Rules 4.3A

Appendix 4E

Preliminary Final Report

Name of entity

Blaze International Limited

ACN	Reporting Period	Previous Corresponding Period
074 728 019	Year ended 30 June 2005	Year ended 30 June 2004

Results for announcement to the market

				$A'000
Revenues from ordinary activities	Down	31%	to	144
Loss from ordinary activities after tax attributable to members	Up	376%	to	(1,399)
Loss for the period attributable to members	Up	376%	to	(1,399)

Dividends (distributions)	Amount per security	Franked amount per security
Final and interim dividend	None	- ¢
Record date for determining entitlements to the dividend	N/A	

Brief Explanation of Revenues and Earnings

The drop in sales revenues results from lower licence fees and software sales, and falling service fee income. Expenditure has increased due to focus on developing and commercialising the PIXe compression technology, resulting in increased losses for the year.

Commentary

Overview

The consolidated loss after income tax for the year ended 30 June 2005 was $1,399,272 (2004: $293,722).

The loss per share was 0.94 cents (2004: 0.3 cents).

Significant Changes

The following significant changes occurred during the financial year;

a) On 12 November 2004, the Company issued 114 million options (exercisable at 10 cents each on or before 30 June 2007) at 0.25 cents each to raise $285,000. The proceeds from the option issue were used to proceed with the PIXe opportunity, further commercialise the development of the Company's 'Famous 3d' products and for working capital.

b) On 21 January 2005, the Company issued 15,384,618 shares at a price of 6.5 cents each to raise $1,000,000 in accordance with the terms for the acquisition of the entire share capital in PIXe Pty Ltd ("PIXe"). 15,384,618 free attaching options (listed class, BLZO) were issued with the ordinary shares. The funds raised were used for the development of the PIXe technology.

c) On 21 January 2005, the Company acquired the entire share capital in PIXe and issued to the vendors as purchase consideration

   i. 50,000,000 fully paid ordinary shares;
   ii. 25,000,000 options to subscribe for fully paid ordinary shares at an exercise price of 10 cents each on or before 30 June 2007 (listed class, BLZO);
   iii. 50,000,000 Class A Incentive Shares and 50,000,000 Class B Incentive Shares.

d) On 21 January 2005, the Company issued 300,000 shares at an issue price of 6.5 cents each in satisfaction of fees for corporate advisory services rendered to the Company.

Results Comparison and Activity Analysis

The increased loss during the year is primarily due to the focus on the development of the newly acquired PIXe compression technology. Technical, legal and other professional costs were incurred as the Company progressed the development of PIXe with a view to ultimately commercialising its use as a compression technology that is compatible with other established technologies.

Blaze has two distinct areas of business:

- **Famous 3D:** This fully developed suite of animation tools provides low-cost solutions to capture facial expressions with lip synchronization to bring animated characters to life.

- **PIXe:** PIXe is a unique compression technology that Blaze is developing and commercializing.

Famous 3d

After four years of on-going development, Famous 3d has had an encouraging year with the on-going commercialisation of its core products for the mobile and PC markets. In 2004 Blaze announced its first licencing arrangement with OKI for the lucrative Japanese mobile markets. Since this announcement, and following a select number of presentations in the Asia Pacific region, the demand for the Famous 3d products has steadily grown. In the first half of 2005, Blaze generated significant interest from potential partners and active discussions are now underway with prospective partners in Korea, China and an early adopter in Europe. This level of interest is an indication of early market propensity to market and sell the products on the back of the global $1bn ring-tone industry.

It is envisaged that a series of new licensing arrangements will be completed in the first half of the new financial year.

PIXe

Blaze announced a milestone based acquisition of PIXe in November 2004. PIXe is a unique pre-compression filter for distribution of video especially over low bandwidth environments. The Company believes the PIXe pre-compression filter is unique for two primary reasons:

- It relies on an extremely low computational automated process based optics rather than mathematics
- It is a compatible, not replacement, technology deliberately positioned to work with any standard or proprietary CODECS.

