

Prospectus

Montec International Limited
ABN 62 104 600 544

Renounceable Rights Issue

A pro-rata renounceable rights issue of approximately 74.3 million New Shares on the basis of one New Share for every Share held at an issue price of \$0.05 per New Share with one Attaching Option for every New Share

This document is important, requires your immediate attention and should be read in entirety. If you are in doubt as to the course you should follow you should consult your professional adviser. An investment in New Securities offered by this Prospectus should be considered speculative.

Important Notice

Prospectus

This Prospectus is dated 20 March 2006 and a copy of this Prospectus was lodged with ASIC on that date. The expiry date of this Prospectus is 13 months after the date of this Prospectus. No securities will be issued on the basis of this Prospectus after the expiry date. Neither ASIC nor ASX takes any responsibility for the content of this Prospectus or the merits of the investment to which this Prospectus relates.

The information provided in this Prospectus is not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs. If you have any questions you should seek professional advice before deciding to invest.

Foreign Jurisdictions

This Prospectus does not constitute an offer in any jurisdiction in which, or to any person to whom, it would be unlawful to make such an offer. The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. The return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation and warranty made by the applicant to the Company that there has been no breach of such laws and that all necessary approvals and consents have been obtained.

Electronic Prospectus

This Prospectus may be viewed online at www.montec-international.com.au. The Offer is available to persons receiving an electronic version of this Prospectus in Australia and New Zealand. Any person may obtain a hard copy of this Prospectus free of charge by contacting Mr Nick Geddes, the Company Secretary on 02 9252 1933. New Securities will only be issued on receipt of an Entitlement and Acceptance Form issued together with this Prospectus.

Definitions and Abbreviations

Defined terms and abbreviations used in this Prospectus are explained in the Glossary at the end of this document.

Financial Amounts

The financial amounts in this Prospectus are expressed in Australian dollars unless otherwise stated.

Contents

Principal Terms of the Capital Raising .	iii
Indicative Timetable.....	iii
1. The Capital Raising	1
2. Risks	9
3. Effect of Offer on Montec	12
4. Additional Information.....	17
Glossary	32
Corporate Directory	37

Chairman's Letter



Montec International Limited
ABN: 62 104 600 544

Level 6, 55 York Street
Sydney NSW 2000
Australia

montec@montec-international.com.au
www.montec-international.com.au

Telephone: +61 2 9299 0011
Facsimile: +61 2 9299 1499

20 March 2007

Dear Shareholder

On behalf of the board I am pleased to offer you the opportunity to participate in a partially underwritten pro-rata renounceable rights issue to raise equity capital of up to approximately \$3.7 million for Montec. The proceeds, together with an additional \$0.575 million raised pursuant to a Placement, will be used to fund capital requirements, including financing the "in store" marketing drive for "dairypure" milk products in the Chinese market, providing working capital for the launch of "dairypure" yoghurts and ice creams, and providing for working capital needs arising from improving markets for Montec's business generally.

To fund its capital requirements, Montec has commitments to raise approximately \$0.575 million via a Placement and proposes to raise up to a further \$3.7 million via a partially underwritten one for one renounceable Rights Issue. The issue of 11,500,000 Montec shares pursuant to the Placement is subject to Montec Shareholder approval to be sought at a general meeting on 23 April 2007. Attaching to the New Shares issued under both the Placement and Rights Issue will be one ASX quoted option for every share subscribed with an exercise price of \$0.10 and an expiry date of 30 June 2008.

In order to be equitable to all shareholders in Montec, the Directors have determined that the Rights Issue will be renounceable as this may allow shareholders to realise value through the market for any Rights they do not wish to exercise.

The Directors urge you to carefully read the information contained in this Prospectus and the accompanying Entitlements and Acceptance Form in conjunction with all publicly available information about Montec before deciding whether to subscribe for the New Shares.

On behalf of the Directors, I commend this offer to you.

Yours faithfully

A stylized, handwritten signature in black ink, appearing to read 'Terry Cuthbertson'.

Terry Cuthbertson
Chairman

Principal Terms of the Capital Raising

Principal Terms of the Capital Raising

Placement

Placement issue price	\$0.05
Placement Shares	11,500,000
Attaching Options	11,500,000
Amount to be raised under the Placement	\$575,000

Rights Issue

Rights Issue price	\$0.05
New Shares to be issued under the Rights Issue on a one for one basis	74,316,002
Attaching Options	74,316,002
Amount to be raised under the Rights Issue	\$3,715,800
Amount of the Rights Issue to be underwritten by Patersons	\$1,200,000

Indicative Timetable*

Event	Date
Announcement of Offer	15 March 2007
Lodgement of Prospectus	20 March 2007
Trading in Rights commences (shares quoted on an ex basis)	22 March 2007
Record Date to determine entitlements under the Rights Issue	28 March 2007
Prospectus and Entitlement and Acceptance Forms Despatched	3 April 2007
Rights trading ceases	12 April 2007
Closing Date for acceptance and payment of subscription price	19 April 2007
Shareholder Meeting to approve Placement	23 April 2007
Issue of Placement Shares	23 April 2007
Shortfall notification	24 April 2007
Allotment and despatch of holding statements for New Securities	30 April 2007
Normal trading of New Shares on the ASX	30 April 2007

*All dates are indicative and subject to change. Montec reserves the right to amend the timetable without prior notice. Any extension of the Closing Date will have a consequential effect on the date of issue of the New Securities.

1. The Capital Raising

1.1 Introduction

Montec is undertaking the Capital Raising, which is comprised of the following two components:

(1) Placement

11,500,000 Placement Shares have been offered for issue to sophisticated investors at an issue price of \$0.05 with one attaching ASX quoted option for each Share subscribed at an exercise price of \$0.10 and an expiry date of 30 June 2008. Patersons has received binding commitments to subscribe for all the Shares and Attaching Options offered under the Placement.

The Placement is subject to Shareholder approval at a general meeting to be held on 23 April 2007. Shareholder approval is required for the Shares and Attaching Options to be issued for the purposes of Listing Rule 7.1, which restricts the number of equity securities the Company can issue in any 12 month period without Shareholder approval, unless one of the exceptions in Listing Rule 7.2 applies.

(2) Rights Issue

Under the Rights Issue, holders of ordinary shares in Montec whose registered addresses are in Australia and New Zealand are invited to take up New Shares in Montec, on the basis of one New Share for every Share held on the Record Date (being 5.00 pm (Sydney time) on 28 March 2007), at a subscription price of \$0.05 per New Share, payable in full upon application. As with the Placement Shares, each New Share will also be issued with one Attaching Option.

Only the New Shares with Attaching Options under the Rights Issue are being offered under this Prospectus. Shares issued under the Placement will not qualify for participation in the Rights Issue.

The primary purpose of the Capital Raising is to raise capital for financing the "in store" marketing drive for "dairypure" milk products in the Chinese market, providing working capital for the launch of "dairypure" yoghurts and ice creams, and providing for working capital needs arising from improving markets for Montec's business generally. The intended allocation of funds will be as follows:

Purpose	Allocation if Minimum Subscription	Allocation if Maximum Subscription
Marketing "dairypure" milk products in the Chinese market	\$0.532 million	\$2.397 million
Launch of "dairypure" yoghurts and ice creams	\$0.500 million	\$1.000 million
Working capital	\$0.500 million	\$0.500 million
Offer Costs	\$0.243 million	\$0.394 million
Total	\$1.775 million*	\$4.291 million*

*If the Placement is not approved by Shareholders in the general meeting to be held on 23 April 2007 this amount will be reduced by \$575,000 (and the other amounts reduced proportionally).

If you are a Shareholder, this document is important and requires your immediate attention. It should be read in its entirety. Please read carefully the instructions on the accompanying Entitlement and Acceptance Form regarding the acceptance of your entitlement. If you are in doubt as to the course you should follow, you should consult your stockbroker, solicitor, accountant or other professional adviser immediately.

1.2 Details of the Offer

Montec currently has approximately 74.3 million fully paid ordinary shares and 4,592,500 Options on issue. Montec is offering for subscription, under a partially underwritten renounceable pro-rata rights issue, 74.3 million New Shares in Montec on the basis of one New Share for every Share held with fractional entitlements rounded up to the nearest whole New Share. The subscription price for each New Share is \$0.05.

Montec will also issue one Attaching Option for every New Share subscribed. The Attaching Options will have an exercise price of \$0.10 and will expire on or before 30 June 2008.

The number of New Shares could be increased on the basis that the Options currently on issue might be exercised prior to the Record Date.

It is the responsibility of Shareholders to confirm the number of Rights and New Securities allotted to them prior to trading in the Rights and New Securities. Shareholders who sell Rights in the New Securities before they receive notification of the number of Rights or New Securities (as applicable) allotted to them do so at their own risk.

