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BLAZE INTERNATIONAL LIMITED

ABN 15 074 728 019

ASX Preliminary Final Report
Appendix 4E

30 June 2007

Lodged with the ASX under Listing Rule 4.3A

Results for announcement to the market**Consolidated**

		2007 \$'000	2006 \$'000
Revenue from ordinary activities	Down 49%	159	312
Profit (Loss) before income tax	Up 139%	3,575	(9,299)
Profit (Loss) after tax attributable to members	Up 139%	3,575	(9,219)

Dividends	Amount per security \$	Franked amount per security \$
Final dividend	0	0
Interim dividend	0	0

Review of operations

Corporate

- The cancellation of unallotted shares and options amounting to \$4,375,000 was recorded as a result of a review of the milestones confirming that the conditions were not satisfied.
- The company completed a placement of 75,000,000 ordinary fully paid shares at an issue price of 2 cents each, together with 75,000,000 options exercisable at 5 cents on or before 31 August 2010, raising \$1,500,000. The funds will be used for proposed exploration expenditure in relation to the acquisition of Yeelirrie Minerals Ltd, a uranium exploration company and working capital for the current PIXE and KEMELEON projects.
- The Company completed the acquisition of Yeelirrie Minerals Ltd, the consideration being the allotment and issue of 75,000,000 ordinary fully paid shares and 37,500,000 options exercisable at 5 cents on or before 31 August 2010.

Operations

During the year the company continued with the commercialisation activities of its two Information Communications and Technology [ICT] developments and commenced work on the Yeelirrie uranium tenements:

1. PIXE Video Pre-compression CODEC

PIXE is a pre-compression filter that works alongside industry standard CODECS to improve the compression attributes of video transmission, especially targeting low bandwidth mobile and wireless sectors of the market.

During the year work concluded on the integration with the new industry standard MPEG4 h.264 and showed initial improvements in the 20%-25% band range. As previously reported, Directors are of the view further improvement will be required to make an impact on global markets.

The Alpha Version of PIXe for MPEG H.264 was also released for preliminary evaluation and the company has yet to assess the market reaction.

2. KEMELEON

Kemeleon is a Multimedia Messaging Platform and Service that utilises the original Famous 3d animation engine to produce character based MMS messages. Our initial target markets being Asian Mobile Telephony operators.

During the year, Kemeleon has been solely concentrating on monetising investments from its two selected Asian markets, Japan and China. Key activities have been:

- Completion of initial China Market Trial of over 100,000 MMS messages in collaboration with China Mobile.
- Completion of iMode [DoCoMo] Site in Japan for market release in early 2007.

Planned milestones for the upcoming half year include:

- China Mobile rollout to at least one province.
- DoCoMo iMode rollout and market launch

Kemeleon is also continuing to support the development and deployment of proprietary Video Conferencing application in partnership with the OKI Electric Company.

Directors have resolved to concentrate market activity to the Chinese and Japanese markets in the short term whilst ascertaining the future direction for the product

3. YEELIRRIE MINERALS LTD

Following completion of the acquisition of Yeelirrie Minerals Ltd, the company completed a detailed airborne radiometric-magnetic survey over the Yeelirrie uranium project area.

At both the Yeelirrie North and South prospects, the survey identified uranium enhanced sediments and source rocks (weathered granites) within tributaries of the main Yeelirrie channel.

These radiometrically anomalous tributaries within the tenement area will be followed up by geological reconnaissance, ground radiometric surveys and air core drill testing priority target areas.

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**Preliminary Consolidated Income Statement
For the Year ended 30 June 2007**

	Notes	2007 \$	2006 \$
Revenue	4	159,173	312,126
Other income	4	-	524,120
Cancellation of unallotted shares and options		4,375,000	-
Cost of sales		(1,273)	(26,572)
Operating expenses	5	(605,328)	(549,823)
Administrative expenses	5	(318,836)	(551,805)
Marketing expenses		(21,561)	(85,351)
Employee benefits expense		-	(85,123)
Depreciation and amortisation expenses		(11,982)	(8,873)
Finance costs		-	(3,846)
Impairment of intangible asset		-	(8,824,144)
Profit (Loss) before income tax		3,575,193	(9,299,291)
Income tax benefit		-	80,068
Net Profit (Loss) attributable to members of the parent entity		3,575,193	(9,219,223)
Basic profit (loss) per share (cents per share)	6	1.40	(4.58)

The accompanying notes form part of these financial statements.

