www.blazelimited.com

Blaze International Limited

ACN 074 728 019

Annual Report

for the year ended 30 June 2004

What do you see on the front cover?

Look at the cover from a distance and/or squint when looking at it.

Characters developed and animated by famous3D for crikey.com.au's Election '04 Campaign Confessional

Contents

Directors' Report

The directors present their report together with the financial report of Blaze International Limited ("the Company") and its controlled entities, (collectively referred to as "Blaze" or the "consolidated entity"), for the year ended 30 June 2004 and the auditor's report thereon.

Directors

The directors of the Company at any time during or since the end of the financial year are:

Peter Kingsley Bartleet	
Peter Jon Hartshorne	(appointed 24 October 2003)
Peter Neil Landau	(appointed 21 May 2004)
Trevor Alan Hall	(resigned 24 October 2003)
Patrick John Flint	(resigned 14 May 2004)

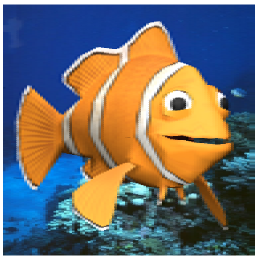
crikey.com.au's Election '04 Campaign Confessional

Principal Activities

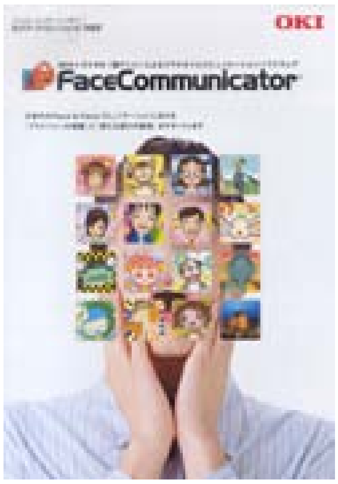
The Blaze group develops software and provides services for entertainment, telecommunication and Internet applications.

The core business is the provision of innovative communication solutions through the development of technology and services that result in streamed, interactive, facial animations - "talking heads".

Review of Operations



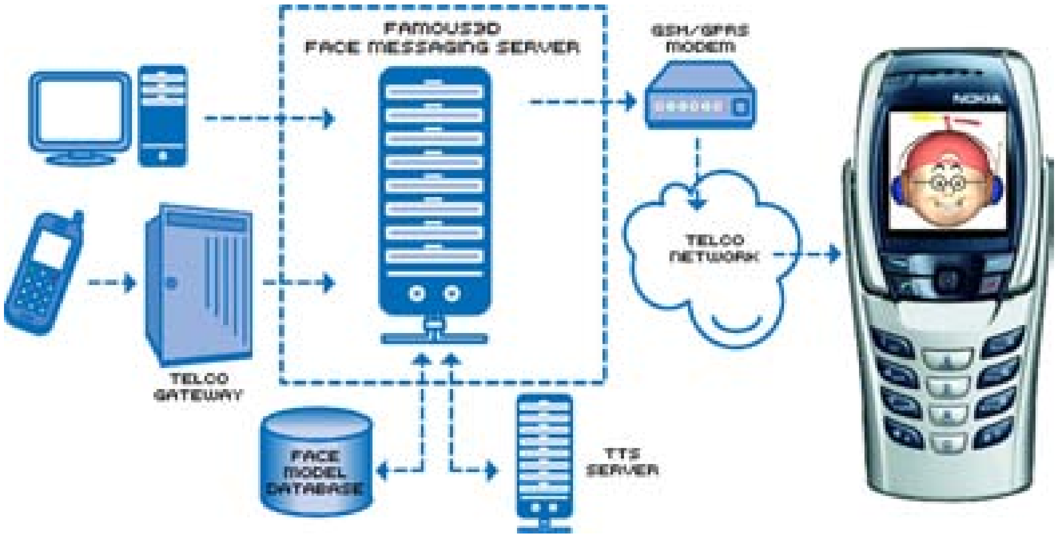
The sources of Blaze revenue for the year reflect a natural migration from traditional license based income towards service based income arising from Blaze's strategic partnership with the Japanese company, OKI. While revenues declined, Blaze continued an aggressive stance on cost management; however, Blaze did incur costs associated with several international business development trips that have yet to yield new revenue or profits.



The major product development emphasis has been on the completion and optimisation of the Blaze 'Face Communicator' range of products for the Japanese mobile phone market, in readiness for impending contracts with the incumbent telecommunications provider. In addition, Blaze has also completed the development of a related PC application for 'Face Communicator'.

Blaze has also completed the development of a mobile telecommunication animation server engine that enables communications to be transmitted to mobile telephones as meaningful and engaging content rather than as basic text. The first application based on this platform, 'Face Messenger', is an application that allows new generation mobile telephone users to send normal text messages that can be received as animated spoken messages. A range of additional applications, including an animated personal assistant, will be progressively completed. 'Face Messenger' will have a commercial launch in September 2004 and will be aggressively promoted to major telecommunication companies. It should be noted that all development costs incurred for current products have been fully expensed in the June 2004 year.

Review of Operations (continued)



Since the end of the financial year, Blaze has completed a strategic investment (21.43%) in PIXe Pty Ltd, an Australian company, which is developing a novel approach to the compression of broadcast images. Blaze already has a strong capability in this area to support the delivery of its three dimensional animated "famous3D" images over limited bandwidth. Access to the PIXe technology will provide Blaze with the opportunity to further strengthen its offering though a significant reduction in the bandwidth required to deliver images over, say, a mobile telephone network. Blaze also recognises the potential value of the PIXe technology to the telecommunications industry in general.

Results and Dividends

The consolidated loss of the Group for the financial year ended 30 June 2004 was $293,722 (2003: $370,167). No dividends have been paid or declared since the end of the previous financial year (2003: nil) and the directors do not recommend any dividend be paid.

Significant Changes in the State of Affairs

The following significant changes occurred during the financial year;

a) On 12 September 2003 the Company issued 11,775,000 shares at an issue price of 2 cents per share to raise $235,500 and on 27 February 2004 the Company issued 30,000,000 shares at an issue price of 2 cents per share to raise $600,000. The funds from both share issues were used to provide additional working capital.

b) On 25 June 2004, the Company entered into an agreement to acquire a strategic equity stake in PIXe Pty Ltd, an Australian company which is developing a novel approach to the compression of broadcast images. Under the Agreement, the Company invested an initial $50,000 in PIXe in June 2004 to allow PIXe to commence early commercialisation work and to complete certain agreed tasks. The agreement gave the Company a right to invest a further $250,000 in PIXe for a total stake of 21.43% of the issued capital of PIXe.

Events Subsequent to Balance Date

a) Following completion of due diligence, the Company invested $250,000 in the share capital of PIXe Pty Ltd in August 2004. This investment, together with $50,000 previously invested in June 2004, has resulted in the Company holding 21.43% of PIXe's issued capital.

b) In August 2004, the Company finalised plans for a capital raising of $285,000 by the issue of 114 million options (exercisable at 10 cents each on or before 30 June 2007) at 0.25 cents each. The capital raising, which is subject to shareholder approval and the issue of a prospectus, is anticipated to be completed in October 2004.

Events Subsequent to Balance Date (continued)

c) For reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board. Refer to Note 1(v) for a summary of the changes to accounting policies potentially having a significant effect on the consolidated entity's financial performance and financial position.

Other than the matters mentioned above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity, in future financial years.

Likely Developments

Blaze's medium term plans relate to commercialisation of technology and services in the area of streamed 3d animated talking characters. This will involve seeking commercial applications of the technology in various business sectors, including telecommunications, financial services and security. Blaze will also continue to explore and establish overseas strategic relationships in the areas of marketing, sales, and technology.

Blaze will also seek to exploit synergies arising from PIXe's Pty Ltd's compression technology as well as actively promote PIXe's technology for mutual benefit.