As a compatible CODEC, PIXe is expected to add significant value to the Video Compression industry and open up a series of new markets not currently being serviced. Examples include the 2.0 and 2.5G Mobile Telephony markets where video transmission is very limited due to bandwidth requirements and processing capacity of the phones. PIXe can already demonstrate applications running on these mobile devices.

PIXe will exist principally in the Video Transmission sector with possible applications in the production and storage markets. The Video Transmission market for PIXe is fundamentally divided into two parts:

- Medium to High Band width Applications: Mature with a total market value of approximately US$600M per annum
- Low Band Width Applications: Immature with a total market value of around US$2Bn

Blaze has already commissioned a PIXe development centre in Delhi, India, where all future development will be carried out. This location was selected due to its abundance of affordable Video Compression skills and global neutrality in terms of distribution.

The PIXe go to market strategy involves using partner companies to exploit PIXe. Targets include:

- Mobile Phone Handset/chipset manufacturers
- Server Companies to embed the CODEC into the Video Encoding Processes
- CODEC investors like MPEG Patent Holders

In parallel, Blaze is exploring the merits of becoming part of the MPEG [and other standards] licensing.

Blaze remains in active discussions with a number of the largest ICT companies in North America. Early presentations have also been made to key ICT companies in India, China, Japan, Korea and Europe. To date every company that has been introduced to PIXe has been impressed with the invention and the market proposition and Blaze continues to actively engage about possible alliances.

Consolidated statement of financial performance

	30 June 2005 $	30 June 2004 $
Sales revenue	108,506	161,630
Cost of sales	(10,329)	(46,033)
Gross profit	98,177	115,597
Other revenues	35,188	47,946
Employment, consulting and other professional fees	(864,865)	(481,695)
Marketing expenses	(512,245)	(6,447)
Occupancy expenses	(41,682)	(41,432)
Overseas representation expenses	(15,203)	(9,384)
Borrowing costs	(3,154)	(792)
Shareholder expenses	(62,662)	(30,718)
Communication expenses	(26,399)	(37,907)
Depreciation	(7,304)	(6,357)
Other expenses	(42,828)	(20,984)
Share of net losses of associate accounted for using the equity method	(41,505)	-
Loss from ordinary activities before tax	**(1,484,482)**	**(472,173)**
Income tax benefit on ordinary activities *(see Note 2)*	85,210	178,451
Loss from ordinary activities after tax	**(1,399,272)**	**(293,722)**
Net loss for the period attributable to members	**(1,399,272)**	**(293,722)**
Total changes in equity not resulting from transactions with owners as owners	**(1,399,272)**	**(293,722)**
Basic earnings (loss) per share	(0.94) cents	(0.3) cents
Diluted earnings (loss) per share	(0.94) cents	(0.3) cents

Revenue from ordinary activities

	30 June 2005 $	30 June 2004 $
Revenue from sales of product	25,501	52,923
Rendering of services revenue	46,897	108,707
Revenue from Licence fees	36,108	-
Total sales revenue	108,506	161,630
Export market development grants	14,826	34,165
Interest revenue	20,362	13,781
Total other revenues	35,188	47,946
Total revenues	**143,694**	**209,576**

Retained profits (accumulated losses)

	30 June 2005 $	30 June 2004 $
Retained profits (accumulated losses) at the beginning of the financial period	(19,245,161)	(18,951,439)
Net loss attributable to members	(1,399,272)	(293,722)
Retained profits (accumulated losses) at the end of the financial period	**(20,644,433)**	**(19,245,161)**

Consolidated statement of financial position

	Note	30 June 2005 $	30 June 2004 $
Current assets			
Cash		210,690	432,945
Receivables	2	241,036	198,275
Other		42,273	32,425
Total current assets		**493,999**	**663,645**
Non-current assets			
Other financial assets (PIXe Pty Ltd investment)		-	50,000
Technology Asset - PIXe		8,824,144	-
Plant and equipment		18,359	6,203
Total non-current assets		**8,842,503**	**56,203**
Total assets		**9,336,502**	**719,848**
Current liabilities			
Payables		244,369	53,808
Provisions (Employee entitlements)		42,766	61,387
Total current liabilities		**287,135**	**115,195**
Non-current liabilities			
Payables	3	559,120	561,283
Total non-current liabilities		**559,120**	**561,283**
Total liabilities		**846,255**	**676,478**
Net assets (liabilities)		**8,490,247**	**43,370**
Equity			
Contributed equity	6	27,558,131	19,288,531
Reserves	7	1,576,549	-
Accumulated losses		(20,644,433)	(19,245,161)
Total equity		**8,490,247**	**43,370**