Further details of the terms of the New Securities are set out in Section 1.14.

1.3 Subscription Price

Each New Share is offered at a subscription price of \$0.05 each payable in full upon acceptance.

The highest and lowest market sale price of the Shares during the 3 months immediately preceding 15 March 2007 (being the date of the announcement of the Offer) and the last sale price for Shares traded on ASX prior to that date is set out below.

3 month high	3 month low	Closing price on 8 February 2007*	Closing price on 16 March 2007**
\$0.14 on 26 February 2007	\$0.08 on 25 and 26 January 2007	\$0.13	\$0.085

*The last trading day before the announcement of the Offer.

** The last trading day before approval of this Prospectus by the Directors.

The aggregate subscription price for the 74.3 million New Shares is \$3,715,800.

1.4 Your Entitlement

Montec is making a renounceable pro-rata rights issue of New Shares on the basis of one New Share for every Share held on the Record Date.

The number of New Shares to which you are entitled is calculated as at the Record Date, and is shown on the Entitlement and Acceptance Form, which accompanies this Prospectus. Fractional entitlements to New Shares will be rounded up to the nearest whole New Share.

Shares issued pursuant to the Placement will not be eligible to participate in the Rights Issue.

1.5 Issue Amount

The total number of New Shares to be issued pursuant to the Offer will be approximately 74.3 million, to raise approximately \$3.7 million, before issue costs.

Holders of existing Options will not participate in the Offer unless they have exercised their Options and are registered as the holder of their Shares as at the Record Date, being 5.00pm (Sydney time) on 28 March 2007. If all Options capable of being exercised prior to the Record Date are exercised, the Company will have approximately 78,908,502 fully paid ordinary shares on issue and will be offering 78,908,502 New Shares under the Rights Issue to raise up to a total of \$3,945,425.10. Any additional funds raised as a result of the exercise of existing Options will be used for working capital needs arising from improving markets for Montec's business generally.

1.6 Renounceable

The Rights Issue is renounceable. This means that if you do not wish to take up your Rights you can sell all or part of your entitlement, subject to market demand, through the financial market operated by ASX or by way of an off market transfer.

Trading of Rights on the financial market operated by ASX is expected to commence on 22 March 2007. Sale of your Rights through ASX is only capable of being completed on or before 12 April 2007 when Rights Trading ceases.

Your Rights may have value. You should carefully consider how to deal with your Rights (rather than allow them to lapse) and then take action in accordance with the alternatives referred to below.

1.7 Minimum Subscription

The Rights Issue will have a minimum subscription of \$1.2 million. If only the minimum subscription is raised and the Placement is approved by Shareholders in the general meeting on 23 April 2007, the Company will raise a total of \$1.775 million pursuant to the Capital Raising.

If the minimum subscription is not achieved, Application moneys will be returned and the Directors may scale back the Company's operations until further funding is obtained or Company assets may be sold. If the minimum subscription is achieved but the Offer is not fully subscribed, the working capital available will be directed

toward supporting the launch of ice cream and yoghurt product extensions and continuing the "roll-out" of milk products, but at a slower rate than that currently planned.

1.8 Action required by Shareholders

Shareholders may:

(1) Take up their entitlement in full

If you wish to take up all of your entitlement, please complete the Entitlement and Acceptance Form, which accompanies this Prospectus, in accordance with the instructions set out in the form. Forward your completed Entitlement and Acceptance Form, together with your cheque or bank draft for the amount shown on your form, in the reply paid envelope to reach Montec's share registry, at:

By Post

Registries Limited
PO Box R67
Royal Exchange NSW 1223

By Delivery

Registries Limited
Level 2, 28 Margaret Street
Sydney, NSW 2000

by 5.00pm (Sydney time) on the Closing Date. Cheques and bank drafts, in Australian currency should be made payable to Montec International Limited and crossed "not negotiable".

(2) Take up part of their entitlement and sell the balance of their Rights (or allow them to lapse)

If you wish to take up part only of your entitlement, please complete the Entitlement and Acceptance Form, which accompanies this Prospectus, by inserting the number of New Shares for which you wish to accept the Offer under this Prospectus (being less than your entitlement as specified on the Entitlement and Acceptance Form) and forward the completed form together with your cheque or bank draft for the total amount payable to reach Montec's share registry, at:

By Post

Registries Limited
PO Box R67
Royal Exchange NSW 1223

By Delivery

Registries Limited
Level 2, 28 Margaret Street
Sydney, NSW 2000

by 5.00pm (Sydney time) on the Closing Date to subscribe for part of your entitlement. Cheques and bank drafts, in Australian currency should be made payable to Montec International Limited and crossed "not negotiable".

You may sell the balance of your Rights during the Rights Trading Period on the financial market operated by ASX or through an off market transfer (see Section 1.8(4)), or allow them to lapse. Trading of Rights on ASX is scheduled to cease at 4.00pm (Sydney time) on 12 April 2007.

(3) **Take up their entitlement in full and apply to take up additional New Shares**

If you have taken up all of your entitlement, you may take up, at the same price per New Share, additional New Shares available through unexercised Rights. To the extent that Shareholders do not take up their full entitlement, the Shortfall will be allocated at the discretion of the Directors.

If you wish to take up additional New Shares please complete the Entitlement and Acceptance Form, which accompanies this Prospectus, by inserting the number of New Shares for which you wish to accept the Offer under this Prospectus (being more than your entitlement as specified on the Entitlement and Acceptance Form) and forward the completed Entitlement and Acceptance Form together with your cheque or bank draft for the total amount payable to reach Montec's share registry at:

By Post

Registries Limited
PO Box R67
Royal Exchange NSW 1223

By Delivery

Registries Limited
Level 2, 28 Margaret Street
Sydney, NSW 2000

by 5.00 pm (Sydney time) on the Closing Date. Cheques and bank drafts should be made payable to Montec International Limited and crossed "not negotiable".

In the event that your application to participate in the Shortfall is not accepted in part or in full, the relevant application monies will be refunded by the Company in accordance with the provisions of the Corporations Act (without interest).

(4) **Sell their Rights**

If you wish to sell all or part of your entitlement on the financial market operated by ASX during the Rights Trading Period, complete the Entitlement and Acceptance Form and forward it to your stockbroker. Trading of Rights on the ASX is scheduled to cease at 4.00pm (Sydney time) on 12 April 2007.

If you wish to transfer all or part of your entitlement to another person other than through ASX, send a completed standard renunciation form (obtainable from your stockbroker or the Share Registry) signed by both of you (as seller) and the buyer, together with your Entitlement and Acceptance Form completed by the transferee and the transferee's cheque or bank draft for the appropriate application monies to reach Montec's share registry, at:

By Post

Registries Limited
PO Box R67
Royal Exchange NSW 1223

By Delivery

Registries Limited
Level 2, 28 Margaret Street
Sydney, NSW 2000

by 5.00pm (Sydney time) on the Closing Date.

(5) Ignore the Offer and allow your Rights to lapse

If you do not wish to take up any part of your entitlement to New Shares, you are not required to take any action, in which case you will receive no New Securities and your Rights will lapse. Your Rights may have value. You should carefully consider how to deal with your Rights (rather than allow them to lapse).

If you have any queries concerning your entitlement, please contact Registries Limited by telephone on (02) 9290 9600 or contact your stockbroker or professional adviser.

Entitlement and Acceptance Forms and accompanying cheques or bank drafts may be lodged at any time before the Closing Date. Applications received after the Closing Date will not be accepted. Montec will not be responsible for postal or delivery delays.

1.9 Underwriting

The Rights Issue is partially underwritten by the Underwriter on terms and conditions, including various termination rights, which are summarised in Section 4.6. Subject to the terms of the Underwriting Agreement, the Underwriter will take up to \$1,200,000 worth of New Shares if that amount is not subscribed for under the Rights Issue.

1.10 Shareholders Resident Outside Australia and New Zealand

Montec will only extend the Offer to shareholders with registered addresses in Australia and New Zealand. Montec considers it would be unreasonable to extend the Offer to Shareholders in other jurisdictions having regard to the small number of such shareholders, the small number and value of securities that would be offered in such jurisdictions and the costs of complying with legal and regulatory requirements in those jurisdictions.

The Company has appointed Patersons to arrange for the sale of the Rights that would have been given to Shareholders with registered addresses outside Australia and New Zealand. If there is a market in the Rights, Patersons will sell those Rights and the net proceeds of the sale will be sent to the relevant overseas Shareholders.