Options

No options were granted during or have been granted since the end of the financial year. During the financial year a total of 52,500 options exercisable at 50 cents each expired on 1 December 2003. No options have expired since the end of the financial year.

At the date of this report unissued ordinary shares of the Company under option are:

Expiry Date	*Exercise price*	*Number of options*
Between 23 January 2005 and 30 November 2005	20 cents	1,516,500
13 June 2005	12 cents	2,000,000
13 June 2005	17 cents	2,000,000

Further information in respect of these options is set out in Notes 15, 18 and 19 to the financial statements.

These options do not entitle the holder to participate in any share issue of the Company or of any other body corporate.

Information on Directors

Name	*Qualifications, Experience and Special Responsibilities*
Peter Bartleet (Non-Executive Chairman)	Peter Bartleet holds an engineering degree from the University of Melbourne. His working career includes 16 years with the PA Consulting Group, including five years as Managing Director of PA companies in Asia. More recently Peter has served as a director and senior executive of a number of public companies. He currently provides corporate advisory services to a number of organizations with a focus on the technology sector.

Information on Directors (continued)

Peter Hartshorne (Part time Executive Director)	Peter Hartshorne is an IT executive with over 20 years international corporate experience. He began his career service with a valuable six year apprenticeship with McKinsey and Co. and in 1989 he became a Programme Director with Telstra, steering a series of projects during the delicate deregulation regime. In 1994 he founded Infinity International, a professional services firm specialising in Enterprise Customer Leadership. Peter is still an active director and Managing Partner of Infinity International and regularly travels to international offices to work on a variety of client projects. On a part time basis, he assists in the supervision of operational activities and negotiations with key customers and prospective clients.
Peter Landau (Non-Executive Director)	Peter Landau (LLB, B.Com) is a corporate advisor with Grange Consulting Group, having previously worked with Clayton Utz. Peter is responsible for providing corporate, transaction, capital raising and strategic advice and managing the legal issues associated with activities undertaken by his clients. He has considerable experience in the resources and industrial sectors and is a director and company secretary of a number of ASX listed companies including View Resources Limited and Konekt Limited.

Directors' Interests

As at the date of this report, the interest of the directors either directly or through entities controlled by the directors in the shares and options of Blaze International Limited were:

	Ordinary Shares	*Options*
Peter Bartleet	-	500,000
Peter Hartshorne	-	-
Peter Landau	-	-

Directors' Interest in Contracts with the Company

There are no material contracts involving directors' interests at the end of the financial year nor have any been entered into since the end of the previous financial year not otherwise disclosed in this report.

Directors' Emoluments

The Board is responsible for determining remuneration policies and packages applicable to the Board members and senior executives of the Company and consolidated entity. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and level of performance, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. Independent advice on the appropriateness of remuneration packages is obtained if considered necessary.

Details of the nature and amount of each major element of the emoluments of each director of the Company and each of the executive officers of the Company and the consolidated entity are:

	Primary	*Primary*	*Post-employment*	
	Base remuneration Salary / Fees	*Bonuses & commissions*	*Super-annuation*	*Total*
	$	*$*	*$*	*$*
Directors:				
Peter Bartleet	20,000	-	-	20,000
Peter Hartshorne (appointed 24 October 2003)	17,188	-	-	17,188
Peter Landau (appointed 21 May 2004)	2,204	-	198	2,402
Trevor Hall (resigned 24 October 2003)	6,304	-	567	6,871
Patrick Flint (resigned 14 May 2004)	31,003	-	-	31,003
Executive officers (excluding directors):				
Isaac Jacobs (General Manager)	62,885	6,232	6,220	75,337

Directors' Meetings

The number of directors' meetings and number of meetings attended by each of the directors of the Company during the financial year are:

	Directors' Meetings	
Name	*Attended*	*Eligible*
Peter Bartleet	10	10
Peter Hartshorne (appointed 24 October 2003)	7	7
Peter Landau (appointed 21 May 2004)	2	2
Trevor Hall (resigned 24 October 2003)	2	2
Patrick Flint (resigned 14 May 2004)	7	7

Further details on the Board activities are presented in the Statement of Corporate Governance Practices.

Audit Committee

The Company does not have a separate audit committee. All matters that would be addressed by such a committee are dealt with by the full board of directors.

Environmental Regulation Performance

The Blaze group does not have any manufacturing facilities and its operations are not subject to any significant environmental regulation.

Indemnification of Officers and Insurance Premiums

The directors of the Company named earlier in this report and officers of Australian group entities have been insured against all liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by law. Under the terms of the contract, the quantum of the insurance premium paid by the Company is confidential. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever the outcome.
- other liabilities that may arise from their position, with the exception of conduct involving a willful breach of duty or improper use of information or position to gain a personal advantage.

The Company has also entered into Deeds of Access, Insurance and Indemnity with each of the current directors.

Signed in accordance with a resolution of the directors.

Peter Bartleet
Director

Perth, Western Australia
29 September 2004

Statement of Corporate Governance Practices

The Board of Directors of Blaze International Limited is responsible for the corporate governance of the consolidated entity. The board guides and monitors the business and affairs of Blaze International Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

In accordance with the Australian Stock Exchange Corporate Governance Council's ("CGC") "Principles of Good Corporate Governance and Best Practice Recommendations" the Corporate Governance Statement must contain certain specific information and must disclose the extent to which the Company has followed the guidelines during the period. Where a recommendation has not been followed, that fact must be disclosed together with the reasons for the departure.

Blaze International Limited's corporate governance practices were in place throughout the financial year ended 30 June 2004 and were compliant, unless otherwise stated, with the Corporate Governance Council's principles and recommendations, which are noted below. Due to the relatively small size of the Blaze Group and its activities, the size of the Board has been restricted to three directors during the year. Consequently the Board as a whole is involved in matters where larger Boards would ordinarily operate through sub-committees. For these reasons too, some of the best practices recommended by CGC are not cost effective for adoption in a small company environment.

Principle 1.	Lay solid foundations for management and oversight
Principle 2.	Structure the board to add value
Principle 3.	Promote ethical and responsible decision making
Principle 4.	Safeguard integrity in financial reporting
Principle 5.	Make timely and balanced disclosure
Principle 6.	Respect the rights of shareholders
Principle 7.	Recognise and manage risk
Principle 8.	Encourage enhanced performance
Principle 9.	Remunerate fairly and responsibly
Principle 10.	Recognise the legitimate interests of stakeholders

Structure and Composition of the Board

The composition of the Board is determined in accordance with the following principles and guidelines:

- The Board shall comprise at least 3 directors, increasing where additional expertise is considered desirable in certain areas.
- The Board should comprise a majority of independent non-executive directors.
- The Chairperson should be a non-executive director.
- Directors should bring characteristics, which allow a mix of qualifications, skills and experience both nationally and internationally.

The Board has established a framework for the management of the consolidated entity including a system of internal control, a business risk management process and the establishment of appropriate ethical standards. The full Board holds regular meetings to discuss operational matters, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

The Board reviews its composition on an annual basis to ensure that the Board has the appropriate mix of expertise and experience. When a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Board will select appropriate candidates with relevant qualifications, skills and experience. External advisers may be used to assist in such a process. The Board will then appoint the most suitable candidate who must stand for election at the next general meeting of shareholders.

The Australian Stock Exchange Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" recommends the appointment of a Nomination Committee for prospective Board appointments. The Board considers that the Company and the Board are currently not of sufficient size to justify the establishment of a Nomination Committee.

Structure and Composition of the Board (continued)

The terms and conditions of the appointment and retirement of directors are not formally set out in a letter of appointment. However matters such as remuneration, expectations, terms, the procedures for dealing with conflicts of interest and the availability of independent professional advice are clearly understood by all directors, who are experienced public company directors.