Consolidated statement of cash flows

	30 June 2005 $	30 June 2004 $
Cash flows from operating activities		
Receipts from customers	121,907	190,939
Payments to suppliers and employees	(1,490,735)	(826,700)
Interest received	19,695	17,080
Interest and other costs of finance paid	(3,200)	(746)
Other – Income tax refund	84,812	108,236
Other – GST receipts	42,596	32,162
Net operating cash flows *(see note 5)*	**(1,224,925)**	**(479,029)**
Cash flows from investing activities		
Payment for purchases of property, plant and equipment	(13,937)	(2,867)
Payments for equity investments	(250,000)	(50,000)
Cash introduced on acquisition of controlled entity	23,755	-
Repayments to other entities	(3,197)	(4,811)
Net investing cash flows	**(243,379)**	**(57,678)**
Cash flows from financing activities		
Proceeds from issue of shares and options	1,285,000	835,500
Cost of issue of shares and options	(38,951)	(41,775)
Net financing cash flows	**1,246,049**	**793,725**
Net increase (decrease) in cash held	**(222,255)**	**257,018**
Cash at beginning of period *(see Note 4)*	432,945	175,927
Cash at end of period (see Note 4)	**210,690**	**432,945**

Non-cash financing and investing activities

On 21 January 2005, the Company acquired the entire share capital in PIXe Pty Ltd and issued to the vendors as purchase consideration:

- 50,000,000 fully paid ordinary shares at 7 cents;
- 25,000,000 options to subscribe for fully paid ordinary shares at an exercise price of 10 cents each on or before 30 June 2007 (listed class, BLZO) at 2.9 cents; and
- 50,000,000 Class A Incentive Shares and 50,000,000 Class B Incentive Shares at .0001 cent each.

On 21 January 2005, the Company issued 300,000 shares at an issue price of 6.5 cents each in satisfaction of fees for corporate advisory services rendered to the Company.

1. Basis of Preparation

The preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

This report has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views, and other authoritative pronouncements of the Australian Accounting Standards Board. The accounting policies are consistent with those of the previous period unless stated otherwise.

Implementation of Australian Equivalents of International Financial Reporting Standards ('AIFRS')

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group will issue abstracts corresponding to International Accounting Standards Board (IASB) interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee.

The adoption of AIFRS will be first reflected in the consolidated entity's financial statements for the half-year ended 31 December 2005 and the year ending 30 June 2006.

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

The consolidated entity's management has analysed most of the AIFRS and has identified a number of accounting policy changes that will be required. In some cases choice of accounting policies are available, including elective exemptions under Accounting Standard AASB 1 *First – time Adoption of Australian Equivalents to International Financial Reporting Standards*. Some of these choices are still being analysed to determine the most appropriate accounting policy for the consolidated entity.

The known or reliably estimable impacts on the financial report for the year ended 30 June 2005 had it been prepared using AIFRS are set out below. The expected financial effects of adopting AIFRS are shown for each key area. Although the adjustments disclosed in this note are based on managements' best knowledge of expected standards and interpretations, and current facts and circumstances, these may change due to:

1) Amended or additional standards or interpretations may be issued by the AASB and the IASB; and
2) Emerging accepted practice in the interpretation and application of AIFRS and Urgent Issues Group (UIG) Interpretations.

Therefore, until the consolidated entity prepares its full AIFRS financial statements, the possibility cannot be excluded that the major changes shown below may have to be adjusted.

i. Equity-based compensation benefits

Under AASB 2 *Share-based Payment*, equity-based compensation to employees will be recognised as an expense in respect of the services received.