It is the responsibility of any person who comes into possession of this Prospectus outside Australia to ensure compliance with all laws of any country relevant to their application. Any person not in Australia considering taking up Rights and Shareholders who are outside of those countries should consult their professional advisers as to whether or not any governmental or other consents are required, or if other formalities need to be observed, to enable them to accept shares under this Prospectus.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

1.11 Trading

The New Shares are expected to be allotted by not later than 30 April 2007.

It is the responsibility of applicants to confirm the number of New Shares and Rights allotted to them prior to trading in the Shares or Rights respectively. Applicants who

sell Shares or Rights before they receive notification of the number of New Shares or Rights allocated to them do so at their own risk.

1.12 ASX Listing

Application will be made no later than 7 days after the date of this Prospectus for the New Shares and Attaching Options offered under this Prospectus to be quoted by ASX. If such New Securities are not admitted to quotation within 3 months after the date of this Prospectus, all applications will be dealt with in accordance with the Corporations Act.

1.13 Taxation

The tax consequences for Shareholders disposing of their Rights and the New Securities acquired upon exercise of their Rights will vary depending on the individual circumstances of the Shareholder.

Shareholders should seek independent tax advice in relation to their individual tax position before deciding whether or not to participate in the Rights Issue. Neither the Company nor any of its officers, employees, agents or advisers accept any liability or responsibility in respect of the taxation consequences connected with participation in the Rights Issue.

1.14 Terms of the New Securities

The terms of the New Securities are summarised in Section 4.3. The New Shares will rank equally with the existing fully paid Shares of Montec.

1.15 Brokerage and stamp duty

No brokerage or stamp duty is payable on the allotment of New Securities. You may pay brokerage if you sell your New Shares, Attaching Options or Rights.

1.16 Privacy

If you apply for New Shares, you will provide personal information to the Company and the Share Registry. The Company and the Share Registry will collect, hold and use your personal information in order to assess your application, service your needs as an investor, provide facilities and services that you request and carry out appropriate administration. All personal information will be collected in accordance with the national Privacy Principles as set out in the *Privacy Act 1988*. Company and tax law requires some of the information to be collected. If you do not provide the information requested, your application may not be able to be processed.

The Company and the Share Registry may disclose your personal information for purposes related to your investment to their agents and service providers, including those listed below, or as otherwise authorised under the *Privacy Act 1988*:

- (1) the Underwriters in order to assess your application;
- (2) the Share Registry, for ongoing administration of the register; and
- (3) printers and mailing house, for the purposes of preparation and distribution of statements and for handling of mail.

Under the *Privacy Act* 1988, you may request access to your personal information held by (or on behalf of) the Company and the Share Registry. You can request access to your personal information by telephoning or writing to the company through the Share Registry as follows:

Registries Limited
PO Box R67
Royal Exchange NSW 1223
Telephone: +61 2 9290 9600

2. Risks

2.1 Risk Factors

The New Shares and Attaching Options offered under this Prospectus are considered speculative because of the nature of the business of Montec. Before applying for New Shares, you should consider whether the New Shares and Attaching Options are suitable securities for you to acquire, having regard to your own investment objectives and financial circumstances.

In addition, the Directors consider that the following summary, which is not exhaustive, represents major risk factors of which potential investors need to be aware:

2.2 Operational Risks

Successful execution of the Company's business plan is dependent on the implementation of initiatives, which include extending operations and launching products in China. There are execution risks inherent in Montec's business initiatives and no assurance can be given that the Company will be successful in their implementation.

2.3 Sales Decline

Montec management may fail to realise business plan targets, including sales, due to an unexpected decline in consumer demand for milk and Montec products or due to significant changes in competitor activities or consumer tastes. Royalties and manufacturing margins may also vary significantly in the future due to factors beyond management's control which may include a decline in demand for Montec products or a significant rise in competition by similar or substitute products.

2.4 Unforeseen Expenses

Montec may be subject to significant unforeseen expenses or actions. This may include unplanned operating expenses, future legal actions or expenses in relation to future unforeseen events. The Directors expect that Montec will have adequate working capital to carry out its stated objectives however there is the risk that additional funds by way of share placement or share issue may be required to fund Montec's future objectives.

2.5 Intellectual Property Risks

Montec's intellectual property rights may be infringed or challenged resulting in loss of competitive advantages or significant costs.

2.6 Uncertain Contracts

There can be no guarantee that contracts or relationships will continue as anticipated, which may include contracts for the licensing of the Mono Premix formula to dairy counterparties, for the supply of ingredients to Montec and its counterparties or the distribution of Montec's products.

2.7 Legislative Changes

New legislation and changes to existing legislation and government policy in areas such as trading restrictions and health may impact upon Montec and its operating performance. Taxation rates and other fiscal regulation in Montec's regions of operations may change significantly in the future.

2.8 Foreign Markets Risk

As Montec will be deriving revenues from overseas countries, Montec will be exposed to risks such as unexpected changes in regulatory requirements, longer payment cycles, problems in collecting debts, fluctuations in currency exchange rates, foreign exchange controls which restrict or prohibit repatriation of funds and potentially adverse tax consequences.

2.9 Regulatory Risks

The inclusion of ingredients in foods is governed by government regulatory controls in each target market. Although ingredients used within the formula are approved by relevant authorities in some target markets, approvals in all target markets may not be obtained and maintained.

2.10 Economic and Political Risk

Economic and political conditions may deteriorate significantly in certain countries. In such circumstances, general business conditions may deteriorate or relations with countries in Montec's target markets may deteriorate so that financial outcomes will not be realised.

2.11 Retention of Key Employees

Montec's success and growth will depend upon its ability to retain and attract key management, technical and operating personnel. The loss of services provided by key personnel, or the Company's inability to attract requisite personnel could have a material effect on the Company's business.

2.12 Lack of Resources

The successful commercialisation of Montec's products may place a significant strain on Montec's managerial, operational and financial resources. To manage its potential growth, Montec must successfully implement management, operational and financial systems. There can be no assurance that Montec will be able to manage effectively the implementation of such systems. Inability to manage growth could have a material adverse effect on Montec.

2.13 Foreign Exchange Risks

The rate of foreign exchange between Australia, China and other target markets may vary significantly or may impact the costs of hedging foreign currency translation. The cost of raw materials may vary significantly in Montec's target markets which may impact the price and consumer demand for Montec's products.

2.14 Product Liability

Food products carry an inherent risk of product liability. Although it is planned that Montec's products will be produced by independent dairy processors and no claims have been made against Montec, it would be imprudent not to highlight that the Company may face exposure to legal liability.

2.15 Interest Rate Risks

Interest rates may rise significantly which may impact terms of trade, working capital and finance costs in Montec's future operations.

2.16 Share Price Fluctuation

The New Securities are expected to be listed on the ASX where their price may rise or fall. Investors should be aware that there are risks associated with stock market investments. It is important to recognise that New Share and Attaching Option prices may fall as well as rise and that the price of the New Securities may trade below the Offer price. Factors that may affect the market price of the New Shares and Attaching Options include variations in general or industry specific market conditions.

2.17 Litigation Risk

Montec may be exposed to various types of litigation. Claims may be made against Montec from time to time in the normal course of business.

As announced to ASX on 21 August 2006, Montec is a party to litigation in the New South Wales Supreme Court in relation to the European patents for Mono-Premix. The parties to the proceedings have expressed a mutual desire to resolve the matter by negotiated settlement. Negotiations have commenced and are continuing. However, as with all litigious matters, there is a risk of an unfavourable outcome which may lead to a judgement against Montec.

2.18 New South Wales Office of State Revenue

Montec has received a Notice from the New South Wales Office of State Revenue (**OSR**) investigating the payment of duty in relation to a deed made 17 September 2003 pursuant to which Montec acquired the intellectual property rights in the Mono-Premix from AFI Management Pty Limited for Australia and New Zealand. Montec has cooperated with the OSR.

Montec believes that the deed is not liable to duty as it only deals with the exploitation of intellectual property rights and not the goodwill of a business. However, there is a risk that the OSR will take a contrary view and demand payment of the duty from Montec. Montec's maximum liability would be approximately \$170,000 plus interest.

3. Effect of Offer on Montec

3.1 Principal effect on the Company

Assuming all New Shares are issued, the principal effects of the issue will be:

- (1) If Shareholders approve the Placement and the maximum subscription for the Rights Issue is obtained cash will increase by approximately \$4.3 million before expenses of the Offer. The net proceeds after costs of the issue are estimated to be approximately \$3.9 million. If Shareholders approve the Placement and only the minimum subscription is obtained, cash will increase by approximately \$1.775 million and the net proceeds after the costs of the issue are estimated to be approximately \$1.532 million. If only the minimum subscription is achieved and the Placement is not approved, cash will increase by \$1.2 million and the net proceeds after costs of the issue are estimated to be approximately \$0.991 million. The net proceeds will be used in accordance with Section 1.1.
- (2) The number of ordinary shares and Options on issue will increase. Refer to Section 3.2 for details.