The Board meets once a year to review its own performance. The non-executive directors are responsible for regularly evaluating the Executive Director. This evaluation is based on specific criteria, including the Company's business performance, whether long-term strategic objectives are being achieved and the development of management and personnel. The evaluation is taken into account in determining the Executive Director's remuneration.

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Director's Report. Directors of Blaze International Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered judgement.

The following directors of Blaze International Limited are considered to be independent:

Name	*Position*
P Bartleet	Chairman, Non-Executive Director
P Hartshorne	Part time Executive Director
P Landau	Non-Executive Director

Although Mr Hartshorne assists in the supervision of operational activities and negotiations with key customers and prospective clients on a part time basis, he is considered independent of management, as he is not involved in the day-to-day operations of the Company. His independence is reinforced by the fact that his remuneration from the Company forms a small part of his total income and he has no interest in the securities of the Company.

Each director has the right to seek independent professional advice at the Company's expense. However, prior approval of the Chairman will be required, which will not be unreasonably withheld.

The term in office of each director in office at the date of this report is as follows:

Name	*Term in Office*
P Bartleet	3 years 5 months
P Hartshorne	11 months
P Landau	4 months

Responsibilities of the Board

The Board is responsible for setting the strategic direction and establishing the policies of the Group. It is responsible for overseeing the financial position, and for monitoring the business and affairs on behalf of the shareholders, by whom the Directors are elected and to whom they are accountable. The Board also addresses issues relating to internal controls and approaches to risk management.

Ethical Standards

The Board acknowledges the need for continued maintenance of the highest standards of corporate governance practice and ethical conduct by all Directors and employees of the consolidated entity. A fundamental theme of the consolidated entity's code of ethics is that all business affairs are conducted legally, ethically and with the strict observance of the highest standards of integrity and propriety. The Directors and management have the responsibility to carry out their functions with a view to maximising financial performance of the consolidated entity.

All directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity.

Trading in Company Securities by Directors and Employees

The policy on trading in Company securities by directors and employees is that directors and employees are prohibited from dealing in the Company's shares or exercising options (i) for 4 weeks before and two days after the release of the Company's half-year and annual results to the Australian Stock Exchange ("ASX"); or (ii) whilst in possession of price sensitive information not yet released to the market.

Audit Committee

The Australian Stock Exchange Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" recommends the appointment of an Audit Committee for focusing the Company on particular issues relevant to verifying and safeguarding the integrity of the Company's financial reporting. The Board considers that the Company and the Board are currently not of sufficient size to justify the establishment of an Audit Committee and all matters that would be addressed by committees are usually dealt with by the full board of Directors.

Continuous Disclosure and Communication with Shareholders

The Chairman is responsible, in consultation with the Board, for interpreting and monitoring the Company's compliance with the continuous disclosure requirements of the Australian Stock Exchange whilst the Company Secretary is responsible for all communications with Australian Stock Exchange. It is not considered necessary to commit procedures and processes for compliance with ASX listing rules in writing given the small size of the Company, its workforce and the relatively simple nature of its activities. All directors and senior employees have a general understanding of the continuous disclosure requirements under the ASX listing rules, particularly as they relate to identification of matters that may have a material effect on the price of the Company's securities.

Communication with shareholders is conducted through the following mechanisms:

- Announcements lodged with Australian Stock Exchange
- Half Yearly and Preliminary Final Reports
- Annual reports
- Annual general meetings

The Company also posts corporate information in the investor section of its Company website at: www.blazelimited.com.

Remuneration

The Australian Stock Exchange Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" recommends the appointment of a Remuneration Committee for focusing the Company on appropriate remuneration policies which are designed to meet the needs of the Company and to enhance corporate and individual performance. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and level of performance, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Board considers that the Company and the Board are currently not of sufficient size to justify the establishment of a Remuneration Committee and all matters that would be addressed by committees are usually dealt with by the full board of Directors.

Details on the amount of remuneration and all monetary and non-monetary components for each of the directors and executives is provided in the Directors' Report. In relation to the payments of bonuses, options and other incentive payments, discretion is exercised by the board, having regard to the overall performance of Blaze International Limited and the performance of the individual during the period.

There were no loans made to directors or executives during the period and there are no amounts owing by directors and executives at the year-end.

Risk Management

The Board monitors and receives advice on areas of operational and financial risk and the control framework, and considers strategies for appropriate risk management arrangements. Procedures have been established at the Board and executive management levels that are designed to safeguard the assets and interests of the Group and to ensure the integrity of reporting. These include accounting, financial reporting and internal control procedures and policies.

Financial Reporting

The General Manager and the Blaze Group Accountant have declared to the board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.

Statements of Financial Performance
For the Year Ended 30 June 2004

		Consolidated		The Company	
		2004	2003	2004	2003
	Note	$	$	$	$
Sales revenue	2	161,630	241,685	-	-
Cost of sales		(46,033)	(50,418)	-	-
Gross profit		115,597	191,267	-	-
Other revenues	2	47,946	78,188	-	-
Employment expenses		(481,695)	(502,492)	-	-
Marketing expenses		(6,447)	(40,444)	-	-
Occupancy expenses		(41,432)	(35,329)	-	-
Overseas representation expenses		(9,384)	(17,620)	-	-
Provision for diminution in value of intercompany receivable	3	-	-	(743,725)	-
Borrowing costs	3	(792)	(3,093)	-	-
Shareholder expenses		(30,718)	(17,917)	-	-
Communications expenses		(37,907)	(41,111)	-	-
Depreciation	3	(6,357)	(37,062)	-	-
Other expenses		(20,984)	(52,790)	(33)	(34)
Loss from ordinary activities before income tax benefit		(472,173)	(478,403)	(743,758)	(34)
Income tax benefit relating to ordinary activities	4	178,451	108,236	-	-
Net loss from ordinary activities after related income tax benefit		(293,722)	(370,167)	(743,758)	(34)
Net loss attributable to members of the parent entity	16	(293,722)	(370,167)	(743,758)	(34)
Total changes in equity other than those resulting from transactions with owners as owners		(293,722)	(370,167)	(743,758)	(34)

Earnings per Share (cents)

Basic earnings (loss) per share	5	(0.3)	(0.5)		
Diluted earnings (loss) per share	5	(0.3)	(0.5)		

Statements of Financial Position
As at 30 June 2004

	Note	Consolidated 2004 $	Consolidated 2003 $	The Company 2004 $	The Company 2003 $
Current Assets					
Cash assets	17(a)	432,945	175,927	78	111
Receivables	7	198,275	123,203	-	-
Other	8	32,425	7,743	-	-
Total Current Assets		663,645	306,873	78	111
Non-Current Assets					
Receivables	9	-	-	-	-
Other financial assets	10	50,000	-	50,000	-
Plant & equipment	11	6,203	9,693	-	-
Total Non-Current Assets		56,203	9,693	50,000	-
Total Assets		719,848	316,566	50,078	111
Current Liabilities					
Payables	12	53,808	148,044	-	-
Provisions	13	61,387	60,675	-	-
Total Current Liabilities		115,195	208,719	-	-
Non-Current Liabilities					
Payables	14	561,283	564,480	-	-
Total Non-Current Liabilities		561,283	564,480	-	-
Total Liabilities		676,478	773,199	-	-
Net Assets / (Liabilities)		43,370	(456,633)	50,078	111
Equity					
Contributed equity	15	19,288,531	18,494,806	19,288,531	18,494,806
Accumulated losses	16	(19,245,161)	(18,951,439)	(19,238,453)	(18,494,695)
Total Equity / (Deficiency)		43,370	(456,633)	50,078	111