The consolidated entity has elected to adopt the exemption under AASB 1 *First – time Adoption of Australian Equivalents to International Financial Reporting Standards* and has not valued options issued to employees after 7 November 2002 which vested before 1 January 2005. Under AASB 2 *Share-based Payment*, equity-based compensation to employees that vested after 1 January 2005 will be recognised as an expense in respect of the services received.

Implementation of Australian Equivalents of International Financial Reporting Standards ('AIFRS') – continued

i. Equity-based compensation benefits - continued

This will result in a change to the current accounting policy, under which no expense is recognised for equity-based compensation.

Management have estimated an expense of $306,000 will be required to be recognised in the statement of financial performance for the year ended 30 June 2005 with a corresponding credit made to an option reserve in equity for comparative purposes.

ii. *Intangible Assets*

Under Accounting Standard AASB 138 'Intangible Assets' the depreciable amount of an intangible asset with a finite useful life shall be allocated on a systematic basis over its useful life. Amortisation shall begin when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The Directors believe that the PIXe compression technology asset that was acquired during the year is still in the development stage and therefore no amortisation will be charged for the year ended 30 June 2005.

iii. *Impairment of Assets*

Under Accounting Standard AASB 136 'Impairment of Assets', the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the Company's current accounting policy, which determines the recoverable amount of an asset on the basis of undiscounted cash flows.

Whilst a full assessment has not yet been performed, management do not believe that any assets were impaired on transition or at 30 June 2005.

iv. Presentation of Financial Statements

There will be presentation impact as required under various standards. Key impacts include:

Under AIFRS, government grants and interest revenue are classified as other income. This is in contrast to the current Australian GAAP treatment under which such items are classified as revenue. This will require a reclassification in the financial statements.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to AIFRS, as not all standards have been analysed as yet, and some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify all of the impacts of the transition to AIFRS on the consolidated entity's financial position and reported results.

2. Research and Development Tax Concession

The Company has recognised an income tax benefit in 2005 of $85,210 (2004: $178,451). This relates to tax refunds expected to arise from the Company's expenditure on research and development activities qualifying for tax concessions. This amount is included in the current receivables balance of $241,036 (2004: $198,275).

3. Payables

An amount due to Austrade totalling $561,283 (2004: $564,480) is included as both a current and non-current payable in the Statement of Financial Position. This Austrade payable, which incurs no interest, relates to a government export incentive received in a prior period. Repayments are calculated on the basis of 2% of actual sales revenue, and are capped at $120,000 per annum. The agreement expires on 30 June 2010 with no amounts payable after this date.

4. Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows:	30 June 2005 $	30 June 2004 $
Cash on hand and at bank	61,194	82,945
Deposits at call	149,496	350,000
Total cash at end of period	**210,690**	**432,945**

5. Reconciliation of loss after income tax to net cash provided by operating activities

	30 June 2005 $	30 June 2004 $
Operating loss after tax	(1,399,272)	(293,722)
Adjustments for non-cash income and expense items:		
Depreciation and amortisation	7,304	6,357
Doubtful Debts	1,612	-
Employee benefits provision	(18,621)	-
Foreign exchange loss	3,904	-
Share of associates' net loss	41,505	-
Changes in assets and liabilities:		
(Increase)/Decrease in assets:		
Receivables	(44,328)	(75,072)
Other assets	(30)	(24,682)
(Decrease)/Increase in liabilities:		
Payables	183,001	(92,622)
Other provisions and liabilities	-	712
Net cash flows from operating activities	(1,224,925)	(479,029)