The above assumes no Options are exercised prior to the Record Date.

Further details of the possible effect of the issue are set out below:

3.2 Capital Structure

(1) Issued Capital

Description	Shares (million)	Percentage	Options (million)	Percentage
Shares and Options currently on issue	74.3	46.4%	4.6	5.1%
Maximum number of New Shares and Options to be issued under Placement	11.5	7.2%	11.5	12.7%
Maximum number of New Shares and Attaching Options to be issued under Rights Issue	74.3	46.4%	74.3	82.2%
Maximum number of Shares and Options at completion of Placement and Rights Issue	160.1	100%	90.4	100%

The above assumes no Options are exercised prior to the Record Date and does not include 20.8 million Options proposed to be issued to Directors and

senior management, some of which are subject to approval at the general meeting of the Company on 23 April 2007.

(2) Options

The number of options to subscribe for ordinary shares on issue will increase up to 90,408,502 after the Capital Raising (assuming the Placement Proceeds). This will comprise both unlisted options and listed options and does not include the 20.8 million Options proposed to be issued to Directors, senior executives and management, some of which are subject to approval at the general meeting of the Company on 23 April 2007.

As at the date of this Prospectus, there are 4,592,500 existing unlisted options to subscribe for ordinary shares on issue. The number and key terms of these unlisted Options are set out in the table below:

Number	Exercise Price	Expiry Date
2,509,500	\$0.35	30 June 2007
605,000	\$0.50	1 July 2007
24,000	\$0.56	1 July 2007
1,454,000	\$0.50	30 June 2008

The Company will issue up to a further 85,816,002 options to subscribe for ordinary shares with an exercise price of \$0.10 and an expiry date of 30 June 2008 under the Capital Raising (assuming the Placement proceeds). The Company will apply for quotation of the Attaching Options on the financial market operated by ASX.

3.3 Statements of Financial Position

Set out in the table below is the reviewed Consolidated Statement of Financial Position of the Company as at 31 December 2006 and the Pro Forma Consolidated Statement of Financial Position assuming completion of the Offer (on the basis no Options have been exercised). This information should be read in conjunction with the information provided elsewhere in this Prospectus.

	1. Reviewed Historical Consolidated Financial Position 31 December 2006 \$	2. Adjustments	3. Pro Forma \$ Consolidated Financial Position 31 December 2006 \$
CURRENT ASSETS			
Cash and cash equivalents	1,089,977	3,896,800 i	4,986,777
Trade and other receivables	170,551		170,551
Inventories	234,840		234,840
Other	352,908		352,908
TOTAL CURRENT ASSETS	1,848,276		5,745,076
NON-CURRENT ASSETS			
Property, plant and equipment	92,890		92,890

	1.	2.	3.
	Reviewed Historical	Adjustments	Pro Forma
	Consolidated Financial		\$ Consolidated Financial
	Position		Position
	31 December 2006		31 December 2006
	\$		\$
Intangible assets	943,475		943,475
TOTAL NON-CURRENT ASSETS	1,036,365		1,036,365
TOTAL ASSETS	2,884,641		6,781,441
CURRENT LIABILITIES			
Trade and other payables	307,533		307,533
Provisions	68,483		68,483
TOTAL CURRENT LIABILITIES	376,016		376,016
TOTAL LIABILITIES	376,016		376,016
NET ASSETS	2,508,625		6,405,425
EQUITY			
Issued capital	15,965,795	3,896,800 i	19,862,595
Reserves	159,193		159,193
Retained Earnings	(13,616,363)		(13,616,363)
TOTAL EQUITY	2,508,625		6,405,425

Notes:

- i. Column 1 represents the reviewed Historical Consolidated Statement of Financial Position of Montec as at 31 December 2006.
- ii. Column 2 represents the adjustment required to reflect the conduct of the Offer. The figure of \$3.897 million represents the net position after capital raising costs and is comprised as follows:

	\$m
Placement	0.575
1 for 1 renounceable rights issue	<u>3.716</u>
	4.291
Less: Estimated capital raising costs	<u>0.394</u>
Net capital raised	<u>3.897</u>

Capital raising costs are estimated to comprise:

Corporate Adviser	0.060
Lead manager and underwriter	0.257*
Legal	0.040
ASX listing fee	0.020
Print, mail house and registry	0.014
Other	<u>0.003</u>
Total	<u>0.394</u>

* This assumes the Underwriter places the complete Offer Shortfall, if such a Shortfall occurs.

- iii. Column 3 represents the Pro Forma Consolidated Statement of Financial Position of Montec after the conduct of the Offer.
- iv. Contributed equity comprises the following:

	Shares on Issue	\$ Value
Current issued Shares	74,316,002	15,965,795
Proposed to be issued:		
- Placement	11,500,000	575,000
- Rights Issue	74,316,002	3,715,800
- Estimated capital raising costs	-	(394,000)
Total issued capital following the Offer	<u>160,132,004</u>	<u>19,862,595</u>

Whilst this pro forma unaudited Consolidated Statement of Financial Position is included for illustrative purposes, the actual assets and liabilities of the consolidated entity after the issue of the New Shares are likely to vary according to the ongoing operating activities of the consolidated entity over the period.

The pro forma Consolidated Statement of Financial Position does not reflect the trading of the consolidated entity since 31 December 2006.

3.4 Statement of Financial Performance

Set out in the table below is the Consolidated Statement of Financial Performance for Montec for the year ended 30 June 2006 and the half year ended 31 December 2006. This information should be read in conjunction with the information provided elsewhere in this prospectus.

	Reviewed 6 months ended 31 December 2006 \$	Audited 12 months ended 30 June 2006 \$
Revenues	296,069	797,373
Other income	-	9,870
Cost of goods sold	(57,906)	(479,661)
Employee benefits expenses	(591,261)	(1,470,647)
Advertising and marketing expenses	(209,339)	(632,137)
Compliance and professional fees	(461,248)	(784,151)
Administrative expenses	(134,270)	(546,582)
Travel expenses	(73,189)	(232,034)
Insurance expenses	(32,245)	(104,459)
Depreciation and amortisation expenses	(101,472)	(441,922)
Impairment write down of patents	-	(1,369,356)
Other expenses	(31,943)	-
Loss before income tax	(1,396,804)	(5,253,706)
Income tax expense	-	-
Loss after income tax expense	(1,396,804)	(5,253,706)
Net loss attributable to minority interests	-	-
Loss attributable to members of the parent entity	(1,396,804)	(5,253,706)

3.5 Statement of Cash Flows

Set out in the table below is the Consolidated Statement of Cash Flows for Montec International Limited for the period ended 30 June 2006 and the half year ended 31 December 2006. This information should be read in conjunction with the information provided elsewhere in the prospectus.

	Reviewed 6 months ended 31 December 2006 \$	Audited 12 months ended 30 June 2006 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	112,818	621, 573
Payments to suppliers and employees	(1,895,907)	(3,716,200)
Interest received	45,546	191,910
Net cash used in operating activities	(1,737,543)	(2,902,717)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of physical non-current assets	(2,546)	(23,638)
Payment for subsidiary, net of cash acquired	-	(1)
Net cash used in investing activities	(2,546)	(23,639)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	588,000	-
Costs of share issue	(29,885)	-
Net cash provided by financing activities	558,115	-
Net decrease in cash held	(1,181,974)	(2,926,356)
Cash at start of period	2,271,951	5,198,307)
Cash at end of period	1,089,977	2,271,951

4. Additional Information

4.1 Key terms of the New Shares

The key terms and conditions of issue of the New Shares are as follows:

- (1) the subscription price is \$0.05 per New Share;
- (2) the New Shares may be subscribed for at any time before 5.00pm (Sydney time) on 19 April 2007; and
- (3) New Shares issued pursuant to this Offer will rank *pari passu* with existing Shares of Montec in all respects.

Further details of the rights and liabilities of the New Shares are set out in Section 4.3.

4.2 Key terms of the Attaching Options

- (1) The key terms and conditions of the Attaching Options are as follows: one ASX quoted option for every New Share subscribed will be issued under this Prospectus;
- (2) the exercise price of the Attaching Options will be \$0.10; and
- (3) the expiry date of the Attaching Options will be 30 June 2008.

Further details of the rights and liabilities of the Attaching Options are set out in Section 4.4.