Statements of Cash Flows
For the Year Ended 30 June 2004

	Notes	Consolidated 2004 $ Inflows (outflows)	Consolidated 2003 $ Inflows (outflows)	The Company 2004 $ Inflows (outflows)	The Company 2003 $ Inflows (outflows)
Cash Flows from Operating Activities					
Receipts from customers		190,939	301,494	-	-
Payments to suppliers & employees		(831,511)	(786,305)	(33)	(34)
Interest received		17,080	18,589	-	-
Interest and other cost of finance paid		(746)	(3,093)	-	-
Income tax refund		108,236	-	-	-
GST recovered		32,162	29,698	-	-
Net Operating Cash Flows	17(b)	(483,840)	(439,617)	(33)	(34)
Cash Flows from Investing Activities					
Payments for plant and equipment		(2,867)	(7,439)	-	-
Payments for equity investments	10	(50,000)	-	(50,000)	-
Net Investing Cash Flows		(52,867)	(7,439)	(50,000)	-
Cash Flows from Financing Activities					
Advances to other entities		-	-	(743,725)	-
Proceeds from issue of shares		835,500	-	835,500	-
Payments relating to issue of shares		(41,775)	-	(41,775)	-
Net Financing Cash Flows		793,725	-	50,000	-
Net change in cash held		257,018	(447,056)	(33)	(34)
Cash at the beginning of the financial year		175,927	622,983	111	145
Cash at the end of the financial year	17(a)	432,945	175,927	78	111

Notes to the Financial Statements

Note 1. Statement of Significant Accounting Policies

The significant policies which have been adopted in the preparation of this financial report are:

(a) Basis of Accounting

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non-current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and are consistent with those of the previous year.

(b) Going Concern

The accounts have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The consolidated entity incurred an operating loss after tax of $293,722 for the year ended 30 June 2004 (2003: $370,167 loss) and as at that date had net assets of $43,370 (2003: $456,633 deficiency). It is noted however that included within the net assets, as both a current and non-current payable, is an amount due to Austrade totalling $564,480. 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. Any liability not repaid by 30 June 2010 is extinguished under the terms of the Austrade agreement.

The ability of the Company and the consolidated entity to continue to pay its debts as and when they fall due is dependent upon continuing to control expenditures and achieve internal revenue targets and / or raising additional capital.

Having regard to the Company's and consolidated entity's current financial position, likely trading conditions and the anticipation of a successful capital raising initiative recently announced ($285,000), the directors believe the going concern basis of preparation is appropriate.

Should the Company and the consolidated entity be unable to realise its target trading results or raise additional capital there is significant uncertainty whether the Company and the consolidated entity can continue as a going concern and, therefore, whether it will be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts recognised in the financial report.

In the event that the Company and the consolidated entity is unable to continue as a going concern, it may be required to realise its assets at amounts different to those currently recognised, settle liabilities other than in the ordinary course of business and make provisions for other costs which may arise as a result of cessation or curtailment of normal business operations.

(c) Principles of Consolidation

The financial statements of controlled entities are included from the date control commences until the date control ceases. All inter-entity balances and transactions have been eliminated.

(d) Revenue Recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority. Sales revenue represents sales of software products or rendering of services. Non-refundable minimum guarantees are recorded as revenue on receipt. Sales of software products are recognised when control of the goods passes to the customer and services revenue is recognised when the fees in respect of services rendered are earned, usually when services have been provided to customers.

Grant revenue comprises receipts from Australian government development grants.

Interest income is recognised as it accrues.

Asset sales represent cash and non-cash proceeds net of transaction costs.

(e) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(f) Foreign Currency Transactions

Foreign currency transactions during the year are recorded in Australian currency using the rate of exchange at the date of the transaction except where hedged prior to the date of the transaction whereupon the hedge rate is used. Amounts receivable and payable in foreign currencies at balance date are translated into Australian currency using the rate of exchange ruling at that date.

All exchange differences are included in the Statement of Financial Performance as exchange gains or losses, in the period in which they arise.

(g) Taxation

The consolidated entity adopts the income statement liability method of tax-effect accounting. The income tax expense in the Statement of Financial Performance represents the tax on pre-tax accounting profit adjusted for income and expenses never to be assessed or allowed for taxation purposes. The provision for deferred income tax liability and future income tax benefit include the tax effect of differences between income and expense items recognised in different accounting periods for book and tax purposes, calculated at the tax rates expected to apply when the differences reverse.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain.

Research and Development tax concessions are recognised in the year in which the corresponding research activity is undertaken and expenditure incurred. The concession is brought to account as a reduction of income tax expense.

(h) Receivables

Trade receivables are initially recorded at the amount of contracted sales proceeds. Provision for doubtful debts are recognised to the extent that recovery of the outstanding receivable balance is considered less than likely. A specific provision is maintained for identified doubtful debts and a general provision is maintained in respect of receivables which are doubtful of recovery but which have not been specifically identified.

(i) Leased Assets

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased item, are included in the determination of the result from ordinary activities in equal instalments over the lease term.

(j) Investments

All non-current investments are carried at the lower of cost and recoverable amount.

(k) Intangible Assets

No value is presently ascribed to identifiable intellectual property such as tradenames, designs, patents, and systems. Such intangible assets do exist but are not reflected in the Company's Statement of Financial Position due to the difficulty and cost associated with formulating an appropriate value.

(l) Recoverable Amounts of Non-Current Assets

All non-current assets including investments in controlled and other entities are reviewed at least annually to determine whether their carrying amounts require write down to recoverable amount. Recoverable amount is determined using a forecast of future undiscounted net cash flows.

(m) Depreciation

Assets are depreciated over their useful economic lives as follows:

	Life	*Method*
Plant and equipment at cost	3 years	Straight line
Plant and equipment at Directors' valuation	2 years	Straight line
Plant and equipment under lease	Term of lease	Straight line
Fixtures and fittings and office equipment	5 years	Straight line

(n) Software Development Costs

Consistent with international industry practice, software development costs are recorded as an expense in the Statement of Financial Performance and consequently not shown in inventories.

(o) Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received. Trade accounts payable are normally settled within 30 days.

(p) Employee Entitlements

Provisions have been made in the financial statements for benefits accruing to employees in relation to annual leave and long service leave. Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs. The provision for long service leave accrues after ten years continuous employment with the Group. All payroll on-costs are included in the determination of provisions.

The value of any options granted to an employee under the employee share scheme is not charged as an employee entitlement expense. Options are granted under the Scheme to encourage future performance and not as a reward for past performance.

The annual leave provision is considered current.

Contributions made to defined contribution superannuation funds are charged against results when accrued.

(q) Research and Development

Research and development expenses are charged against results as incurred.

(r) Equity Raising Costs

Costs directly incurred in issuing equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Such costs include underwriting and advisory fees.

(s) Provisions

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

(t) Earnings per Share

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members of the parent entity for the reporting period, after excluding any costs of servicing equity (other than ordinary shares and converting preference shares classified as ordinary shares for EPS calculation purposes), by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and the dilutive potential ordinary shares adjusted for any bonus issue.

(u) Comparatives

Where necessary, the comparative figures shown in the accounts have been changed to conform with the presentation of the 2004 financial information.

(v) International Financial Reporting Standards

Australia is currently preparing for the introduction of International Financial Reporting Standards ("IFRS") effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of next financial year.

The Company's directors, along with its auditors, are assessing the significance of these changes and preparing for their implementation.

Set out below are the key areas where accounting policy will change and may have an impact on financial reporting by Blaze International Limited. At this stage, the Company has not been able to reliably quantify the impact on the financial report, as the convergence work has yet to be completed.

Intangible Assets - Goodwill - Under Accounting Standard AASB 3 'Business Combinations' goodwill will no longer be able to be amortised but instead will be subject to annual impairment testing. This will result in a change in the Company's accounting policy, which presently amortises goodwill over its useful life not exceeding twenty years. Under the new policy, amortisation will no longer be charged. However, post the transition date of 1 July 2004, goodwill will be recognised immediately in the Statement of Financial Performance to the extent it is impaired.

