



ABN 15 074 728 019

AND CONTROLLED ENTITIES

APPENDIX 4D  
FOR THE HALF-YEAR ENDED  
31 DECEMBER 2006

GIVEN IN ACCORDANCE WITH ASX LISTING RULE 4.2A.

**BLAZE INTERNATIONAL LIMITED**  
**ABN 15 074 728 019**  
**AND CONTROLLED ENTITIES**

For the half-year ended 31 December 2006

Results for Announcement to Market

**SUMMARY RESULTS FOR THE PERIOD ENDED 31 DECEMBER 2006**

The following is a summary of the financial results for the period ended 31 December 2006 (previous corresponding period 31 December 2005).

	Increase/ (Decrease) %	Six months ended 31 December 2006 \$	Six months ended 31 December 2005 \$
Revenue from ordinary activities	Up 636 %	4,457,792	605,371
(Profit) before Interest and Tax (EBIT) from ordinary activities	Up 167 %	3,924,778	(5,845,210)
Income tax benefit	-	-	-
(Profit for the period attributable to members (NPAT)	Up 167 %	3,924,778	(5,845,210)

**Brief Explanation of above figures**

Refer to the Review of Operations on page 2 of the attached Half Yearly Report for the period ended 31 December 2006.

**Dividends**

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

**Controlled Entities**

There were no controlled entities gained or lost during the period

**Earnings Result**

The net profit of Blaze International Limited for the year ended 31 December 2006 after providing for income tax was \$3,924,778 (31 December 2005: loss \$5,845,210). The profit for the half year is primarily due to the cancellation of unallotted shares and options as disclosed in the Consolidated Income Statement on page 4 of the attached Half Yearly Report for the period ended 31 December 2006.


	31 December 2006 Cents	31 December 2005 Cents
<b>Earnings Per Share (EPS)</b>		
Basic earnings per share (cents per share)	1.82	(3.09)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	215,959,642	189,334,440

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

	31 December 2006 Cents	31 December 2005 Cents
<b>Net Tangible Asset (NTA) Backing Per Share</b>		
Net assets backing per share (cents per share)	0.07	1.65

#### Compliance Statement

The accounts (attached) are not subject to audit dispute or qualification. This report is based on accounts that have been subject to an audit review. The entity has a formally constituted audit committee.



**Peter Jon Hartshorne**  
Managing Director

Dated this 28th day of February 2007



ABN 15 074 728 019

AND CONTROLLED ENTITIES

HALF YEARLY REPORT  
FOR THE HALF-YEAR ENDED  
31 DECEMBER 2006

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2006 and any public announcements made by Blaze International Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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## CORPORATE DIRECTORY

### **Directors**

Peter Harley (Non-Executive Chairman)  
Peter Jon Hartshorne (Managing Director)  
Peter Landau (Non-Executive Director)

### **Company Secretary**

Peter Landau

### **Registered Office**

34 Parliament Place  
West Perth WA 6005  
Tel: 61 8 9488 5277  
Fax: 61 8 9321 6699

### **Administration Office**

Level 7, 257 Collins Street  
Melbourne, Victoria 3000  
Tel: 61 3 8617 4200  
Fax: 61 3 8617 4242

### **Website**

[www.blazelimited.com](http://www.blazelimited.com)  
[www.famous3D.com](http://www.famous3D.com)

### **Auditors**

HLB Mann Judd  
15 Rheola Street, West Perth  
Western Australia 6005  
Tel: 61 8 9481 0977  
Fax: 61 8 9481 3686

### **Share Registry**

Computershare Limited  
256 St Georges Terrace, Perth  
Western Australia 6000  
Tel: 61 8 9323 2000  
Fax: 61 8 9323 2033

### **Stock Exchange**

The Company's securities are traded on the  
Australian Stock Exchange  
ASX Code: BLZ & BLZO

**BLAZE INTERNATIONAL LIMITED**  
**ABN 15 074 728 019**  
**AND CONTROLLED ENTITIES**

**DIRECTORS' REPORT**

Your directors submit the financial report of the economic entity for the half-year ended 31 December 2006.

**1. Directors**

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

Peter Harley	(Non-Executive Chairman)	Appointed 27 September 2005
Peter Jon Hartshorne	(Managing Director)	Appointed 24 October 2003
Peter Landau	(Non-Executive Director)	Appointed 21 May 2004

**2. Results**

The economic entity incurred an operating profit after income tax of \$3,924,778 (31 December 2005: loss \$5,845,210) for the half-year ended 31 December 2006. The profit for the half year is primarily due to the cancellation of unallotted shares and options as disclosed in the Consolidated Income Statement on page 4 of this report.