6. Contributed Equity

	30 June 2005 $	30 June 2004 $
Share capital		
185,959,643 (2004: 120,275,025) fully paid ordinary shares	23,758,131	19,288,531
Unallotted shares (refer note below)	3,800,000	-
	27,558,131	19,288,531
Ordinary shares		
Movements during the year		
Balance at beginning of year	19,288,531	18,494,806
11,775,000 share placement at an issue price of 2 cents on 12 September 2003	-	235,500
30,000,000 share placement at an issue price of 2 cents on 27 February 2004	-	600,000
15,384,618 share placement at an issue price of 6.5 cents on 21 January 2005	1,000,000	-
300,000 shares issued at an issue price of 6.5 cents as payment for corporate services on 21 January 2005	19,500	-
50,000,000 shares issued at an issue price of 7 cents for acquisition of PIXe Pty Ltd on 21 January 2005	3,500,000	-
50,000,000 Class A incentive shares issued at an issue price of 0.0001 cent for acquisition of PIXe Pty Ltd on 21 January 2005	50	-
50,000,000 Class B incentive shares issued at an issue price of 0.0001 cent for acquisition of PIXe Pty Ltd on 21 January 2005	50	-
Transaction costs from capital raisings	(50,000)	(41,775)
Balance at the end of the period	23,758,131	19,288,531
Unallotted shares		
50,000,000 fully paid ordinary shares*	3,800,000	-

Note
On 21 January 2005, the Company acquired the entire share capital in PIXe and issued to the vendors as purchase consideration:

- 50,000,000 fully paid ordinary shares at 7 cents;
- 25,000,000 options to subscribe for fully paid ordinary shares at an exercise price of 10 cents each on or before 30 June 2007 (listed class, BLZO) at 2.9 cents;
- 50,000,000 Class A Incentive Shares and 50,000,000 Class B Incentive Shares at .0001 cent each.

*The obligation to issue 50,000,000 shares and 25,000,000 options (relating to Class A Incentive Shares) has been recognised in the financial statements at 30 June 2005 as a result of the satisfaction of the performance criteria for the PIXe technology to deliver streaming video in real time over a copper wire in March 2005. The market value of the shares used to value the transaction as at March 31 2005 was 7.6 cents and for the options was 2.3 cents. The actual allotment of the 50m shares and 25m options is not required until January 2006.

7. Reserves

	30 June 2005 $	30 June 2004 $
Reserves		
Option premium reserve	1,001,549	-
Unallotted options	575,000	-
	1,576,549	-
Option Premium Reserve		
Movements during the year		
Balance at beginning of year	-	-
114,000,000 Options at an issue price of 0.25 cents each pursuant to the Company's prospectus dated 13 October 2004	285,000	-
25,000,000 Options at an issue price of 2.9 cents each pursuant to the PIXe acquisition agreement	725,000	-
Transaction costs from capital raisings	(8,451)	-
Balance at the end of the period	1,001,549	-
Unallotted options		
25,000,000 Options – refer Note 6	575,000	-

8. Earnings per share (EPS)

	30 June 2005 $	30 June 2004 $
Earnings used in calculating basic and diluted earnings per share	(1,399,272)	(293,722)
Weighted average number of shares used as the denominator	149,068,282	98,090,394

9. Segment Reporting

The consolidated entity operates in Australia with principal activities covering computer software development.

10. NTA backing

	30 June 2005	30 June 2004
Net tangible asset backing per ordinary share	(0.18) cents	0.03 cent

11. Dividends

There were no dividends declared during the year and the directors do not recommend that any dividend be paid.

12. Dividend reinvestment plans

N/A.

13. Details of entities over which control has been gained or lost during the period

Control gained over entities having material effects	30 June 2005 $
Name of entity	PIXe Pty Ltd
Consolidated (loss) from ordinary activities after tax of the controlled entity since the date in the current period on which control was acquired	(681,272)
Date from which the loss has been calculated	21 January 2005
(Loss) from ordinary activities after tax of the controlled entity for the whole of the previous corresponding period	-

14. Details of associates and joint ventures

N/A.

15. Subsequent Events

No matter or circumstance has arisen since 30 June 2005 that has significantly affected, or may significantly affect:

(a) the consolidated entity's operations in future financial years, or
(b) the results of the operations in future financial years, or
(c) the consolidated entity's state of affairs in future financial years.

16. Audit

This report is based on accounts, which are in the process of being audited.

Sign here: (Director) Date: 13 September 2005

Print name: Peter Bartleet