Rules 4.1, 4.3

Appendix 4D

Half yearly report

Introduced 30/6/2002.

Name of entity

Montec International Limited

ABN or equivalent company reference	Half yearly *(tick)*	Preliminary final *(tick)*	Half year/financial year ended ('current period')
62 104 600 544	√		31 December 2010

Results for announcement to the market

Extracts from this report for announcement to the market (see note 1).

Reporting period	Current 31 December 2010			Previous 31 December 2009
Revenues from ordinary activities	Down	29.5%	to	$74,729
Loss from ordinary activities after tax attributable to members	Down	0.4%	to	($247,402)
Net loss for the period attributable to members	Down	0.4%	to	($247,402)

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend Interim dividend	-¢	-¢
Previous corresponding period	-¢	-¢

NTA backing	Current period	Previous corresponding period
Net tangible asset backing per +ordinary security	($0.00027)	$0.002

If this is a half yearly report it is to be read in conjunction with the most recent annual financial report.

+ See chapter 19 for defined terms.

MONTEC INTERNATIONAL LIMITED
ACN 104 600 544
AND CONTROLLED ENTITIES

INTERIM REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

MONTEC INTERNATIONAL LIMITED
ACN 104 600 544
AND CONTROLLED ENTITIES

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MONTEC INTERNATIONAL LIMITED
ACN 104 600 544
AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Directors

The names of directors who held office during or since the end of the half-year:

Terry Cuthbertson	Non Executive Director, Chairman
Andrew Teoh	Managing Director
James Manny	Non Executive Director
Mei Zhan Yan	Non Executive Director (Resigned 21 October 2010)
Peter Herd	Non Executive Director
Phillip A Riolo	Alternate Director for James Manny
David Yu	Non Executive Director

Review of Operations

The consolidated entity's total comprehensive loss for the six months ended 31 December 2010 was $228,495 compared to a loss of $239,150 for the six months ended 31 December 2009.

The consolidated entity continued to engage in its principal activity being the marketing and licensing of dairy technology, the results of which are disclosed in the attached financial statements. Montec International Limited's focus is to co-ordinate the supply of Australia's premiums dairy products, including children's formula and ice cream, based on established strategic partnerships and extension into other premium food products. Business activities in the half-year ended 31 December 2010 have centred on business restructure and continued cost reduction, with a view to developing opportunities to export premium products and powders from Australia during 2010. A provision for these restructuring costs has been accrued at 31 December 2010.

During December 2010, the Company has implemented the corporate restructure plan and has reduced its expenditure to be more in line with the forecast revenues of 2011. The restructure of the business including scaling down both Chinese and Australian operations to the level of minimum presence, and termination notices have been issued to all employees. In addition, revised terms of employment have been negotiated and agreed with Sydney-based executive staff, which together with the announced office relocation provides further significant cost savings. The Company has also entered into payment schedules with regard to terminations and restructuring costs in line with its expected monthly cash receipts.

An impairment review of the patent resulted in a reversal of impairment provision of $115,000.

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the consolidated group for the half year ended 31 December 2010, apart from the corporate restructured noted above.

Events Subsequent to Reporting Date

On 9 January 2010, the Company terminated all staff and scaled down the operations both in Australia and China. The estimated costs relating to severance costs are $90,037, this was provided as at 31 December 2010. The Company has entered into agreed payment schedules with regard to termination and restructuring costs in line with its expected monthly cash receipts.

On 22 February 2011, the Company issued 46,459,360 ordinary shares at 0.15 cents and received $69,689.

MONTEC INTERNATIONAL LIMITED
ACN 104 600 544
AND CONTROLLED ENTITIES

Auditor's Independence Declaration

A copy of the auditor's independence declaration in relation to the review of the interim financial report for the half-year ended 31 December 2010 is shown on page 13 and forms part of this report.

This report is signed in accordance with a resolution of the Board of Directors.

Director

Andrew Teoh

Dated this 28th day of February 2011

MONTEC INTERNATIONAL LIMITED
ACN 104 600 544
AND CONTROLLED ENTITIES

STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Consolidated Group	
	31.12.10 $	**31.12.09 $**
Revenues	74,729	106,076
Raw materials sold/used	(23,794)	(4,303)
Employee benefits expenses	(255,364)	(139,127)
Advertising and marketing expenses	(818)	-
Compliance and professional fees	(54,955)	(65,641)
Administrative expenses	(40,330)	(102,438)
Travel expenses	(23,029)	(10,864)
Insurance expenses	(12,744)	(14,587)
Depreciation and amortisation expenses	(26,097)	(16,927)
Reversal of prior year impairment	115,000	-
Loss before income tax	(247,402)	(247,811)
Income tax expense	-	-
Loss for the period	(247,402)	(247,811)
Other comprehensive income		
Exchange differences on translating foreign operations, net of tax	18,907	8,661
Total comprehensive income for the period	(228,495)	(239,150)
Loss for the period attributable to members of the parent entity	(247,402)	(247,811)
Total comprehensive income for the period attributable to members of the parent entity	(228,495)	(239,150)
Basic and diluted loss per share (cents per share)	$(0.001)	$(0.001)

The financial statements should be read in conjunction with the accompanying notes.