4.3 Rights and Liabilities Attaching to the New Shares

The following is a broad summary (though not necessarily an exhaustive or definitive statement) of the rights and liabilities attaching to all Shares, including New Shares, which will be issued pursuant to the Offer. Full details are contained in the Constitution of Montec, the Corporations Act and the Listing Rules. Broadly speaking, each New Share will confer on its holder:

- (1) the right to receive notice of and to attend general meetings of Montec and to receive all financial statements, notices and other documents required to be sent to them under the Constitution, the Corporations Act and the Listing Rules;
- (2) the right to vote at a general meeting of shareholders (whether present in person or by any representative, proxy or attorney) on a show of hands (one vote per shareholder) and on a poll (one vote per Share on which there is no money due and payable) subject to the rights and restrictions on voting which may attach to or be imposed on Shares (at present there are none);
- (3) the right to receive dividends, according to the amount paid up on the Share; and

- (4) in a winding up of the Company, the right to participate in the division of any surplus assets or profits of the Company in proportion to the number of Shares held, irrespective of the amount paid or credited as paid on the Shares.

Subject to law, the Listing Rules, the ASTC Settlement Rules and the constitution of the Company, New Shares will be freely transferable. New Shares may be transferred by a transfer document in any form approved by the Directors or required by the ASTC Settlement Rules.

Subject to the Constitution, the Corporations Act and the Listing Rules, the Directors may issue shares or grant options over other securities of the Company on such terms and conditions as they think appropriate.

The rights attached to shares in a class of shares may be varied or cancelled only by special resolution of the Company and either, by special resolution passed at a meeting of the members holding shares in the class or with the written consent of members with at least 75% of the votes in the class.

The minimum number of Directors is three and the maximum number is 10 unless the Company in a general meeting resolves to increase or decrease the number. Questions arising at a meeting of Directors are decided by a majority vote.

The Constitution also provides that the Directors may cause Montec to sell a member's Shares if that member holds less than a marketable parcel of Shares, provided that the procedures set out in the Constitution are followed. A non marketable parcel of Shares is defined in the ASTC Settlement Rules and is, generally, a holding of Shares with a market value of less than \$500.

The Company may, subject to the Corporations Act and certain exceptions in the Constitution, indemnify the officers of the Company against any liability incurred by them in their capacity as officers of the Company or its Related Bodies Corporate.

The constitution of Montec is to be interpreted subject to the Corporations Act and the Listing Rules. Montec and the Directors must, notwithstanding any contrary provision in the Constitution, comply with the obligations imposed on them under the Corporations Act and the Listing Rules.

4.4 Rights and Liabilities of the Attaching Options

One Attaching Option will be issued for every New Share issued under this Prospectus. The Attaching Options will be issued on the following summarised terms and conditions. This summary is not intended to be exhaustive and must be read subject to the full terms and conditions of the Attaching Options, which are available for inspection at the registered office of the Company until the Closing Date.

Exercise Period and Expiry Date

The options are exercisable at any time before 5.00pm (Sydney time) on 30 June 2008. Options not exercised by that date will lapse.

Exercise Price

Each option entitles the holder to acquire one fully paid ordinary share in the capital of the Company on payment of the sum of \$0.10 per option to the Company.

Notice of Exercise

Each option may be exercised by notice in writing to the Company at any time before their date of expiry. Any notice of exercise of an option received by the Company will be deemed to be a notice of the exercise of that option as at the date of receipt.

Shares Issued on Exercise of Options

Shares to be issued pursuant to the exercise of options will be issued following receipt of all the relevant documents and payments (in cleared funds) and will rank equally with the then issued Shares.

Quotation of Options and Shares on Exercise

Application will be made to the ASX for quotation of the options. Application will be made for quotation of the Shares issued upon exercise of options. The options are transferable as the holder thinks fit.

Participation Rights or Entitlements

There are no participating rights or entitlements inherent in the options and holders will not be entitled to participate in new issues of securities offered to shareholders during the currency of the options, except in their capacity as existing Shareholders.

However, the Company will ensure that, for the purpose of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced so as to give holders the opportunity to exercise their options before the date for determining entitlements to participate in any issue.

Bonus Issues

If, from time to time, before the expiry of the options, the Company makes a pro-rata issue of Shares to the shareholders for no consideration, the number of Shares over which an option is exercisable will be increased by the number of Shares which the holder would have received if the option had been exercised before the date for calculating entitlements to the pro-rate issue.

Reconstruction of Capital

In the event of a reconstruction (including consolidation, subdivision, reduction, or return) of the issued capital of the Company, the rights of the holder shall be changed to the extent necessary to comply with the Listing Rules.

4.5 CHESS

The New Securities will participate from the date of commencement of quotation in CHESS. They may be held in uncertificated form (that is, no certificate is issued) on the CHESS subregister under sponsorship of a broker or on the issuer-sponsored subregister.

If a holder wishes to hold their New Securities on the CHESSE subregister under sponsorship of a broker, the shareholder should provide their HIN (Holder Identification Number) in the space provided in the Entitlement and Acceptance Form accompanying this Prospectus. If a holder does not provide a HIN, their New Securities will be held on the issuer-sponsored subregister.

Arrangements can be made at any subsequent time to convert a holding from the issuer-sponsored subregister to the CHESSE subregister under sponsorship of a broker, or the reverse, by contacting Montec's Share Registry and/or the shareholder's broker.

4.6 Material Contracts

(1) Underwriting agreement

Montec has entered into an Underwriting Agreement with the Underwriter pursuant to which the Underwriter has agreed to lead manage the Rights Issue and underwrite the subscription of 24,000,000 New Shares and Attaching Options, if that amount is not subscribed for under the Rights Issue. Each valid application for New Securities will be applied towards relieving the Underwriter of its obligations.

Montec has agreed to pay to the Underwriter the following amounts:

- (a) an underwriting fee of 5% of the Underwritten Amount;
- (b) a placement fee of 5% of the amount of the Shortfall placed to investors by the Underwriter (excluding the Underwritten Amount);
- (c) an advisory fee of \$60,000 and a management fee of 1% of the total amount raised under the Rights Issue; and
- (d) all reasonable costs and expenses of and incidental to the Rights Issue.

The Underwriting Agreement contains various representations and warranties and imposes various obligations on Montec, including to ensure that the Prospectus complies with the Corporations Act, all relevant ASIC Class Orders, policies (to the extent necessary) and requirements, Listing Rules, and all relevant ASX policies (to the extent necessary). The Offer must also take place in compliance with the terms of the Prospectus, the Listing Rules, any Applicable Act or regulation and any modification, exemption, declaration, waiver, direction or ruling by ASIC or ASX and any applicable laws.

Without the prior written consent of the Underwriter, Montec must ensure that no Relevant Company may reduce its capital or alter its capital structure, amend its constitution or any constituent document (except as required by ASX or the Corporations Act), passes or takes any steps to pass a resolution under section 260A of the Corporations Act, disposes or agrees to dispose of the whole or a substantial part of its business or property, or charges or agrees to charge the whole or a substantial part of the business or property other than as contemplated by the Prospectus or within the ordinary course of business, for 3 months from the date of the Underwriting Agreement.

The Underwriting Agreement imposes an obligation upon Montec to ensure that no Relevant Company proposes or activates any buy-back scheme or arrangement or issues or agrees to issue or indicates in any way that it will or might issue or authorise the issue of any shares, options or other securities or grant to any person any right to subscribe for or to receive or be issued any shares, options or other securities of any Relevant Company except pursuant to the Placement, as disclosed in the Prospectus, pursuant to the exercise of Options the subject of the Offer or Placement or pursuant to the Company's Employee Option Scheme, with the prior written consent of the Underwriter or pursuant to an agreement existing as at the date of the Prospectus and disclosed to the Underwriter, for 3 months from the date of the Underwriting Agreement.

Montec must also ensure that during the 3 months from the date of the Underwriting Agreement, no current or proposed director of any Relevant Company or their respective associates will sell, dispose or transfer any securities in the Company held by them as at the date of the Prospectus.

Montec indemnifies the Underwriter and each of its officers, employees, agents and advisers against all prosecutions, losses, penalties, actions, suits, claims, expenses, costs suffered, incurred paid or liable to be paid directly or indirectly arising out of or in respect of the Offer pursuant to the Underwriting Agreement. This indemnity is subject to exclusions for liability arising from, amongst other things, wilful default, misconduct, fraud, negligence and breach of the Underwriting Agreement.