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. Under the new policy, it is likely that impairment of assets will be recognised sooner and that the amount of write-downs charged to the Statement of Financial Performance could be greater.

Share based payments - Under Accounting Standard AASB 2, the Company will be required to determine the fair value of future options or other equity based compensation issued to employees and recognise this as an expense in the Statement of Financial Performance.

(v) International Financial Reporting Standards (continued)

The Board of Directors as a whole will be involved in the monitoring and achievement of the transition to IFRS reporting. The assessment and planning for IFRS is mostly complete at 30 June 2004. The design phase, involving formulating revised accounting policies and procedures, identifying potential financial impacts and designing appropriate accounting and business processes, is expected to be completed during the 2004/2005 year. The implementation phase of IFRS reporting is also expected to be completed by 30 June 2005.

Note 2. Revenue from Ordinary Activities

	Consolidated		*The Company*	
	2004	*2003*	*2004*	*2003*
	$	*$*	*$*	*$*
Profit/(Loss) from ordinary activities is after crediting the following revenues:				
Sales Revenues:				
Revenue from sales of product	52,923	177,567	-	-
Rendering of services revenue	108,707	64,118	-	-
Total sales revenue	161,630	241,685	-	-
Other Revenues:				
From operating activities				
Interest from:				
Other unrelated persons				
- Other	13,781	18,379	-	-
Export market development grants	34,165	59,809	-	-
Total other revenues	47,946	78,188	-	-
Total revenue from ordinary activities	209,576	319,873	-	-

Note 3. Loss from Ordinary Activities Before Income Tax Benefit

	Consolidated		*The Company*	
	2004	*2003*	*2004*	*2003*
	$	*$*	*$*	*$*
(a) Individually significant items included in loss from ordinary activities before income tax benefit				
Export market development grants	34,165	59,809	-	-
Provision for diminution in value of inter-company receivable (Note 9)	-	-	(743,725)	-
(b) Loss from ordinary activities before income tax benefit has been arrived at after charging the following expenses:				
Depreciation:				
Plant & equipment at cost	6,357	37,062	-	-
Total depreciation	6,357	37,062	-	-
Borrowing Costs:				
Interest paid or payable to:				
- Other unrelated persons	792	3,093	-	-
Other expense items:				
Operating lease rentals	10,320	11,055	-	-
Net expense for movement in provision for employee entitlements	712	(10,780)	-	-
Net foreign exchange loss	2,163	4,267	-	-

Note 4. Income Tax

	Consolidated		The Company	
	2004	2003	2004	2003
	$	$	$	$
The difference between income tax benefit provided in the financial statements and the prima facie income tax benefit is reconciled as follows:				
Prima facie credit thereon at 30% (2003 at 30%)	141,652	143,521	223,127	10
Decrease in income tax benefit due to -				
Addition to tax losses not recognised	(141,652)	(143,521)	(10)	(10)
Write downs not deductible	-	-	(223,117)	-
Tax losses recovered – research and development concession – significant item	178,451	108,236	-	-
Income tax benefit attributable to operating loss	178,451	108,236	-	-

Future income tax benefits arising from tax losses and timing differences are not brought to account at balance date if realisation of the benefit is not regarded as virtually certain.

Future income tax benefits arising from tax losses will only be obtained if:

(a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
(b) the conditions for deductibility imposed by tax legislation continue to be complied with; and
(c) changes in tax legislation do not adversely affect the consolidated entity in realising the benefit.

Consolidated tax losses not brought to account at balance date are $6,476,530 (2003: $6,254,061), tax effect at $1,942,959, (2003: $1,876,218).

No formal decision has been undertaken by the consolidated entity to enter the Tax Consolidation Regime.

Note 5. Earnings Per Share

	2004	2003
	$	$
Net loss used in calculation of basic and diluted EPS	293,722	370,167

	2004	2003
Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted EPS	98,090,394	78,500,025

Options

There are no dilutive potential ordinary shares as the options on issue (as disclosed in note 15) are out of the money.

Note 6. Segment Information

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

Note 7. Receivables (Current)

	Consolidated		The Company	
	2004	*2003*	*2004*	*2003*
	$	*$*	*$*	*$*
Trade debtors	5,232	2,724	-	-
Provision for doubtful debts	(200)	(200)	-	-
Trade debtors, net	5,032	2,524	-	-
Non-trade amounts owing by other unrelated persons (refer note below)	193,243	120,679	-	-
Total current receivables, net	198,275	123,203	-	-

Note: Amounts due from other unrelated persons includes $178,451 (2003:$108,236) in respect of Research and Development tax concessions due from the Australian Taxation Office.

Note 8. Other Assets (Current)

	Consolidated		The Company	
	2004	*2003*	*2004*	*2003*
	$	*$*	*$*	*$*
Prepayments	32,425	7,743	-	-

Note 9. Receivables (Non-current)

	Consolidated		The Company	
	2004	*2003*	*2004*	*2003*
	$	*$*	*$*	*$*
Non-trade amounts owing by Related Parties:				
- Wholly-owned group	-	-	5,124,075	4,380,283
Provision for diminution in value	-	-	(5,124,075)	(4,380,283)
Total non-current receivables	-	-	-	-

Note 10. Other Financial Assets (Non-current)

	Consolidated 2004 $	*Consolidated* 2003 $	*The Company* 2004 $	*The Company* 2003 $
Shares in unlisted controlled entities at cost (a)	-	-	13,600,010	13,600,010
Provision for diminution in value	-	-	(13,600,010)	(13,600,010)
	-	-	-	-
Investments in other entities (b)				
Unlisted Shares at cost – PIXe Pty Ltd	50,000	-	50,000	-
Total Other Financial Assets	50,000	-	50,000	-

(a) Investment in controlled entities comprises:

	Beneficial Interest 2004 %	*Beneficial Interest 2003 %*	*Country of Incorporation*
BSoftware International Pty Ltd	100	100	Australia
BSoftware Pty Ltd	100	100	Australia
Beam R&D Pty Ltd	100	100	Australia
Freekick Pty Ltd	100	100	Australia
MH Publishers Pty Ltd	100	100	Australia
Famous 3D Pty Ltd	100	100	Australia
101 Ware Pty Ltd	100	100	Australia
Software Licensing & Marketing Inc	100	100	USA
BIL Inc	100	100	USA
Radbeam No 1 Pty Ltd	100	100	Australia
Radbeam No 2 Pty Ltd	100	100	Australia
Stenwork Pty Ltd	100	100	Australia
Penashe R&D Pty Ltd	100	100	Australia

The overseas entities did not trade during the year. They have no material assets and liabilities.

(b) Investment in other entities comprises:

	Beneficial Interest 2004 %	*Beneficial Interest 2003 %*	*Country of Incorporation*
PIXe Pty Ltd	3.57	-	Australia

PIXe Pty Ltd is an Australian company which is developing a novel approach to the compression of broadcast images. Under the Agreement, the Company invested an initial $50,000 in PIXe in June 2004 to allow PIXe to commence early commercialisation work and to complete certain agreed tasks. The agreement gave the Company a right to invest a further $250,000 in PIXe for a total stake of 21.43% of the issued capital of PIXe.

Note 11. Plant and Equipment

	Consolidated		The Company	
	2004	2003	2004	2003
	$	$	$	$
Plant and equipment				
At Cost				
Cost	153,848	150,981	-	-
Accumulated Depreciation	(147,645)	(141,288)	-	-
	6,203	9,693	-	-
At Directors' Valuation (12/4/99)				
Valuation	125,640	125,640	-	-
Accumulated Depreciation	(125,640)	(125,640)	-	-
	-	-	-	-
Total plant and equipment net book value	6,203	9,693	-	-
Reconciliations				
At Cost				
Carrying amount at beginning of year	9,693	39,316	-	-
Additions	2,867	7,439	-	-
Disposals	-	-	-	-
Depreciation	(6,357)	(37,062)	-	-
Carrying amount at end of year	6,203	9,693	-	-

Note 12. Payables (Current)

	Consolidated		The Company	
	2004	2003	2004	2003
	$	$	$	$
Trade creditors	26,314	72,632	-	-
Other creditors	24,297	70,601	-	-
Austrade (a)	3,197	4,811	-	-
	53,808	148,044	-	-

(a) Austrade liability – refer Note 14.