**Preliminary Consolidated Balance Sheet
As at 30 June 2007**

	Notes	2007 \$	2006 \$
Current Assets			
Cash and cash equivalents		1,132,204	509,620
Trade and other receivables		137,463	243,428
Other current assets		21,573	26,892
Total Current Assets		1,291,240	779,940
Non-Current Assets			
Plant and equipment		24,079	16,151
Deferred exploration expenditure		3,643,382	-
Total Non-Current Assets		3,667,461	16,151
TOTAL ASSETS		4,958,701	796,091
Current Liabilities			
Trade and other payables		125,625	194,208
Total Current Liabilities		125,625	194,208
Non-Current Liabilities			
Deferred tax liability		1,062,279	-
Total Non-Current Liabilities		1,062,279	-
TOTAL LIABILITIES		1,187,904	194,208
NET ASSETS		3,770,797	601,883
Equity			
Issued capital	9	28,725,309	28,935,338
Reserves		1,639,951	1,836,201
Accumulated losses		(26,594,463)	(30,169,656)
TOTAL EQUITY		3,770,797	601,883

The accompanying notes form part of these financial statements.

**Preliminary Consolidated Statement of Changes in Equity
For the Year ended 30 June 2007**

	Share Capital Ordinary	Unallotted Shares	Retained Earnings	Option Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2005	23,758,131	3,800,000	(20,950,433)	1,882,549	8,490,247
Loss attributable to members of parent entity	-	-	(9,219,223)	-	(9,219,223)
Shares issued during the year	1,500,000	-	-	-	1,500,000
Transaction costs	(122,793)	-	-	-	(122,793)
Options expired during the year	-	-	-	(102,000)	(102,000)
Options issued during the year	-	-	-	55,652	55,652
Balance at 30 June 2006	25,135,338	3,800,000	(30,169,656)	1,836,201	601,883
Shares issued during the year	3,600,000	-	-	-	3,600,000
Cancellation of unallotted shares	(10,029)	(3,800,000)	-	-	(3,810,029)
Cancellation of unallotted options	-	-	-	(575,000)	(575,000)
Profit attributable to members of parent entity	-	-	3,575,193	-	3,575,193
Options issued during the year	-	-	-	378,750	378,750
Balance at 30 June 2007	28,725,309	-	26,594,463	1,639,951	3,770,797

The accompanying notes form part of these financial statements.

**Preliminary Consolidated Cash Flow Statement
For the Year ended 30 June 2007**

	Notes	2007 \$	2006 \$
Cash Flows from Operating Activities			
Receipts from customers		138,157	388,195
Payments to suppliers and employees		(1,011,774)	(1,537,025)
Interest received		19,553	19,281
Interest and other costs of finance paid		-	(3,846)
GST and R&D tax recovered		98,911	96,782
Net cash flows used in operating activities	10	(755,153)	(1,036,613)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(19,910)	(6,664)
Cash acquired on acquisition of controlled entity		100	-
Loans repaid to other entities		-	(35,000)
Exploration expenditure		(102,453)	-
Net cash flows used in investing activities		(122,263)	(41,664)
Cash Flows from Financing Activities			
Proceeds from issue of shares		1,500,000	1,577,793
Payment of share issue costs		-	(200,586)
Net cash flows provided by financing activities		1,500,000	1,377,207
Net increase/(decrease) in cash held		622,584	298,930
Cash at the beginning of the financial year		509,620	210,690
Cash at the end of the financial year		1,132,204	509,620

The accompanying notes form part of these financial statements.

Notes to the Preliminary Consolidated Financial Statements
Year ended 30 June 2007

1. BASIS OF THE PREPARATION OF THE PRELIMINARY FINAL REPORT

The preliminary final report has been prepared in accordance with the 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 Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The accounting policies have been consistently applied, unless otherwise stated.

2. RESEARCH AND DEVELOPMENT TAX CONCESSION

The Company has recognised an income tax benefit in 2007 of \$Nil (2006:\$80,068). 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 \$137,463 (2006: \$243,428).

3. DIVIDENDS

The directors recommend that no dividend be paid for the year ended 30 June 2007, nor have any amounts been paid or declared by way of dividend since the end of the previous financial year.

4. REVENUE	2007	2006
	\$	\$
Operating activities		
-sale of goods	-	6,986
-licence fees	123,498	134,082
-service fees	2,282	-
-export market development grant	9,370	148,262
-interest received from other persons	19,553	19,281
-other revenue	4,470	3,515
Total revenue	159,173	312,126
Non-operating activities		
-gain on debt forgiven	-	524,120
Other income	-	524,120

Notes to the Preliminary Consolidated Financial Statements
Year ended 30 June 2007

5. EXPENSES	2007	2006
	\$	\$
Expenses		
Operating expenses		
- Employee related costs	454,779	355,607
-Travel	12,556	68,423
-Rent	37,000	36,000
-Insurance	34,083	36,043
-Other	66,910	53,750
Total operating expenses	605,328	549,823
Administrative expenses		
-Consulting fees	208,667	369,983
-Shareholder expenses	58,484	77,905
-Legal fees	5,971	52,454
-Audit fees	27,351	25,227
-Other	18,363	26,236
Total administrative expenses	318,836	551,805
6. EARNINGS PER SHARE (EPS)	2007	2006
	¢	¢
Basic loss per share (cents per share)	1.40	(4.58)
Weighted average number of shares used in the calculation of basic EPS	255,622,070	201,353,361

The amount used in the numerator in calculating basic EPS is the same as the net profit (loss) reported in the income statement.