**3. 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.

**Operations**

During the first half of 2006-07 the company continued with the commercialisation activities of its two Information Communications and Technology [ICT] developments;

**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 half 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. After completion of testing and external reviews, the company has now endorsed the market release of PIXE in 'alpha form' for industry evaluation and feedback over the next 3 - 6 months before any further large scale development or marketing activities are considered.

**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.

**BLAZE INTERNATIONAL LIMITED**  
**ABN 15 074 728 019**  
**AND CONTROLLED ENTITIES**

**DIRECTORS' REPORT**

In the first half of 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

**4. Events subsequent to reporting date**

A placement of 75,000,000 ordinary fully paid shares at 2 cents and 75,000,000 options exercisable at 5 cents on or before 31 August 2010 as approved by shareholders at the Company's Annual General Meeting held on 30 November 2006, was announced on 21 February 2007, raising \$1,500,000 before costs. The funds will be used for proposed exploration expenditure in relation to the conditional agreement for the acquisition of Yeelirrie Minerals, a uranium exploration company and working capital for the current PIXE and KEMELEON projects as outlined in the announcement.

**5. Auditor's Independence Declaration**

The Lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 3 and forms part of this Director's Report for the half-year ended 31 December 2006.

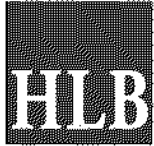
This report is signed in accordance with a resolution of the Board of Directors, made pursuant to S.306(3) of the Corporations Act 2001.



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**Peter Jon Hartshorne**  
**Managing Director**

Dated this 28<sup>th</sup> day of February 2007



**Mann Judd**

Chartered Accountants

## Auditor's Independence Declaration

As lead auditor for the review of the financial report of Blaze International Limited for the half year ended 31 December 2006, 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.

This declaration is in respect of Blaze International Limited.

Perth, Western Australia  
28 February 2007

**W M CLARK**  
Partner, HLB Mann Judd



**BLAZE INTERNATIONAL LIMITED**  
**ABN 15 074 728 019**  
**AND CONTROLLED ENTITIES**

**CONSOLIDATED INCOME STATEMENT**  
**FOR THE HALF YEAR ENDED**  
**31 DECEMBER 2006**

	Economic Entity	
	31 December 2006 \$	31 December 2005 \$
Revenue	76,201	75,885
Other Income	6,591	529,486
Cancellation of unallotted shares and options	4,375,000	-
Cost of Sales	(1,000)	(10,434)
Depreciation & Amortisation Expenses	(5,753)	(4,260)
Employee benefits expense	9,566	(5,166)
Finance Costs	(311)	(472)
Other expenses from ordinary activities	(535,516)	(606,105)
Impairment of Intangible Asset	-	(5,824,144)
<b>Profit/(Loss) Before Income Tax</b>	3,924,778	(5,845,210)
Income Tax Expense	-	-
<b>Profit/(Loss) after income tax expense</b>	3,924,778	(5,845,210)
Net Profit/(Loss) attributable to outside equity interests	-	-
<b>Net Profit/(Loss) Attributable To Members of the parent entity</b>	3,924,778	(5,845,210)
Basic earnings per share (cents per share)	1.82	(3.09)

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Diluted earnings per share have not been disclosed as the entity does not have on issue any potential ordinary shares which are dilutive

The accompanying notes form part of this financial report.

**BLAZE INTERNATIONAL LIMITED**  
**ABN 15 074 728 019**  
**AND CONTROLLED ENTITIES**

**CONSOLIDATED BALANCE SHEET**  
**AS AT**  
**31 DECEMBER 2006**

	Notes	31 December 2006 \$	30 June 2006 \$
<b>Current Assets</b>			
Cash and cash equivalents		87,036	509,620
Trade and other receivables		234,436	243,428
Other current assets		15,264	26,892
<b>Total Current Assets</b>		<b>336,736</b>	<b>779,940</b>
<b>Non-Current Assets</b>			
Property, Plant & Equipment		20,193	16,151
<b>Total Non-Current Assets</b>		<b>20,193</b>	<b>16,151</b>
<b>Total Assets</b>		<b>356,929</b>	<b>796,091</b>
<b>Current Liabilities</b>			
Trade and other payables		205,268	194,208
<b>Total Current Liabilities</b>		<b>205,268</b>	<b>194,208</b>
<b>Total Liabilities</b>		<b>205,268</b>	<b>194,208</b>
<b>Net Assets</b>		<b>151,661</b>	<b>601,883</b>
<b>Equity</b>			
Issued Capital	3	25,135,338	28,935,338
Reserves		1,261,201	1,836,201
Accumulated Losses		(26,244,878)	(30,169,656)
<b>Total Equity</b>		<b>151,661</b>	<b>601,883</b>

The accompanying notes form part of this financial report.