Note 13. Other Provisions (Current)

	Consolidated		The Company	
	2004	2003	2004	2003
	$	$	$	$
Employee entitlements	61,387	60,675	-	-

Also refer note 18 for further details in respect of employee entitlements.

Note 14. Payables (Non-Current)

	Consolidated		The Company	
	2004	*2003*	*2004*	*2003*
	$	*$*	*$*	*$*
Austrade liability (a)	561,283	564,480	-	-
Total non-current payables	561,283	564,480	-	-

(a) This "Austrade liability", which incurs no interest, relates to a government export incentive received in a prior period. Repayment of the liability is calculated as a percentage of annual sales revenue and is capped at $120,000 per annum. Any liability not repaid by 30 June 2010 is extinguished under the terms of the Austrade agreement.

Note 15. Contributed Equity

	The Company	
	2004	*2003*
	$	*$*
Share capital 120,275,025 (2003: 78,500,025) fully paid ordinary shares	19,288,531	18,494,806

(a) Ordinary shares	*$*	*Number*
Movements during the year		
Balance at beginning of year	18,494,806	78,500,025
Share placement at issue price of 2 cents on 12 September 2003	235,500	11,775,000
Share placement at issue price of 2 cents on 27 February 2004	600,000	30,000,000
Transaction costs from capital raisings	(41,775)	-
Balance at the end of the period	19,288,531	120,275,025

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

Note 15. Contributed Equity (continued)

(b) Share Options

Exercise Period	*Note*	*Exercise Price*	*1 July 2003*	*Issued during the year*	*Expired during the year*	*30 June 2004*
On or before 1 December 2003	(a)	$0.50	52,500	-	(52,500)	-
On or before 23 January 2005	(a)	$0.20	500,000	-	-	500,000
On or before 30 April 2005	(a)	$0.20	866,500	-	-	866,500
On or before 31 August 2005	(a)	$0.20	50,000	-	-	50,000
On or before 30 November 2005	(a)	$0.20	100,000	-	-	100,000
On or before 13 June 2005	(b)	$0.12	1,000,000	-	-	1,000,000
On or before 13 June 2005	(b)	$0.17	1,000,000	-	-	1,000,000
On or before 13 June 2005	(a)	$0.12	1,000,000	-	-	1,000,000
On or before 13 June 2005	(a)	$0.17	1,000,000	-	-	1,000,000
			5,569,000	-	(52,500)	5,516,500

Notes:
(a) Incentive options issued pursuant to employee option schemes.
(b) Issued to directors in June 2002 pursuant to shareholder approval.

None of the options have any voting rights, any entitlement to dividends or any entitlement to the proceeds of liquidation in the event of a winding up.

No further options have been issued or exercised to the date of the Directors' Report.

Note 16. Accumulated Losses

	Consolidated		*The Company*	
	2004	*2003*	*2004*	*2003*
	$	*$*	*$*	*$*
Accumulated losses at the beginning of the financial year	(18,951,439)	(18,581,272)	(18,494,695)	(18,494,661)
Net loss attributable to members	(293,722)	(370,167)	(743,758)	(34)
Accumulated losses at the end of the financial year	(19,245,161)	(18,951,439)	(19,238,453)	(18,494,695)

Note 17. Notes to the Statements of Cash Flows

(a) Reconciliation of Cash

For the purpose of the Statements of Cash Flows, cash includes cash on hand and in banks and short-term deposits with banks.

Cash at the end of the financial year as shown in the Statements of Cash Flows is reconciled to the related items in the Statements of Financial Position as follows:

	Consolidated		*The Company*	
	2004	*2003*	*2004*	*2003*
	$	*$*	*$*	*$*
Cash at bank	82,945	75,618	78	111
Term deposits with bank	350,000	100,309	-	-
	432,945	175,927	78	111

(b) Reconciliation of loss after income tax to net cash provided by operating activities

	Consolidated		*The Company*	
	2004	*2003*	*2004*	*2003*
	$	*$*	*$*	*$*
Operating loss after tax	(293,722)	(370,167)	(743,758)	(34)
Adjustments for non-cash income and expense items:				
Depreciation	6,357	37,062	-	-
Diminution in value of receivable	-	-	743,725	-
Changes in assets and liabilities:				
(Increase)/Decrease in assets:				
Receivables	(75,072)	(45,836)	-	-
Other assets	(24,682)	(7,743)	-	-
(Decrease)/Increase in liabilities:				
Trade creditors	(97,433)	(32,153)	-	-
Other provisions and liabilities	712	(20,780)	-	-
Net cash outflows from operating activities	(483,840)	(439,617)	(33)	(34)

Note 18. Employee Entitlements

	Consolidated		The Company	
	2004 Number	2003 Number	2004 Number	2003 Number
The number of full-time equivalents employed as at 30 June are:	5	5	-	-

(a) Employee Option Ownership Schemes

	Consolidated 2004 Number	Consolidated 2003 Number
a) i) Beam Employee Share Option Scheme		
Balance at the start of the year	52,500	196,250
Expired during the year	(52,500)	(143,750)
Balance at the end of the year	-	52,500
Options, 50 cents exercise price, maturing 1 December 2003	-	52,500
Total	-	52,500
a) ii) Blaze Employee Incentive Option Plan		
Balance at the start of the year	1,516,500	1,516,500
Issued during the year	-	-
Expired during the year	-	-
Balance at the end of the year	1,516,500	1,516,500
Options, 20 cents exercise price, maturing 23 January 2005	500,000	500,000
Options, 20 cents exercise price, maturing 30 April 2005	866,500	866,500
Options, 20 cents exercise price, maturing 31 August 2005	50,000	50,000
Options, 20 cents exercise price, maturing 30 November 2005	100,000	100,000
Total	1,516,500	1,516,500
a) iii) Blaze International Ltd 2002 Employee Incentive Scheme		
Balance at the start of the year	2,000,000	2,000,000
Issued during the year	-	-
Expired during the year	-	-
Balance at the end of the year	2,000,000	2,000,000
Options, 12 cents exercise price, maturing 13 June 2005	1,000,000	1,000,000
Options, 17 cents exercise price, maturing 13 June 2005	1,000,000	1,000,000
Total	2,000,000	2,000,000

(a) ii) Blaze Employee Incentive Option Plan

This plan was approved by shareholders on 24 February 2000. No new options are granted under this scheme following the introduction of the Blaze International Limited 2002 Employee Incentive Scheme (see below). Options are free and granted to employees of the Company at the discretion of the Directors. Each Option will entitle the holder to subscribe for one ordinary share on payment of the exercise price above at any time prior to the expiry of 5 years from the grant. The Options issued to an employee vest over a period of continuous employment up to three years.

Note 18. Employee Entitlements (continued)

(a) iii) The Blaze International Limited 2002 Employee Incentive Scheme

This plan was approved by shareholders on 13 June 2002.   Options are free and granted to employees of the Company at the discretion of the Directors. Each Option will entitle the holder to subscribe for one ordinary share on payment of the exercise price above at any time prior to the expiry of 3 years from the grant. The options are issued in two equal tranches, Series A and Series B. Employees will not receive the full benefit of their options until 6 months after issue of options (in the case of Series A options) and until 12 months after issue of options (in the case of Series B options).

* The share price of the Company was 2.7 cents at 30 June 2004 and Directors' estimate that outstanding options had no material value on that date.