The Underwriter may terminate its obligations under the Underwriting Agreement at any time if:

- (a) **(Indices fall)**: any of the ASX/S&P200 Index or the ASX/S&P Small Ordinaries as published by ASX is at any time after the date of the Underwriting Agreement 10% or more below its respective level as at the close of business on the Business Day prior to the date of the Underwriting Agreement; or
- (b) **(Share price)**: the volume weighted average share price of the Company (ASX code MTI) trades below 5 cents on any two ASX trading days between the date of the Underwriting Agreement or Completion; or
- (c) **(Shareholder approval)**: Shareholder approval of the Placement pursuant to the Notice is not granted at a meeting of shareholders convened for that purpose; or
- (d) **(Prospectus)**: Montec does not lodge the Prospectus on 20 March 2007 or the Prospectus or Offer is withdrawn by Montec; or
- (e) **(No Official Quotation)**: Official Quotation has not been granted by the Shortfall Notice Deadline Date or, having been granted, is subsequently withdrawn, withheld or qualified with conditions that are not capable of being fulfilled or satisfied; or
- (f) **(Supplementary prospectus)**:

- (i) the Underwriter, having elected not to exercise its right to terminate its obligations under the Underwriting Agreement as a result of an occurrence as described in Section 4.6(1)(r)(vi) below, forms the view on reasonable grounds that a supplementary or replacement prospectus should be lodged with ASIC for any of the reasons referred to in section 719 of the Corporations Act and the Company fails to lodge a supplementary or replacement prospectus in such form and content and within such time as the Underwriter may reasonably require; or
 - (ii) Montec lodged a supplementary or replacement prospectus without the prior written agreement of the Underwriter; or
- (g) **(Non compliance with disclosure requirements)**: it transpires that the Prospectus does not contain all the information that investors and their professional advisers would reasonably require to make an informed assessment of:
 - (i) the effect of the Rights Issue on the Company; and
 - (ii) the rights and liabilities attaching to the New Securities; or
- (h) **(Misleading Prospectus)**: it transpires that there is a statement in the Prospectus that is misleading or deceptive or likely to mislead or deceive, or that there is an omission from the Prospectus (having regard to the provisions of section 713, 711 and 716 of the Corporations Act) or if any statement in the Prospectus becomes misleading or deceptive or likely to mislead or deceive or if the issue of the Prospectus is or becomes misleading or deceptive or likely to mislead or deceive; or
- (i) **(Restriction on allotment)**: Montec is prevented from allotting the New Securities within the time required by the Underwriting Agreement, the Corporations Act, the Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi governmental agency or authority; or
- (j) **(Withdrawal of consent to Prospectus)**: any person (other than the Underwriter) who has previously consented to the inclusion of its, his or her name in the Prospectus or to be named in the Prospectus, withdraws that consent, or
- (k) **(ASIC application)**: an application is made by ASIC for an order under section 1324B or any other provision of the Corporations Act in relation to the Prospectus, the Shortfall Notice Deadline Date has arrived, and that application has not been dismissed or withdrawn;
- (l) **(ASIC hearing)**: ASIC gives notice of its intention to hold a hearing under section 739 of the Corporations Act in relation to the Prospectus to determine if it should make a stop order in relation to the Prospectus or ASIC makes an interim or final stop order in relation to the Prospectus under section 739 of the Corporations Act; or

- (m) **(Takeovers Panel)**: the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Pt 6.10 of the Corporations Act, or an application for such a declaration is made to the Takeovers Panel and the Takeovers Panel commences proceedings; or
- (n) **(Hostilities)**: there is a material outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of the Underwriting Agreement involving one or more of Australia, New Zealand, Indonesia, Japan, Russian, the United Kingdom, the United States of America, India, Pakistan, or the Peoples Republic of China, Israel, or any member of the European Union, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world; or
- (o) **(Authorisation)**: any authorisation which is material to anything referred to in the Prospectus is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter; or
- (p) **(Indictable offence)**: a director or senior manager of a Relevant Company is charged with an indictable offence; or
- (q) **(Sub-underwriters)**: any of the sub-underwriters that are introduced by Montec do not comply with their obligations under the sub-underwriting agreements; or
- (r) **(Termination Events)**: subject to the occurrence of one or more of the following events, in the reasonable opinion of the Underwriter, having or being likely to have a Material Adverse Effect or giving rise to a liability of the Underwriter, if any of the following events occurs:
 - (i) **(Default)**: default or breach by Montec under the Underwriting Agreement of any terms, condition, covenant or undertaking; or
 - (ii) **(Incorrect or untrue representation)**: any representation, warranty or undertaking given by Montec in the Underwriting Agreement is or becomes untrue or incorrect; or
 - (iii) **(Contravention of constitution or Act)**: a contravention by a Relevant Company of any provision of its constitution, the Corporations Act, the Listing Rule or any other applicable legislation or any policy or requirement of ASIC or ASX; or
 - (iv) **(Adverse change)**: an event occurs which gives rise to a Material Adverse Effect or any material adverse change or any development including a prospective material adverse change after the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of any Relevant Company including, without limitation, if any forecast in the Prospectus becomes incapable of being met or in the Underwriter's reasonable opinion, unlikely to be met in the projected time; or

- (v) **(Error in Due Diligence Results)**: it transpires that any of the Due Diligence Results or any part of the Verification Material was false, misleading or deceptive or that there was an omission from them; or
- (vi) **(Significant Change)**: a “new circumstance” as referred to in section 719(1) of the Corporations Act arises that is materially adverse from the point of view of an investor; or
- (vii) **(Public statements)**: without the prior approval of the Underwriter a public statement is made by the Company in relation to the Offer, the Issue or the Prospectus; or
- (viii) **(Misleading information)**: any information supplied at any time by Montec or any person on its behalf to the Underwriter in respect of any aspect of the Offer or the Issue or the affairs of any Relevant Company is or becomes misleading or deceptive or likely to mislead or deceive; or
- (ix) **(Official Quotation qualified)**: the Official Quotation is qualified or conditional other than as set out in the definition of “Official Quotation”; or
- (x) **(Change in Act or policy)**: there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any of its States or Territories any Act or prospective Act or budget of the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt any new, or any major change in, existing, monetary, taxation, exchange or fiscal policy; or
- (xi) **(Prescribed Occurrence)**: a Prescribed Occurrence occurs, other than as disclosed in the Prospectus; or
- (xii) **(Suspension of debt payments)**: Montec suspends payment of its debts generally; or
- (xiii) **(Event of Insolvency)**: an Event of Insolvency occurs in respect of a Relevant Company; or
- (xiv) **(Judgment against a Relevant Company)**: a judgment in an amount exceeding \$70,000 is obtained against a Relevant Company and is not set aside or satisfied within 7 days; or
- (xv) **(Litigation)**: litigation, arbitration, administrative or industrial proceedings are after the date of the Underwriting Agreement commenced or threatened against any Relevant Company, other than any claims foreshadowed in the Prospectus; or
- (xvi) **(Board and senior management composition)**: there is a change in the composition of the Board or a change in the senior management of Montec before Completion without the prior written consent of the Underwriter; or

- (xvii) **(Change in shareholdings)**: there is a material change in the major or controlling shareholders of a Relevant Company or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to a Relevant Company; or
- (xviii) **(Timetable)**: there is a delay in any specified date in the Timetable which is greater than 3 Business Days; or
- (xix) **(Force Majeure)**: a Force Majeure affecting the Company's business or any obligation under the Underwriting Agreement of the Company or the Underwriter lasting in excess of 7 days occurs; or
- (xx) **(Certain resolutions passed)**: a Relevant Company passes or takes any steps to pass a resolution under section 254N, section 257A or section 260B of the Corporations Act or a resolution to amend its constitution without the prior written consent of the Underwriter; or
- (xxi) **(Capital Structure)**: any Relevant Company alters its capital structure in any manner not contemplated by the Prospectus; or
- (xxii) **(Breach of Material Contracts)**: any of the Material Contracts is terminated or substantially modified; or
- (xxiii) **(Investigation)**: any person is appointed under any legislation in respect of companies to investigate the affairs of a Relevant Company; or
- (xxiv) **(Market Conditions)**: a suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or other international financial markets.

(2) **Placement Commitments**

Paterson's have received commitments from sophisticated investors to subscribe for 11,500,000 Shares at \$0.05 per Share and 11,500,000 Attaching Options. Investors must subscribe for their allocation of securities by 18 April 2007 by lodging applications with Patersons together with their subscription money.

The commitments to subscribe may be terminate if the Placement does not proceed or Paterson's mandate is terminated.

4.7 ASX Listing, Continuous Disclosure and Documents Available for Inspection

This Prospectus is used by Montec in accordance with section 713 of the Corporations Act.

The New Shares to be issued pursuant to this Prospectus and the Shares to be issued upon exercise of the Attaching Options are in a class of securities that are

continuously quoted securities. This means that Montec's fully paid ordinary shares in the same class as offered by this Prospectus and to be issued upon exercise of the Attaching Options are listed on a registered securities exchange, being the ASX, and were quoted continuously for the past 12 months. It also means that Montec has been subject to the continuous disclosure requirements for listed companies provided for under the Corporations Act and that Listing Rules require continuous disclosure to ASX of any information held by Montec which a reasonable person would expect to have a material effect on the price or value of Montec's securities.