**BLAZE INTERNATIONAL LIMITED**  
**ABN 15 074 728 019**  
**AND CONTROLLED ENTITIES**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF YEAR ENDED**  
**31 DECEMBER 2006**

	Issued Capital	Unallotted Shares	Retained Earnings	Reserves	Total Equity
	\$	No.	\$	\$	\$
<b>Balance at 1 July 2005</b>	23,758,131	3,800,000	(20,950,433)	1,882,549	8,490,247
Shares issued during the half-year	746,807	-	-	-	746,807
Loss attributable to members of the parent entity	-	-	(5,845,210)	-	(5,845,210)
Cancellation of options	-	-	-	(102,000)	(102,000)
Cost of share based payments	-	-	-	55,652	55,652
<b>Balance at 31 December 2005</b>	24,504,938	3,800,000	(26,795,643)	1,836,201	3,345,496
<b>Balance at 1 July 2006</b>	25,135,338	3,800,000	(30,169,656)	1,836,201	601,883
Shares issued during the half-year	-	-	-	-	-
Cancellation of unallotted shares	-	(3,800,000)	-	-	(3,800,000)
Cancellation of unallotted options	-	-	-	(575,000)	(575,000)
Profit attributable to members of the parent entity	-	-	3,924,778	-	3,924,778
<b>Balance at 31 December 2006</b>	25,135,338	-	(26,244,878)	1,261,201	151,661

The accompanying notes form part of this financial report.

**BLAZE INTERNATIONAL LIMITED**  
**ABN 15 074 728 019**  
**AND CONTROLLED ENTITIES**

**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE HALF YEAR ENDED**  
**31 DECEMBER 2006**

	31 December 2006	31 December 2005
	\$	\$
<b>Cash Flows From Operating Activities</b>		
Receipts from customers	66,373	179,034
Payments to suppliers and employees	(485,442)	(658,845)
Interest received	6,591	5,366
Interest paid	(311)	(472)
	<hr/>	<hr/>
<b>Net Cashflows Used In Operating Activities</b>	(412,789)	(474,917)
	<hr/>	<hr/>
<b>Cashflows From Investing Activities</b>	(9,795)	-
Payment for property, plant and equipment	-	(2,071)
	<hr/>	<hr/>
<b>Net Cashflows From Investing Activities</b>	(9,795)	(2,071)
	<hr/>	<hr/>
<b>Cashflows From Financing Activities</b>		
Proceeds from issues of shares	-	824,600
Share application monies received	-	349,033
Payment of share & option issue costs	-	(77,793)
Repayment of borrowings	-	(35,000)
	<hr/>	<hr/>
<b>Net Cashflows From Financing Activities</b>	-	1,060,840
	<hr/>	<hr/>
<b>Net Increase/(decrease) In Cash Held</b>	(422,584)	583,852
Cash at beginning of period	509,620	210,690
	<hr/>	<hr/>
<b>Cash At End Of Period</b>	87,036	794,542
	<hr/>	<hr/>

The accompanying notes form part of this financial report.

**BLAZE INTERNATIONAL LIMITED**  
**ABN 15 074 728 019**  
**AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED**  
**31 DECEMBER 2006**

**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, applicable accounting standards including AASB 134: Interim Financial Reporting, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

The half-year report has been prepared on a historical cost basis, except for land and buildings, derivative financial instruments and available-for-sale financial assets which are measured at fair value. Cost is based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

It is recommended that this financial report be read in conjunction with the financial report for the year ended 30 June 2006 and any public announcements made by Blaze International Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as in the full financial report.

For the purpose of preparing the half-year report, the half-year has been treated as a discrete reporting period.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2006 annual financial report for the financial year ended 30 June 2006.

In the half-year ended 31 December 2006, the group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2006.

It has been determined by the group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

	31 December 2006 \$	31 December 2005 \$
<b>2. Profit for the half-year</b>		
The following significant revenue and expense items are relevant in explaining the financial performance for the interim period:		
<b>Income</b>		
Cancellation of unallotted shares and options	4,375,000	-
<b>Expenses</b>		
Impairment of intangible asset	-	(5,824,144)

**BLAZE INTERNATIONAL LIMITED**  
**ABN 15 074 728 019**  
**AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**  
**FOR THE HALF-YEAR ENDED**  
**31 DECEMBER 2006**

