

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	<input checked="" type="checkbox"/>	<input type="checkbox"/>	31 December 2011

Results for announcement to the market

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

Reporting period	Current 31 December 2011	Previous 31 December 2010
Revenues from ordinary activities	Down 18.0%	to \$61,268
Loss from ordinary activities after tax attributable to members	Down 88.1%	to (\$29,565)
Net loss for the period attributable to members	Down 80.1%	to (\$45,404)
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	(\$0.00012)	(\$0.00027)

This is a half yearly report, 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 2011

**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
James Manny	Non Executive Director
Peter Herd	Non Executive Director
David Yu	Non Executive Director

Review of Operations

The consolidated entity's total comprehensive loss for the six months ended 31 December 2011 was \$29,565 compared to a loss of \$247,402 for the six months ended 31 December 2010.

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. Business activities in the half-year ended 31 December 2011 have centred to investigate investment opportunities and continued cost reduction.

On 29 July 2011 the Company entered into a Convertible Note Agreement with Malachite Resources Limited (ASX: MAR) which would have provided the Company and shareholders a commercial return and the opportunity for the Company to investigate potential opportunities that may exist to acquire one or more projects currently owned by MAR. Subsequently, the Convertible Note Agreement was terminated on the basis that the Company was unable to obtain the required regulatory approvals to proceed with the subscription of convertible notes in MAR.

On 26 August 2011 the Company entered into a Convertible Note Agreement to raise \$200,000 to be applied to the working capital needs of the Company. The Convertible Notes is issued for 18 months, with interest at 12% per annum payable quarterly in arrears and convertible to ordinary shares at \$0.0025 per share.

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 2011.

Events Subsequent to Reporting Date

There were no material events subsequent to reporting date.

**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 2011 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



Terry Cuthbertson

Dated this 28th day of February 2012

MONTEC INTERNATIONAL LIMITED
ACN 104 600 544
AND CONTROLLED ENTITIES

STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Consolidated Group	
	31.12.11	31.12.10
	\$	\$
Revenues	61,268	74,729
Raw materials sold/used	-	(23,794)
Employee benefits expenses	-	(255,364)
Advertising and marketing expenses	-	(818)
Compliance and professional fees	(67,144)	(54,955)
Administrative expenses	(12,595)	(40,330)
Travel expenses	(611)	(23,029)
Insurance expenses	(11,895)	(12,744)
Borrowing costs	(23,033)	-
Depreciation and amortisation expenses	(50,833)	(26,097)
Reversal of prior year impairment	-	115,000
Reversal of accruals and payables	81,278	-
Write down of investments	(6,000)	-
Loss before income tax	(29,565)	(247,402)
Income tax expense	-	-
Loss for the period	(29,565)	(247,402)
Other comprehensive income		
Exchange differences on translating foreign operations, net of tax	(15,839)	18,907
Total comprehensive income for the period	(45,404)	(228,495)
Loss for the period attributable to members of the parent entity	(29,565)	(247,402)
Total comprehensive income for the period attributable to members of the parent entity	(45,404)	(228,495)
Basic and diluted loss per share (cents per share)	(0.013)	(0.080)

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 2011**

	Consolidated Group	
	31.12.11	30.06.11
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	226,794	130,529
Trade and other receivables	37,083	31,137
Other current assets	20,901	4,639
Financial assets	350,000	-
TOTAL CURRENT ASSETS	634,778	166,305
NON-CURRENT ASSETS		
Financial assets	-	350,000
Intangible assets	49,310	100,144
TOTAL NON-CURRENT ASSETS	49,310	450,144
TOTAL ASSETS	684,088	616,449
CURRENT LIABILITIES		
Trade and other payables	104,944	163,163
Short-term provisions	21,328	50,066
Financial liabilities	350,000	-
TOTAL CURRENT LIABILITIES	476,272	213,229
NON-CURRENT LIABILITIES		
Financial liabilities	200,000	350,000
TOTAL NON-CURRENT LIABILITIES	200,000	350,000
TOTAL LIABILITIES	676,272	563,229
NET ASSETS	7,816	53,220
EQUITY		
Issued capital	20,200,910	20,200,910
Reserves	139,783	155,622
Accumulated losses	(20,332,877)	(20,303,312)
TOTAL EQUITY	7,816	53,220

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

MONTEC INTERNATIONAL LIMITED
ACN 104 600 544
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STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Issued Capital	Retained Profits	Reserves		Total
			Share Options	Foreign Exchange	
	\$	\$	\$	\$	\$
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
Balance at 1 July 2011	20,200,910	(20,303,312)	-	155,622	53,220
Total comprehensive income for the period	-	(29,565)	-	(15,839)	(45,404)
Balance at 31 December 2011	20,200,910	(20,332,877)	-	139,783	7,816

