec" or the "Company") is delighted to announce the signing of an historic agreement that marks the commencement of a formidable relationship with one of China's largest food, beverage and dairy companies.

The agreement marks the first time that BSF has agreed to contract process dairy products for another dairy company. It will provide an additional stream of income to Montec beyond its current royalty model. BSF has agreed to purchase all the milk fat removed from the raw milk processed during the use of Montec's patented technology. The removal of the milk fat and the addition of monounsaturated fat makes the resulting dairy foods healthier naturally. BSF will pay Montec net RMB6,500 (approximately AUD1,000) per tonne of milk fat, with this milk fat to be used by one of the other BSF Group Companies. It has been agreed between the parties to use a standard of 0.0909 tonnes of cream (milk fat) per tonne of raw milk processed to calculate the yield.

BSF is one of only two dairy companies that has a national cold chain and this not only provides the ability to transport perishable items such as processed milk fat but also paves the way for Montec to produce fresh monounsaturated milk and dairy products for national cold chain distribution. This cold chain will allow Montec to capitalise on its work in developing product extensions such as monounsaturated, low GI ice-cream, drinking yoghurt and cheese. BSF is the largest manufacturer of ice-cream and cheese in China thus presenting market opportunities that are promising enormous growth throughout China based upon European Union forecasts and present sales activity. Further, BSF has expressed interest in Montec's new monounsaturated milk powder which was developed in Australia for the Asia Pacific market.

The execution of this agreement is a major milestone for the development of the Company's business in China and has been created through a valuable relationship forged with BSF over the last 3 years.

Malcolm Campbell, Montec's Managing Director has stated that he is grateful for the dedication shown at all levels of management within BSF and the value that they continue to add as a shareholder in Montec through their Australian subsidiary, BAIC. Montec's commitment to offering value added dairy technology and products to the market through solid relationships cannot be understated. Such commitment has made this agreement possible and it is a significant step in Montec' growth and potential for long-term success, not only in China but in the Asia Pacific and beyond. Montec is also pleased that BSF is prepared to invite dairy partners that work alongside Montec to use the vast BSF national facilities through contract processing arrangements. This is not only the first time in the long history of BSF that this has been permitted but a major milestone in the relationship and new era of co-operation between BSF and Montec. This relationship can only become more valuable to Montec and Montec partners as Australia moves closer to the execution of a free trade agreement with China.

Contracts with Tianjin Haihe Dairy Co Ltd and Fujian Changfu Group are still in force.

Ends

For further enquiries:

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