	<b>31 December 2006</b>	<b>30 June 2006</b>
	<b>\$</b>	<b>\$</b>
<b>3. Issued Capital</b>		
215,959,642 fully paid ordinary shares (30 June 2006: 215,959,642)	25,135,338	25,135,338
Nil unallotted shares (30 June 2006: 50,000,000)	-	3,800,000
	25,135,338	28,935,338
 <b>Movements in ordinary fully paid shares</b>		
Balance at the beginning of the period	25,135,338	23,758,131
Ordinary shares issued during the period	-	1,500,000
Less cost of share issues	-	(122,793)
	25,135,338	25,135,338
 Balance at the end of the period	25,135,338	25,135,338
	<b>Number of Shares</b>	<b>Number of Shares</b>
Balance at the beginning of the period	215,959,642	185,959,643
Ordinary shares issued during the period	-	29,999,999
	215,959,642	215,959,642

**Unallotted Shares:**

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 Class A Incentive Shares, and confirmed that the milestones were not satisfied. As a result the unallotted shares and options have been cancelled.

	<b>31 December 2006</b>	<b>30 June 2006</b>
	<b>\$</b>	<b>\$</b>
<b>Movements in Unallotted shares:</b>		
Balance at the beginning of the period	3,800,000	3,800,000
Cancel unallotted shares	(3,800,000)	-
	-	3,800,000
 Balance at the end of the period	-	3,800,000
	<b>Number of Shares</b>	<b>Number of Shares</b>
Balance at the beginning of the period	50,000,000	50,000,000
Cancel unallotted shares	(50,000,000)	-
	-	50,000,000
 Balance at the end of the period	-	50,000,000

**BLAZE INTERNATIONAL LIMITED**  
**ABN 15 074 728 019**  
**AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**  
**FOR THE HALF-YEAR ENDED**  
**31 DECEMBER 2006**

**3. Issued Capital (cont'd)**

**Options:**

The Company has on issue 209,384,617 (30 June 2006: 209,384,617) options over un-issued shares comprising 194,384,617 listed (30 June 2006: 194,384,617) and 15,000,000 unlisted (30 June 2006: 15,000,000)

	<b>31 December 2006</b>	<b>30 June 2006</b>
	<b>Number of Options</b>	<b>Number of Options</b>
<b>Movements in Options:</b>		
Balance at the beginning of the period	209,384,617	169,534,618
Options issued during the period	-	45,000,000
Options cancelled during the period	-	(5,000,000)
Options lapsed during the period	-	(150,000)
Options exercised during the period	-	(1)
	209,384,617	209,384,617
Balance at the end of the period	209,384,617	209,384,617

**4. Events Subsequent To Reporting Date**

A placement of 75,000,000 ordinary fully paid shares at 2 cents and 75,000,000 options exercisable at 5 cents on or before 31 August 2010 as approved by shareholders at the Company's Annual General Meeting held on 30 November 2006, was announced on 21 February 2007, raising \$1,500,000 before costs. The funds will be used for proposed exploration expenditure in relation to the conditional agreement for the acquisition of Yeelirrie Minerals, a uranium exploration company and working capital for the current PIXE and KEMELEON projects as outlined in the announcement.

**5. Contingent Liabilities**

The Directors are not aware of any contingent liabilities as at 31 December 2006. There has been no change in liabilities since the last annual reporting date.

**6. Segment Reporting**  
**Primary Reporting – Business Segments**

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

**BLAZE INTERNATIONAL LIMITED  
ABN 15 074 728 019  
AND CONTROLLED ENTITIES**

**DIRECTORS' DECLARATION**

The Directors of the company declare that:

- 1) The financial statements and notes set out on pages 4 to 10:
  - (i) Give a true and fair view of the financial position of the Company as at 31 December 2006 and the performance of the Company for the half-year ended on that date, and
  - (ii) Comply with Accounting Standards AASB 134 "Interim Financial Reporting" and the Corporations Regulations.
- 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 signed in accordance with a resolution of the Board of Directors, made pursuant to s.303(5) of the Corporations Act 2001.



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**Peter Jon Hartshorne  
Managing Director**

Dated this 28<sup>th</sup> day of February 2007



## INDEPENDENT REVIEW REPORT

To the members of  
**BLAZE INTERNATIONAL LIMITED**

### **Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report, which comprises the consolidated balance sheet as at 31 December 2006, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration, of Blaze International Limited and the entities it controlled during the half-year ended 31 December 2006 ("consolidated entity").

#### *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 designing, implementing 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 half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim 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 company's financial position as at 31 December 2006 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 Blaze 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 have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* has been provided to the directors of Blaze International Limited on 28 February 2007.

***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 Blaze 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 at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



**HLB MANN JUDD**  
**Chartered Accountants**



**W M CLARK**  
**Partner**

**Perth, Western Australia**  
**28 February 2007**