(b) Employee Entitlements recognised

Aggregate employee entitlement liability is disclosed in current Other Provisions (Note 13).

Note 19. Director and Executive Disclosures

The following persons held the position of Director of Blaze International Limited during the financial year.

Directors

Chairman
Peter Kingsley Bartleet

Part time Executive directors	
Peter Jon Hartshorne	(appointed 24 October 2003)
Trevor Alan Hall	(resigned 24 October 2003)
Non-executive directors	
Peter Neil Landau	(appointed 21 May 2004)
Patrick John Flint	(resigned 14 May 2004)

Executives (other than directors) with the greatest authority for strategic direction and management

Isaac Jacobs – General Manager and Head of Marketing

Remuneration of directors and executives

The Board is responsible for determining remuneration policies and packages applicable to the Board members and senior executives of the Company. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and level of performance, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. Where necessary independent advice on the appropriateness of remuneration packages is obtained.

Note 19. Director and Executive Disclosures (continued)

Details of the nature and amount of each major element of the remuneration of each director and specified executive of the Company and the consolidated entity are:

	Primary	*Post Employment*	*Other Compensation*	*Value of options (A)*	
	Salary / Fees	*Super-annuation*	*Insurance Premiums*		*Total*
	$	*$*	*$*	*$*	*$*
Directors:					
Peter Bartleet					
2004	20,000	-	7,447	-	27,447
2003	20,000	-	6,000	3,700	29,700
Peter Hartshorne *(appointed 24 October 2003)*					
2004	17,188	-	5,087	-	22,275
Peter Landau *(appointed 21 May 2004)*					
2004	2,204	198	956	-	3,358
Trevor Hall *(resigned 24 October 2003)*					
2004	6,304	567	2,360	-	9,231
2003	37,333	3,090	6,000	7,400	53,823
Patrick Flint (resigned 14 May 2004)					
2004	31,003	-	6,491	-	37,494
2003	38,001	-	6,000	3,700	47,701
Total, all specified directors					
2004	76,699	765	22,341	-	99,805
2003	95,334	3,090	18,000	14,800	131,224
Specified Executive:					
Isaac Jacobs (B)					
2004	69,117	6,220	7,447	-	82,784
2003	74,772	6,730	6,000	-	87,502

(A) Allocated to each reporting period evenly over the period from grant date to vesting date.

(B) Mr Jacobs' salary reported above includes commission of $6,232 (2003: $12,118) based on revenues earned by the consolidated entity.

Contracts for services

Remuneration and other terms of employment for the directors are formalised in service agreements. The major provisions of the agreements relating to remuneration are set out below.

Peter Bartleet

- Directors' fee of $20,000 per annum paid to Strategic Technologies Pty Ltd, a company in which Mr Bartleet is a director and has a beneficial interest.

Peter Hartshorne

- Directors' fee of $25,000 per annum paid to Xenomorph Pty Ltd, a company in which Mr Hartshorne is a director and has a beneficial interest.

Peter Landau

- Directors' fee of $20,000 per annum effective from date of appointment on 21 May 2004.

Note 19. Director and Executive Disclosures (continued)

Options provided as remuneration

Directors and specified executives are entitled to participate in the Blaze International Limited 2002 Employee Incentive Scheme. Details of this scheme are contained in Note 18 above. There were no options issued to the directors or specified executives under this scheme for the financial year ending 30 June 2004.

Shareholdings
The numbers of shares in the Company held during the financial year by directors and the specified executive, including shares held by entities they control, are set out below.

	Balance at 1 July 2003	*Received as Remuneration*	*Options Exercised*	*Other Movements*	*Balance at 30 June 2004*
Directors					
Peter Bartleet	-	-	-	-	-
Peter Hartshorne	-	-	-	-	-
Peter Landau	-	-	-	-	-
Trevor Hall	500,000	-	-	-	N/A
Patrick Flint	-	-	-	-	N/A
Specified executive					
Isaac Jacobs	1,000,000	-	-	-	1,000,000

Trevor Hall and Patrick Flint resigned as directors during the year.

Option holdings
The numbers of options in the Company held during the financial year by directors and the specified executive, including options held by entities they control, are set out below.

	Balance at 1 July 2003	*Received as Remuneration*	*Options Exercised*	*Other Movements*	*Balance at 30 June 2004*	*Vested and exercisable at year end*
Directors						
Peter Bartleet	500,000	-	-	-	500,000	500,000
Peter Hartshorne	-	-	-	-	-	-
Peter Landau	-	-	-	-	-	-
Trevor Hall	1,000,000	-	-	-	N/A	N/A
Patrick Flint	500,000	-	-	-	N/A	N/A
Specified executive						
Isaac Jacobs	850,000	-	-	-	850,000	850,000

Trevor Hall and Patrick Flint resigned as directors during the year.

Options held by Peter Bartleet and Isaac Jacobs are exercisable as follows:

- *Peter Bartleet* - 250,000 options at 12 cents each up to 13 June 2005 and 250,000 options at 17 cents each up to 13 June 2005
- *Isaac Jacobs* – 300,000 at 20 cents each up to 30 April 2005, 275,000 options at 12 cents each up to 13 June 2005 and 275,000 options at 17 cents each up to 13 June 2005

Other transactions with directors and specified executive
Apart from the details disclosed in this note, no director or specified executive has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' and specified executives interests subsisting at year end.

Note 20. Remuneration of Auditors

	Consolidated		The Company	
	2004	*2003*	*2004*	*2003*
	$	*$*	*$*	*$*
Amounts receivable or due and receivable by the auditors (KPMG Australia):				
Auditing and review of the financial statements	24,200	27,197	-	-
Other services to the group – taxation services	5,338	12,222	-	-
	29,538	39,419	-	-

Note 21. Related Party Disclosures

(a) Directors and specified executives

Disclosures relating to directors and specified executives are set out in Note 19.

(b) Transactions with Related Parties in the Wholly Owned Group:

The parent entity entered into the following transactions during the year with related parties in the wholly owned Group:

- Loans were advanced and repayments received on short term intercompany accounts from related parties in the wholly owned Group.

These transactions were undertaken on commercial terms and conditions.

Amounts due to and receivable from related parties in the wholly owned Group are set out in the respective notes to the financial statements.

The ownership interests in related parties in the wholly owned Group are set out in Note 10.

(c) Transactions with Other Related Parties:

There were no transactions with other related parties.

Note 22. Contingent liabilities

There were no contingent liabilities of the consolidated entity, not provided for in the financial statements at 30 June 2004.

Note 23. Financial Instruments

(a) Interest Rate Risk Exposures

The consolidated entity may be exposed to interest rate risk through primary financial assets and liabilities. The following table summarises interest rate risk for the consolidated entity, together with effective interest rates as at balance date.