As a disclosing entity, Montec has issued this Prospectus in accordance with the provisions of the Corporations Act applicable to prospectuses for continuously quoted securities.

Montec states that:

- (1) as a disclosing entity under the continuous disclosure regime, it is subject to regular reporting and disclosure obligations;
- (2) copies of documents lodged with ASIC in relation to Montec may be obtained from, or inspected at, an ASIC office; and
- (3) any person may request, and Montec will provide free of charge, a copy of each of the following documents during the application period of this Prospectus:
 - (a) the annual report and annual financial statements for the year ended 30 June 2006 (**2006 Annual Report**), being the most recent annual report lodged with ASIC by Montec;
 - (b) the half-year report and financial statements for the six month period ended 31 December 2006, which was lodged with ASIC after the 2006 Annual Report and before lodgement of this Prospectus; and
 - (c) any continuous disclosure notices given by Montec since the lodgement of the 2006 Annual Report and before the lodgement of this Prospectus.

All documents referred to above are separate documents and are not incorporated by reference in this Prospectus.

Having taken such precautions and having made such enquiries as are reasonable, Montec believes that it has complied with the general and specific disclosure requirements of the ASX as applicable from time to time throughout the 12 months before the issue of this Prospectus. No information has been excluded from any continuous disclosure notice given by Montec in accordance with the Listing Rules which is information that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of:

- (1) the assets and liabilities, financial position and performance, profits and losses and prospects of Montec; and
- (2) the rights and liabilities attaching to the New Securities.

As this Prospectus is issued pursuant to section 713 of the Corporations Act, it is required to contain information investors and their professional advisers would reasonably require to make an informed assessment of:

- (1) the effect of the Offer on Montec; and
- (2) the rights and liabilities attaching to the New Securities.

As such, this Prospectus is not required to provide information regarding the assets and liabilities, financial position and performance, profits and losses and prospects of Montec on the basis that such information is available through continuous disclosure notices given by Montec in accordance with its obligations under the ASX Listing Rules and the Corporations Act.

Since the date of the lodgement of the annual financial report on the 27 October 2006 for the year ended 30 June 2006, the following announcements have been made, in reference to Montec to the ASX as described below:

Date	Description of Document
16/03/2007	Appendix 3B
15/03/2007	Capital Raising
15/03/2007	Reinstatement to Official Quotation
14/03/2007	Voluntary suspension
14/03/2007	Resignation of Alternate Director
12/03/2007	Suspension from Official Quotation
09/03/2007	Trading Halt
07/03/2007	Presentation
26/02/2007	Half Yearly Report/Half Yearly Accounts
12/02/2007	Montec & Beijing Sanyuan Foods Co Ltd - Collaboration
08/02/2007	Ceasing to be a substantial holder
31/01/2007	Commitments Test Entity - Second Quarter Report
30/01/2007	Appointment of Bourse Communications
30/01/2007	China Update January 2007
04/12/2006	Change in substantial holding
04/12/2006	China Business Update

01/12/2006	Change of Director's Interest Notice
29/11/2006	Annual General Meeting 2006 Results
29/11/2006	China Update
28/11/2006	Change in substantial holding
27/11/2006	Change in substantial holding
24/11/2006	Change in substantial holding
20/11/2006	Section 708A Notice
17/11/2006	Appendix 3B
17/11/2006	Escrow of Former Managing Director's Shares
17/11/2006	Share Placement

4.8 Interests of Directors

Other than as set out below or elsewhere in this Prospectus, no Director:

- (1) has or had at any time in the last 2 years an interest in the formation or promotion of Montec, or in any property acquired or proposed to be acquired by Montec in connection with the Offer or promotion of Montec, or the Offer; or
- (2) has been paid or agreed to be paid an amount, or has been given or agreed to be given any other benefit, either to induce him to become, or to qualify him as a Director, or otherwise for services rendered by him in connection with the formation or promotion of Montec or the Offer.

4.9 Interests in Securities

The Directors (and their associates) have the following interests in securities of Montec as at the date of this Prospectus:

Director	Shares ¹ (Direct)	Options ¹	Shares (Indirect)
T Cuthbertson	10,000	0 ³	0
Dr Du	20,000	800,000 ^{2, 3}	0
P Herd	10,000	0 ³	44,460
J Manny	0	0 ³	239,825
L Yuansheng	0	0 ³	3,846,154

Notes:

1. The Directors may participate in the Rights Issue.
2. Options with an exercise price of \$0.50 and an expiry date of 30 June 2008 and 1 July 2007.

3. It is proposed to issue the following Options with the following key terms to the Directors if Shareholders approve the issue at the general meeting on 23 April 2007:

Name	Number	Exercise Price	Expiry Date
Mr Terry	1.5 million	\$0.12	31 December 2010
Cuthbertson	1.5 million	\$0.18	31 December 2010
	2.0 million	\$0.25	31 December 2010
Mr Peter	1.5 million	\$0.12	31 December 2010
Herd	1.5 million	\$0.18	31 December 2010
	2.0 million	\$0.25	31 December 2010
Dr Xueqin	1.0 million	\$0.12	31 December 2010
Du	1.0 million	\$0.18	31 December 2010
	1.0 million	\$0.25	31 December 2010
Mr James	0.8 million	\$0.12	31 December 2010
Manny	0.8 million	\$0.18	31 December 2010
Mr Lin	0.8 million	\$0.12	31 December 2010
Yuansheng	0.8 million	\$0.18	31 December 2010

4.10 Remuneration

Each of the Directors receives directors' fees from Montec. Peter Herd receives a salary and other benefits as the Chief Executive Officer and Managing Director of Montec.

4.11 Interests of Advisers

Other than as set out in this Prospectus, no person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus has or had at any time in the last 2 years an interest in the formation or promotion of Montec, or in any property acquired or proposed to be acquired by Montec in connection with the Offer or the formation or promotion of Montec, or in the Offer; or has been paid or agreed to be paid any amount or agreed to be given any other benefit, either to induce him to become, or to qualify him as a Director, or otherwise for services rendered by him in connection with the formation or promotion of Montec or the Offer.

Patersons Securities Limited have acted as Lead Manager and Underwriter to the Offer and Placement, in respect of which they will receive up to \$317,448.

Deacons have acted as lawyers to Montec in relation to the Offer and will receive approximately \$40,000 for legal services rendered to the Company in connection with the Offer.

4.12 Expenses of the Offer

The total expenses of the Offer payable by Montec are estimated as approximately \$394,000 in the event of the maximum subscription and \$243,000 in the event of the minimum subscription and the Placement proceeding. These expenses include listing fees, underwriting fees, legal fees, printing and other miscellaneous expenses and include payments made in respect of Section 4.11 above. They will be borne by Montec.

4.13 Application Monies and Interest

Moneys received from an applicant on account of New Shares offered under this Prospectus will, until those New Shares are issued, be held by Montec in a bank account established and kept by Montec for the purpose of depositing application moneys.

If, after the New Shares are issued, Montec remains liable to repay those moneys under section 723 of the Corporations Act, Montec will keep all application moneys in a separate account.

To the fullest extent permitted by law, each applicant agrees that such moneys do not bear interest as against Montec and that any interest earned in respect of the application moneys paid into that account or kept in the separate account belongs to Montec, irrespective of whether or not all or any of the New Shares applied for by that applicant are issued to that applicant.

4.14 Consents

The auditors of Montec, Grant Thornton (NSW) Chartered Accountants, consent to the references in Section 3 of this Prospectus to their review or audit (as the case may be) of the Consolidated Statement of Financial Position as at 31 December 2006, Consolidated Statement of Financial Performance for the year ended 30 June 2006 and the half year ended 31 December 2006 and the Consolidated Statement of Cash Flows for the year ended 30 June 2006 and the half year ended 31 December 2006, and to being named the auditors of the Company, in the form and context in which the references appear, and have not withdrawn their consent as at the date of lodgement of this Prospectus.

The Underwriter has consented to being named in this Prospectus in the form and context in which it is named and has not withdrawn its consent as at the date of lodgement of this Prospectus.

Deacons have consented to being named in this Prospectus in the form and context in which they are named and have not withdrawn their consent as at the date of lodgement of this Prospectus.

Registries Limited has consented to be named in this Prospectus in the form and context in which they are named and have not withdrawn their consent as at the date of lodgement of this Prospectus.