MONTEC INTERNATIONAL LIMITED
ACN 104 600 544
AND CONTROLLED ENTITIES

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Consolidated Group	
	31.12.10 **$**	**30.06.10** **$**
CURRENT ASSETS		
Cash and cash equivalents	132,624	404,938
Trade and other receivables	46,768	55,762
Inventories	-	14,995
Other current assets	22,097	7,614
TOTAL CURRENT ASSETS	201,489	483,309
NON-CURRENT ASSETS		
Property, plant and equipment	-	14,293
Intangible assets	152,500	50,000
TOTAL NON-CURRENT ASSSETS	152,500	64,293
TOTAL ASSETS	353,989	547,602
CURRENT LIABILITIES		
Trade and other payables	198,187	238,841
Short-term provisions	88,432	12,896
TOTAL CURRENT LIABILITIES	286,619	251,737
TOTAL LIABILITIES	286,619	251,737
NET ASSETS	67,370	295,865
EQUITY		
Issued capital	20,131,221	20,131,221
Reserves	698,553	679,646
Accumulated losses	(20,762,404)	(20,515,002)
TOTAL EQUITY	67,370	295,865

The financial statements should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

			Reserves		
	Issued Capital	Retained Profits	Share Options	Foreign Exchange	Total
	$	$	$	$	$
Balance at 1 July 2009	19,629,084	(19,987,467)	541,166	133,454	316,237
Total comprehensive income for the period	-	(247,811)	-	8,661	(239,150)
Shares issued during the year	502,137	-	-	-	502,137
Balance at 31 December 2009	20,131,221	(20,235,278)	541,166	142,115	579,224
Balance at 1 July 2010	20,131,221	(20,515,002)	541,166	138,480	295,865
Total comprehensive income for the period	-	(247,402)	-	18,907	(228,495)
Balance at 31 December 2010	20,131,221	(20,762,404)	541,166	157,387	67,370

The financial statements should be read in conjunction with the accompanying notes.

MONTEC INTERNATIONAL LIMITED
ACN 104 600 544
AND CONTROLLED ENTITIES

STATEMENT OF CASH FLOW
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Consolidated Group	
	31.12.10 **$**	**31.12.09** **$**
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	70,653	111,612
Payments to suppliers and employees	(347,941)	(303,495)
Interest received	4,974	6,706
Net cash used in operating activities	(272,314)	(185,177)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	619,458
Transaction costs	-	(106,395)
Net cash provided by financing activities	-	513,063
Net (decrease)/ increase in cash held	(272,314)	327,886
Cash at start of period	404,938	362,430
Cash at end of period	132,624	690,316

The financial statements should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

NOTE 1: BASIS OF PREPARATION

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting, compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2010 and any public announcements made by Montec International Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the consolidated and are consistent with those applied in the 30 June 2010 annual report, unless otherwise stated.

a. **Going Concern**

Notwithstanding the net loss for the half-year and the accumulated losses for the consolidated group, and uncertainty surrounding the ability of the consolidated entity to continue as a going concern the directors have prepared the financial statements on a going concern basis, as the directors have a number of strategies in progress to generate revenues from operations, reduce costs, realise assets and raise additional finance, including:

1. The directors have performed a review of the cash flow forecasts and have considered the cash flow needs of the company and consolidated group, including their ability to reduce the level of cash expenditure if required to do so. The corporate restructuring plan has been implemented by the company during the half year to 31 December 2010, which involved the reduction of business operations both in China and Australia. In addition, the Company has entered into payment schedules with regard to termination and restructuring costs in line with its expected monthly cash receipts.
2. Directors have initiated discussions with a number of parties that have expressed interest in supporting the Company with its capital requirements. At this time no financial commitment is contracted. However, should sufficient and appropriate capital not be available to the company on a timely basis, the Company would operate on existing capital reserves combined with the ongoing licensing arrangement with Dairy Farmers which has provided a monthly income stream historically. Furthermore, on 22 February 2011, the Company issued 45,459,630 shares at 0.15 cents and received $69,689 in cash to its bank account.

