

3 April 2006



The Manager
Australian Stock Exchange Ltd
Level 4, 20 Bridge Street
Sydney, NSW 2000

ACN 074 728 019

level 7, 257 collins street
melbourne, victoria, australia, 3000
p. +61 3 8617 4200 f. +61 3 8617 4242

By E-lodgement ~ ASX: Announcement

2006 Market Update

The Directors of Blaze are pleased to provide the following outlook statement. The statement outlines the plans for the Company and the on-going commercialisation of its key PIXe and Kemeleon assets in the forthcoming year.

1750 montgomery street
san francisco, california, usa, 94111
t. +1 415 835 9445 f. +1 415 954 7199

nagashima building #2, soto kanda 3-2-3
chiyoda-ku, tokyo, japan
t. +81 3 5298 6685 f. +81 3 5298 6259

PIXe

PIXe is a unique optical software process that compresses Video for use in either mobile or fixed line transmission markets. PIXe is being targeted initially at the mobile telephony market, particularly in lower bandwidth [2.0G and 2.5G] mass economies such as China, Russia and India, where the limited video transmission is substantially below broadcast quality.

Addressable mass markets for PIXe include:

- Asia [Inc China and India] : Over 1Bn Handsets
- South America : Over 500M Handsets
- Europe : Over 500M Handsets
- USA : Over 200M Handsets

Carriers, handset manufacturers and content providers remain the key targeted partners in these areas. This is because demand for video on mobile devices is increasing dramatically due to a number of factors:

- Mobile phone handsets and PDA's capable of creating and playing video content are becoming commonplace
- Carrier infrastructure is improving to an extent where carriers can support video content at acceptable rates
- Carriers are looking for alternate revenue sources as voice becomes more commoditised
- Increasing customer expectations coinciding with a greater range of content being made available.

The value proposition for PIXe in these markets is;

- Dramatically increase the video transmission to broadcast quality in lower bandwidth markets [2.0G and 2.5G]
- Reduce the wholesale bandwidth cost to the carrier in the higher, 3.0G and 4.0G, markets

These objectives should be achieved without the need for hardware changes to the mobile devices.



Kemeleon



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PIXe MPEG Compatibility

The company had several technical advances in 2005 and plans to integrate PIXe with the full MPEG product suite during 2006. This includes integration with the emerging video compression standard MPEG4 Part 10 [h.264]. This h.264 milestone, due for completion in Q3, 2006, is expected to add significant value to the PIXe proposition and will trigger a global release of the product.

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PIXe Market Trials

PIXe is currently working with Russia's largest mobile carrier [40M subscribers] Mobile Telesystems [MTS]. Testing has commenced and live trials are scheduled to be launched and completed in the second half of 2006. The trial will test PIXe's ability to significantly improve video transmission while working the existing MPEG technology platform in the GPRS [2.5G] bandwidths.

PIXe Market Development

The company remains in regular discussions with global leaders in the video compression markets with a view to establishing key distribution partnerships. These companies are leaders in both mobile telephony and video compression, specifically, MPEG patent holders. Initial distribution agreements will be developed over the next 6 - 12 months and they may include sponsorship into the MPEG patent suite. The key to cementing commercial relationships will be the successful h.264 compatibility milestone scheduled for completion in Q3 in 2006.

PIXe Patent Progress

The Company is currently completing a series of final pre-conditions for patent acceptance by the US Patent Office. Current indications are that the patent should be issued in 2006 with minimal changes and non-material amendments.

Unique Technology

BLAZE regularly monitors innovation and development in the global video compression markets. At this point in time, and to our knowledge, there are no other products released or in development, that will compete with PIXe as a complimentary technology to work with;

- Named industry standards;
- Adopted standards; and
- Patent Pools.



Kemeleon

Kemeleon

Kemeleon is a Mobile Messaging Service [MMS] portal and platform that exploits the use of animated 3D characters to communicate in the global mobile telephony markets ~ any time, any carrier, any MMS enabled handset. The Asian markets, specifically Japan, China and Korea, remain most attractive given their scale and rapid acceptance of character based communications and exponential take-up of MMS applications.

Business Model

Users will pay for use of the service via their mobile phone carrier of choice in the same way as consumers pay for an SMS service. Blaze will licence intermediaries (generally content aggregators who have existing relationships with the carriers) in major target markets and aim to capture a percentage of the revenue spend by the consumer

Technology Development

The underlying technology is in fact a re-branded feature set from our Famous 3d animation engine technology. The core technology is fully developed and only requires localised configuration¹ for each new language and market.

China

The joint venture in China, based in Hong Kong, is progressing well and early concept proposals have been favourably received in mainland China after just three months of marketing. The company expects to make two separate announcements specific to these markets in the near future.

The Chinese wireless market is one of the most attractive markets in the world due to the following attributes:

- Over 300M mobile handsets;
- Minimal Annual Growth rate of 15%; and
- Average MMS revenue per person of AUS\$5.00 per month.

Japan

Blaze proposes to deploy Kemeleon iMode Service in the second half of 2006. The Japanese market remains one of our most lucrative markets due to handset maturity and high revenue per user statistics.

Europe

The Company is currently in discussions with Europe's largest Mobile Telephony Content aggregator regarding representation into 18 active MMS country locations. Kemeleon has completed the first European customisation and languages can now be demonstrated. Blaze expects to begin active marketing in the European region in the second half of 2006.



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¹ Local language text to speech conversion, carrier and billing capabilities only.

Australia

The company expects to officially launch the Kemeleon service in early 2006. Users with MMS enabled phones [about 65% of all mobile handsets], will be able to send and receive Kemeleon styled MMS² animated messages to and from most carriers and networks.

Korea

The Korean carriers have yet to confirm their intention to launch the Kemeleon service in 2006. This is primarily due to eminent release of the new independent 4G [Satellite Enabled] mobile service.

By 2007 the company expects to be managing a global user base with incremental Kemeleon launches into USA, Europe and South East Asia though-out the upcoming year.

In summary the Directors are confident about the progress, value propositions and quality of our existing assets and look forward to updating the market as to the progress to commercialisation in coming months.

Please direct any enquiries regarding this outlook statement or any other company activities to the writer.

Peter Jon Hartshorne
Managing Director
0419591410
pjon@blazelimited.com



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² MMS = Mobile Multimedia Message Service