Notes to the Preliminary Consolidated Financial Statements
Year ended 30 June 2007

7. SEGMENT REPORTING

The consolidated entity operates in Australia predominantly in the business segment of computer software and technology development for entertainment, communication and internet applications.

	2007	2006
8. NTA Backing	¢	¢
Net tangible asset backing per ordinary share	1.03	0.28
9. ISSUED & PAID UP CAPITAL	2007	2006
	\$	\$
Ordinary shares fully paid	28,725,309	25,135,338
Unallotted shares	-	3,800,000
	<u>28,725,309</u>	<u>28,935,338</u>

Movements during the period:

Movements in issued and paid up ordinary share capital of the Company during the period since 30 June 2006 have been:

(a) Ordinary Shares

Date	Details	No. of Shares	\$
30/06/06	Opening Balance	215,959,642	25,135,338
28/02/07	Share placement at an issue price of 2 cents	75,000,000	1,500,000
28/02/07	Unallotted shares cancelled	(200,586)	(10,029)
19/04/07	Share placement at an issue price of 5 cents	75,000,000	2,100,000
30/06/07	Closing Balance	<u>365,759,056</u>	<u>28,725,309</u>

(b) Unallotted shares

30/06/06	Opening Balance	50,000,000	3,800,000
	Cancellation of unallotted shares	(50,000,000)	(3,800,000)
30/6/07	Closing balance	<u>-</u>	<u>-</u>

During the period, the Company reviewed the milestone conditions associated with the 50,000,000 unallotted shares and 25,000,000 unallotted options relating to the Class A Incentive Shares, and confirmed that the milestones were not satisfied. As a result the unallotted shares and options have been cancelled

Notes to the Preliminary Consolidated Financial Statements
Year ended 30 June 2007

10. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of cash flow from operations with loss after income tax:	2007	2006
	\$	\$
Profit (Loss) after income tax	3,575,193	(9,219,223)
Non cash-flows in profit		
Depreciation	11,982	8,873
Impairment of intangibles	-	8,824,144
Provision for employee entitlements	(23,391)	12,305
Gain on debt forgiven	-	(524,120)
Share options expired	-	(102,000)
Trade debts written off	1,477	-
Cancellation of unallotted shares and options	(4,375,000)	
Expensing of employee options	-	55,652
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	104,488	(2,393)
(Increase)/decrease in other assets	5,319	15,381
Increase/(decrease) in trade payables and accruals	(55,221)	(95,203)
Net cash flow used in operating activities	<u>(755,153)</u>	<u>(1,026,584)</u>
Reconciliation of Cash		
Cash at bank and in hand	381,533	95,111
Short-term bank deposits	750,671	414,509
	<u>1,132,204</u>	<u>509,620</u>

11. EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

Notes to the Preliminary Consolidated Financial Statements
Year ended 30 June 2007

12. CONTROLLED ENTITIES

	Country of Origin	Class of Share	Percentage Owned %	
			2007	2006
BSoftware International Pty Ltd	Australia	Ord	100	100
BSoftware Pty Ltd	Australia	Ord	100	100
Beam R&D Pty Ltd	Australia	Ord	100	100
Freekick Pty Ltd	Australia	Ord	100	100
MH Publishers Pty Ltd	Australia	Ord	100	100
Famous 3D Pty Ltd	Australia	Ord	100	100
101 Ware Pty Ltd	Australia	Ord	100	100
Software Licensing & Marketing Inc	USA	Ord	100	100
BIL Inc	USA	Ord	100	100
Radbeam No 1 Pty Ltd	Australia	Ord	100	100
Radbeam No 2 Pty Ltd	Australia	Ord	100	100
Stenwork Pty Ltd	Australia	Ord	100	100
Penashe R&D Pty Ltd	Australia	Ord	100	100
PIXe Pty Ltd	Australia	Ord	100	100
Yeelirrie Minerals Ltd	Australia	Ord	100	-

13. COMPLIANCE STATEMENT

This report is based on financial statements to which the following applies:

- | | | | |
|-------------------------------------|--|--------------------------|---|
| <input type="checkbox"/> | The financial statements have been audited. | <input type="checkbox"/> | The financial statements have been supplied to review. |
| <input checked="" type="checkbox"/> | The financial statements are in the process of being audited or subject to review. | <input type="checkbox"/> | The financial statements have not yet been audited or reviewed. |

Vincent Hyde
Non-Executive Chairman

Date: 31 August 2007