Based on this review, the directors are satisfied that there are no material uncertainties that could cast doubt on the company’s and consolidated entity’s ability to meet their debts as they fall due or payable for a period of at least twelve months from the date of this report and hence the going concern basis of accounting is appropriate and has been used in the preparation of this financial report.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

NOTE 2: LOSS FROM ORDINARY ACTIVITIES

	Consolidated Group	
	31.12.2010	31.12.2009
	$	$
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
Depreciation of non-current assets:		
-plant and equipment	(2,595)	(4,427)
Amortisation of non-current assets:		
-patents and acquired rights	(12,500)	(12,500)
Rental expense on property	-	(17,750)
Foreign currency translation gains/(losses)	(1,300)	(102)
Impairment write down of investments	(5,007)	-
Impairment of Property, Plant and Equipment	(11,002)	-
Other expenses:		
- (Loss)/gain on disposals	-	(3,492)
Reversal of prior year intangible asset impairment	115,000	-

NOTE 3: DIVIDENDS

No dividends were declared or paid in the period.	-	-
	-	-

NOTE 4: SEGMENT INFORMATION

Identification of reportable segments

Montec International Limited has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group has only one line of business, that being the sale and marketing of monounsaturated dairy technology and products in Australia and China. Operating segments are therefore determined on the same basis.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Inter segment transactions

Segment revenues, expenses and results include transfers between segments. The prices charged on inter-segment transactions are the same as those charged for similar goods to parties outside of the consolidated group at an arm's length. These transfers are eliminated on consolidation.

NOTE 4: SEGMENT INFORMATION (CONTINUED)

Segment assets

Assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis.

Segment liabilities

Liabilities consist principally of accounts payable, employee entitlements, accrued expenses, provisions and borrowings.

	Australia $	China $	Eliminations $	Consolidated Group $
Six months ended 31 Dec 2010				
REVENUE				
External sales	68,700	6,029	-	74,729
Total sales revenue	68,700	6,029	-	74,729
Total revenue				74,729
SEGMENT RESULT				
Expenses	(242,991)	(79,140)	-	(322,131)
Loss before income tax expense				(322,131)
Income tax expense				-
Loss after income tax expense				(247,402)
ASSETS				
Segment assets	231,435	371,877	(249,323)	353,989
Total assets	231,435	371,877	(249,323)	353,989
LIABILITIES				
Segment liabilities	161,298	374,644	(249,323)	286,619
Total liabilities	161,298	374,644	(249,323)	286,619
OTHER				
Depreciation and amortisation of segment assets	14,315	780	-	15,095
OTHER NON-CASH SEGMENT EXPENSES				
Impairment of property, plant and equipment	7,070	3,932	-	11,002

NOTE 4: SEGMENT INFORMATION (CONTINUED)

	Australia $	China $	Eliminations $	Consolidated Group $
Six months ended 31 Dec 2009				
REVENUE				
External sales	97,786	8,290	-	106,076
Total sales revenue	97,786	8,290	-	106,076
Total revenue				106,076
SEGMENT RESULT				
Expenses	(292,034)	(61,853)	-	(353,887)
Loss before income tax expense				(247,811)
Income tax expense				-
Loss after income tax expense				(247,811)
ASSETS				
Segment assets	755,950	359,630	(245,390)	870,190
Total assets	755,950	359,630	(245,390)	870,190
LIABILITIES				
Segment liabilities	151,390	384,966	(245,390)	290,966
Total liabilities	151,390	384,966	(245,390)	290,966
OTHER				
Depreciation and amortisation of segment assets	14,490	2,437	-	16,927
OTHER NON-CASH SEGMENT EXPENSES				
Impairment of property, plant and equipment	-	-	-	-

Major customer

The Group supplies one single customer in the Australia segment which accounts for 92% of external revenue (2009: 92%).

NOTE 5: CONTINGENT LIABILITIES

There are no contingent assets or contingent liabilities as at 31 December 2010.

MONTEC INTERNATIONAL LIMITED
ACN 104 600 544
AND CONTROLLED ENTITIES

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 4 to 11 are in accordance with the Corporation Act 2001, including:

    a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and

    b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date.

2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director

Andrew Teoh

Dated this 28th day of February 2011

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Auditor's Independence Declaration
To The Directors of Montec International Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Montec International Limited for the half-year ended 31 December 2010, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C F Farley
Director – Audit & Assurance

Sydney, 28 February 2011

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Independent Auditor's Review Report
To the Members of Montec International Limited

We have reviewed the accompanying half-year financial report of Montec International Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Montec International Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Montec International Limited is not in accordance with the Corporations Act 2001, including:

a giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C F Farley
Director – Audit & Assurance

Sydney, 28 February 2011