2004	*Weighted Average effective interest rate*	*Floating Interest rate $*	*Fixed interest rate maturing in: 1 year or less $*	*Fixed interest rate maturing in: Over 1 Year $*	*Non-interest Bearing $*	*Total $*
Financial Assets:						
Current:						
Cash at bank	2.1%	82,945	-	-	-	82,945
Term deposit	4.3%	-	350,000	-	-	350,000
Trade debtors	-	-	-	-	5,232	5,232
Other debtors	-	-	-	-	193,243	193,243
Non Current:						
Investments	-	-	-	-	50,000	50,000
Total Financial Assets		82,945	350,000	-	248,475	681,420
Financial Liabilities:						
Current:						
Trade creditors	-	-	-	-	26,314	26,314
Austrade borrowing	-	-	-	-	3,197	3,197
Other creditors	-	-	-	-	24,297	24,297
Employee entitlements	-	-	-	-	61,387	61,387
Non Current:						
Austrade borrowing	-	-	-	-	561,283	561,283
Total Financial Liabilities		-	-	-	676,478	676,478

2003	*Weighted Average effective interest rate*	*Floating Interest rate $*	*Fixed interest rate maturing in: 1 year or less $*	*Fixed interest rate maturing in: Over 1 Year $*	*Non-interest Bearing $*	*Total $*
Financial Assets:						
Current:						
Cash at bank	1.8%	75,618	-	-	-	75,618
Term deposit	3.9%	-	100,309	-	-	100,309
Trade debtors	-	-	-	-	2,724	2,724
Other debtors	-	-	-	-	120,679	120,679
Total Financial Assets		75,618	100,309	-	123,403	299,330
Financial Liabilities:						
Current:						
Trade creditors	-	-	-	-	72,632	72,632
Austrade borrowing	-	-	-	-	4,811	4,811
Other creditors	-	-	-	-	70,601	70,601
Employee entitlements	-	-	-	-	60,675	60,675
Non Current:						
Austrade borrowing	-	-	-	-	564,480	564,480
Total Financial Liabilities		-	-	-	773,199	773,199

Note 23. Financial Instruments (continued)

(b) Foreign Exchange

The consolidated entity is exposed to foreign currency exchange rate risk through primary financial assets and liabilities. The following table summarises, by currency, in Australian dollars, the foreign exchange risk in respect of recognised financial assets and liabilities.

	2004		*2003*	
	United States Dollars (in A$)	*English GBP (in A$)*	*United States Dollars (in A$)*	*English GBP (in A$)*
Financial Assets				
Current:				
Cash at bank	16,539	-	3,108	-
Trade debtors	4,902	-	2,274	-
Other unrelated persons	420	-	-	-
Financial Liabilities				
Current:				
Trade creditors	-	-	3,003	-
Other liabilities and accruals	-	-	394	-

These items are unhedged.

(c) Fair Value of Financial Instruments

The following methods and assumptions are used to determine the net fair value of financial assets and liabilities:

Cash - the carrying amount approximates fair value because of their short term to maturity.

Receivables - the carrying amount is the original amount receivable less any provision for doubtful debts. The carrying amount approximates fair value.

Investments - the net fair value of investments in unlisted shares in other corporations is determined by reference to the underlying net assets and an assessment of future maintainable earnings and cashflows.

Liabilities - are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

The net fair value of the monetary financial assets and monetary financial liabilities approximates their carrying value and are disclosed in the financial statements.

(d) Credit Risk Exposures

The consolidated entity's maximum exposure to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position. As at 30 June 2004, 90% (2003: 91%) of the consolidated entity's receivables were due from the Australian Taxation Office.

Note 24. Commitments

	Consolidated 2004 $	Consolidated 2003 $	The Company 2004 $	The Company 2003 $
Non-cancellable operating lease expense commitments				
Future operating lease commitments not provided for in the financial statements and payable:				
Within one year	12,746	11,687	-	-
Later than one year but not later than five years	-	-	-	-
	12,746	11,687	-	-

The consolidated entity leases property under a non-cancellable operating lease expiring within 12 months of the balance date of 30 June 2004. The lease generally provides the consolidated entity with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on movements in the Consumer Price Index.

Note 25. Events Subsequent to Reporting Date

(a) Further investment in PIXe

Following completion of due diligence, the Company invested $250,000 in the share capital of PIXe Pty Ltd in August 2004. This investment together with $50,000 previously invested in June 2004 has resulted in the Company holding 21.43% of PIXe's issued share capital.

(b) Capital Raising

In August 2004, the Company finalised plans for a capital raising of $285,000 by the issue of 114 million options (exercisable at 10 cents each on or before 30 June 2007) at 0.25 cents each. The capital raising, which is subject to shareholder approval and the issue of a prospectus, is anticipated to be completed in October 2004.

(c) International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board. Refer to Note 1(v) for a summary of the changes to accounting policies potentially having a significant effect on the consolidated entity's financial performance and financial position. The summary should not be taken as an exhaustive list of all the differences between Australian accounting standards and IFRS.

Other than the matters referred to above or elsewhere in this financial report, no matters or circumstances have arisen since 30 June 2004 that will significantly affect, or may significantly affect:

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

Directors' Declaration

In the opinion of the directors of Blaze International Limited ("the Company"):

(a) the financial statements and notes, of the Company are in accordance with the Corporations Act 2001, including:

 (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2004 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

 (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

Peter Bartleet
Director

Perth, Western Australia
29 September 2004

insert auditors pdf page 1

insert auditors pdf page 2

Shareholder Information

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 16 September 2004.

Distribution of shareholdings

	Ordinary Shares		*Employee Options*		*Director Options*	
Size of holding	*Number of Holders*	*Number of Shares*	*Number of Holders*	*Number of Options*	*Number of Holders*	*Number of Options*
1 to 1,000	48	35,106	-	-	-	-
1,001 to 5,000	220	752,767	-	-	-	-
5,001 to 10,000	105	915,371	-	-	-	-
10,001 to 100,000	308	15,188,411	11	516,500	-	-
100,001 and over	154	103,383,370	8	3,000,000	3	2,000,000
Total holders	835	120,275,025	19	3,516,500	3	2,000,000
Unmarketable parcel	307					

Twenty largest shareholders

Name	*Number of Ordinary Shares*	*Percentage of Issued Capital*
Corridor Nominees Pty Ltd	16,300,000	13.55
Edenkey Nominees Pty Ltd	5,378,454	4.47
Mandevilla Pty Ltd	4,787,500	3.98
Lesuer Pty Ltd	3,600,000	2.99
Rimfire Finance Pty Ltd	3,500,000	2.91
Fidelity & Security Nominees Pty Ltd	3,000,000	2.50
Pillage Investments Pty Ltd	2,500,000	2.71
Westedge Investments Pty Ltd	2,400,000	2.00
Todea Holdings Pty Ltd	2,000,000	1.66
Avante Holdings Pty Ltd	2,000,000	1.66
Waterbeach Investments Pty Ltd	1,951,914	1.62
David Andrew Skelton	1,600,000	1.33
Anthony Casey Wilson	1,538,000	1.28
Betty Ann & Alfred James Stevens	1,500,000	1.25
Carryclub Pty Ltd	1,500,000	1.25
Eevo Pty Ltd	1,500,000	1.25
Valadon Pty Ltd	1,500,000	1.25
Betty Ann Stevens	1,400,000	1.16
Charles Bass	1,300,000	1.16
Paticoa Nominees Pty Ltd	1,231,071	1.02
	60,486,939	51.00

Voting rights

All ordinary shares issued by Blaze International Limited carry one vote per share without restriction.

Director Options

The holders of the 2,000,000 "Directors' Options" each hold more than 20% of this class of securities. The holders are Mr Peter Bartleet (500,000) and the former directors, Mr Trevor Hall (1,000,000) and Mr Patrick Flint (500,000).

Corporate Directory

Directors:
Peter Bartleet (Chairman)
Peter Jon Hartshorne (Part time Executive Director)
Peter Landau (Non-executive Director)

Company Secretary:
Susmit Shah

Registered Office:
30 Ledgar Road
Balcatta, Western Australia 6021
Phone: 61 8 9240 2836
Fax: 61 8 9240 2406

Administration Office:
18 Macquarie Street
Prahran, Victoria 3141
Phone: 61 3 9529 5500
Fax: 61 3 9526 7600

Internet:
www.blazelimited.com
www.famous3D.com

Auditors:
KPMG Australia
161 Collins Street
Melbourne VIC 3000

Share Registry:
Advanced Share Registry Services
7th Floor, 200 Adelaide Terrace
Perth, Western Australia 6000
Phone: 61 8 9221 7288
Fax: 61 8 9221 7869

Stock Exchange:
The Company's shares are traded on the Australian Stock Exchange (ASX: BLZ)

blaze

www.blazelimited.com