Each of the parties referred to in this Section:

- (1) does not make, or purport to make, any statement in this Prospectus, nor is any statement in this Prospectus based on any statement of those parties, other than as specified in this Section; and
- (2) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of the Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

4.15 Directors' Statement

Each Director has given, and has not withdrawn, before the date of this Prospectus, his consent to the lodgement of this Prospectus with the ASIC and to the issue of this Prospectus in accordance with section 720 of the Corporations Act.

Dated 20 March 2007

Glossary

\$ or A	Australian Dollars unless otherwise stated
ASIC	Australian Securities and Investments Commission
ASTC Settlement Rules	the rules of the securities clearing house which administers the CHESS system
ASX or Australian Stock Exchange	ASX Limited ACN 008 624 691
Attaching Options	one ASX quoted option for every Share subscribed under both the Placement and Rights Issue with an exercise price of \$0.10 and an expiry date of 30 June 2008, the terms of which are summarised in Section 4.4
Business Day	has the same meaning as in the Listing Rules
Capital Raising	the Placement and the Rights Issue
CHESS	the Clearing House Electronic Subregister System operated by the ASX Settlement & Transfer Corporation Pty Limited ACN 008 504 532
Closing Date	the date on which the Offer closes being 19 April 2007 or such other earlier or later date as determined by Montec
Company or Montec	Montec International Limited ABN 62 104 600 544
Completion	the date on which allotment of the last of the Rights Shares occurs in accordance with the Prospectus
Constitution	the constitution of Montec
Controller	any person described in section 9 of the Corporations Act
Corporations Act	<i>Corporations Act 2001 (Cth)</i>
Directors	the directors of Montec
Due Diligence Program	the legal, accounting, commercial and other investigations of the effect of the Offer on the Company and the rights and liabilities attaching to the New Securities conducted in the period up until Completion, as implemented by the Planning Memorandum adopted pursuant to a resolution of the board of directors of Montec
Due Diligence Results	the results of the investigations which make up the Due Diligence Program, as maintained by Montec

	including but not limited to all due diligence reports and reports of the due diligence committee (established in connection with the Offer), including all supporting documents and working papers to which the Due Diligence Program relates
Entitlement and Acceptance Form	the entitlement and acceptance form accompanying this Prospectus
Excluded Shareholders	Shareholders with registered addresses in jurisdictions outside of Australia and New Zealand
Event of Insolvency	(a) a receiver, manager, receiver and manager, trustee, administrator, Controller or similar officer is appointed in respect of a person or any asset of a person; (b) a liquidator or provisional liquidator is appointed in respect of a corporation; (c) any application (not being an application withdrawn or dismissed within 7 days) is made to a court for an order, or an order is made, or a meeting is convened or a resolution is passed, for the purpose of: (i) appointing a person referred to in paragraphs (a) or (b); (ii) winding up a corporation; or (iii) proposing or implementing a scheme of arrangement; (iv) any event or conduct occurs which would enable a court to grant a petition, or an order is made, for the bankruptcy of an individual or his estate under any Insolvency Provision; (v) a moratorium of any debts of a person, or an official assignment, or a composition, or an arrangement (formal or informal) with a person's creditors, or any similar proceeding or arrangement by which the assets of a person are subjected conditionally or unconditionally to the control of that person's creditors or a trustee, is ordered, declared, or agreed to, or is applied for and the application is not withdrawn or dismissed within 7 days; (vi) a person becomes, or admits in writing that it is, is declared to be, or is deemed under any applicable Act to be, insolvent or unable to pay its debts; or

	(vii) any writ of execution, garnishee order, mareva injunction or similar order, attachment, distress or other process is made, levied or issued against or in relation to any asset of a person
Force Majeure	any act of God, war, revolution, or any other unlawful act against public order or authority, an industrial dispute, a governmental restraint, or any other event which is not within the control of the parties
Listing Rules	the Australian Securities Exchange Listing Rules
Material Adverse Effect	(a) a material adverse effect on the outcome of the Offer or on the subsequent market for the Rights Shares (including, without limitation, matters likely to have a material adverse effect on a decision of an investor to invest in Rights Shares); or (b) a material adverse effect on the assets, condition, trading or financial position, performance, profits and losses, results, prospects, business or operations of the Company and its Subsidiaries either individually or taken as a whole; or (c) the Underwriter's obligations under the Underwriting Agreement becoming materially more onerous than those which exist at the date of the Underwriting Agreement; or (d) a material adverse effect on the tax position of either: (i) the Company and its Subsidiaries either individually or taken as a whole; or (ii) an Australian resident shareholder in Montec
Mono Premix	the stabilizer food product manufactured using the Mono-Premix formula
Mono-Premix formula	the formula by which mono-unsaturated oil is added to dairy products
New Securities	the New Shares and Attaching Options
New Shares	the Shares in Montec offered in this Prospectus
Notice	the notice of general meeting of the Company convening a general meeting of shareholders, amongst other things to approve the Placement

Offer	the offer of New Securities pursuant to this Prospectus
Official Quotation	the grant by ASX of "Official quotation" (as that term is used in the Listing Rules) of all the New Securities when allotted
Option	an option to subscribe for a Share
Placement	the placement of 11,500,000 Shares at \$0.05 per Share and 11,500,000 Attaching Options to clients of the Underwriter
Prescribed Occurrence	(a) a Relevant Company converting all or any of its shares into a larger or smaller number of shares; (b) a Relevant Company resolving to reduce its share capital in any way; (c) a Relevant Company (i) entering into a buy-back agreement; or (ii) resolving to approve the terms of a buy-back agreement under section 257C or 257D of the Corporations Act; (d) a Relevant Company making an issue of, or granting an option to subscribe for, any of its shares, or agreeing to make such an issue or grant such an option, other than the Placement as an issue or agreement to issue in accordance with the Offer or the terms of the Underwriting Agreement; (e) a Relevant Company issuing, or agreeing to issue, convertible notes; (f) a Relevant Company charging, agreeing to charge, the whole, or a substantial part, of its business or property; (g) a Relevant Company resolving that it be wound up; (h) the appointment of a liquidator or provisional liquidator to a Relevant Company; (i) the making of an order by a court for the winding up of a Relevant Company; (j) an administrator of a Relevant Company, being appointed under section 436A, 436B or 436C of the Corporations Act; (k) a Relevant Company executing a deed of

	company arrangement; or
	(l) the appointment of a receiver, or a receiver and manager, in relation to the whole, or a substantial part, of the property of a Relevant Company
Prospectus	this prospectus dated 20 March 2007
Record Date	5.00pm (Sydney time) on 28 March 2007
Related Bodies Corporate	has the same meaning as in the Corporations Act
Relevant Company	Montec and each Subsidiary
Rights	the Rights to subscribe for New Shares pursuant to the Offer
Rights Issue	a pro-rata renounceable rights issue of approximately 74.3 million New Shares on the basis of one New Share for every Share held at an issue price of \$0.05 per New Share with one Attaching Option for every New Share subscribed pursuant to this Prospectus
Rights Shares	the 74,316,002 Shares the subject of the Rights Issue, which may be increased to up to 78,908,502 if existing Options are exercised before the Record Date
Rights Trading Period	the period from 22 March 2007 to 4.00 pm on 12 April 2007 during which you may sell the balance of your Rights on the financial market operated by ASX
Share	a fully paid ordinary share in the capital of Montec
Share Registry	Registries Limited ABN 14 003 209 836
Shareholder	a holder of a Share
Shortfall	the difference between the total number of New Shares on offer under the Rights Issue and the number of New Shares applied for on the pro-rata (one for one) basis
Subsidiary	each company at the date of execution of the Underwriting Agreement or at the time of Completion is a subsidiary of the Company within the meaning of the Corporations Act
Underwriter or Patersons	Patersons Securities Limited ABN 69 008 896 311
Underwriting Agreement	The agreement between Montec and the Underwriter dated 20 March 2007, the terms of which are summarised in Section 4.6(1)
Underwritten Amount	\$1,200,000

Corporate Directory

Board of Directors

Terry Cuthbertson (Non-Executive Chairman)
Peter Herd (Managing Director)
Xueqin Du (Executive Director)
Lin Yuansheng (Non-Executive Director)
Jim Manny (Non-Executive Director)

Company Secretary

Nicholas Geddes

Registered Office

C/-Australian Company Secretaries Pty Limited
Level 5, NAB House
255 George Street
SYDNEY NSW 2000

Underwriter

Patersons Securities Limited
Level 23, Exchange Plaza
2 The Esplanade
PERTH WA 6000

Auditors

Grant Thornton (NSW) Chartered Accountants
Level 17, 383 Kent Street
SYDNEY NSW 2000

ASX Code

MTI

Lawyers

Deacons
Gold Fields House
1 Alfred Street
CIRCULAR QUAY NSW 2000

Share Registry

Registries Limited
Level 2
28 Margaret Street
SYDNEY NSW 2000