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 2011

	Consolidated Group	
	31.12.11	31.12.10
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	39,351	70,653
Payments to suppliers and employees	(139,936)	(347,941)
Interest paid	(23,033)	-
Interest received	19,883	4,974
	<hr/>	<hr/>
Net cash used in operating activities	(103,735)	(272,314)
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
	<hr/>	<hr/>
Net cash provided by investing activities	-	-
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of notes	200,000	-
	<hr/>	<hr/>
Net cash provided by financing activities	200,000	-
	<hr/>	<hr/>
Net increase/(decrease) in cash held	96,265	(272,314)
Cash at start of period	130,529	404,938
	<hr/>	<hr/>
Cash at end of period	226,794	132,624
	<hr/>	<hr/>

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

MONTEC INTERNATIONAL LIMITED
ACN 104 600 544
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 1: BASIS OF PREPARATION

The condensed interim consolidated financial statements of the Group are for the six months ended 31 December 2011 and are presented in Australian dollar (\$), which is the functional currency of the parent company. These general purpose interim financial statements have been prepared in accordance with the requirements of the Corporation Act 2001 and AASB 134 Interim Financial Reporting. They do not include all of the information required in annual financial statements in accordance with AIFRS, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2011 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Stock Exchange Listing Rules and the Corporation Act 2011.

The interim financial statements have been approved and authorised for issue by the board of directors on 28 February 2012.

The accounting policies have been consistently applied by the consolidated entity and are consistent with those applied in the 30 June 2011 annual report, unless otherwise stated.

a. Going Concern

The financial report has been prepared on the basis of a going concern notwithstanding, the consolidated group incurred a loss of \$29,565 during the half-year ended 31 December 2011, and had net cash used in operating activities of \$103,735. The cash flow projections of the consolidated entity evidence that the consolidated entity will require positive cash flows from additional capital or financing to continue operations. The Directors anticipate the funding provided will be sufficient to cover its liabilities when they fall due.

The consolidated group's ability to continue as a going concern is contingent upon successfully raising additional capital. Whilst the directors are confident of raising funds either through a capital raising or financing, should the need arise, if additional funds are not generated or raised, the going concern basis may not be appropriate. As a result the consolidated group may have to realise its assets and discharge its liabilities, other than in the ordinary course of business and in amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report

Whilst there is significant uncertainty, the directors consider it appropriate to prepare the accounts on a going concern basis as they are satisfied that, based on the cash flow forecasts prepared including receipts from future fund raising, the consolidated group will be able to meet its debts as and when they become due and payable for a period of at least 12 months from the date of this report.

MONTEC INTERNATIONAL LIMITED
ACN 104 600 544
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NOTE 2: LOSS FROM ORDINARY ACTIVITIES

	Consolidated Group	
	31.12.2011	31.12.2010
	\$	\$
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)
Amortisation of non-current assets:		
-patents and acquired rights	(50,833)	(12,500)
Foreign currency translation gains/(losses)	(1,300)	(1,300)
Impairment write down of investments	(6,000)	(5,007)
Impairment of Property, Plant and Equipment	-	(11,002)
Other expenses:		
Reversal of prior year intangible asset impairment	-	115,000
Reversal of accruals and payables	81,278	-

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.

MONTEC INTERNATIONAL LIMITED
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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 2011				
REVENUE				
External sales	61,268	-	-	61,268
Total sales revenue	61,268	-	-	61,268
Total revenue				61,268
SEGMENT RESULT				
Expenses	(169,151)	78,318	-	(90,833)
Loss before income tax expense				(29,565)
Income tax expense				-
Loss after income tax expense				(29,565)
ASSETS				
Segment assets	681,085	3,003	-	684,088
Total assets	681,085	3,003	-	684,088
LIABILITIES				
Segment liabilities	633,612	314,268	(271,608)	676,272
Total liabilities	633,612	314,268	(271,608)	676,272
OTHER				
Depreciation and amortisation of segment assets	50,833	-	-	50,833
OTHER NON-CASH SEGMENT EXPENSES				
Impairment of Investments	6,000	-	-	6,000

MONTEC INTERNATIONAL LIMITED
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NOTE 4: SEGMENT INFORMATION (CONTINUED)

	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				(247,402)
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

Major customer

The Group supplies one single customer in the Australia segment which accounts for 91% of external revenue (2010: 92%).

NOTE 5: CONTINGENT LIABILITIES

There are no contingent assets or contingent liabilities as at 31 December 2011.

**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 2011 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

Terry Cuthbertson

Dated this 28th day of February 2012

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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 2011, 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 AUDIT PTY LTD
Chartered Accountants



C F Farley
Partner - Audit & Assurance

Sydney, 28 February 2012

Grant Thornton Audit Pty Ltd
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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 2011, 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 2011 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.

Significant uncertainty regarding going concern

Without qualifying our conclusion, we draw attention to Note 1(a) in the financial report which indicates that the consolidated entity incurred a net loss of \$29,565, and had net cash used in operating activities of \$103,735 during the half-year ended 31 December 2011. These conditions, along with other matters as set forth in Note 1(a), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



C F Farley
Partner – Audit & Assurance

Sydney, 28 February 2012