



**Q&A with Peter Jon Hartshorne, Chief Executive Officer  
Thursday 9 June 2005**

**Introduction**

Over the past three months I have taken a number of enquiries from shareholders and potential investors about the PIXe commercialisation process and the significant achievements made to date. In response, I thought it would be useful to put together the following Q&A to assist in the understanding of PIXe and the key factors which make it such an exciting prospect for Blaze (Blaze owns 100% of PIXe).

**What is PIXe?**

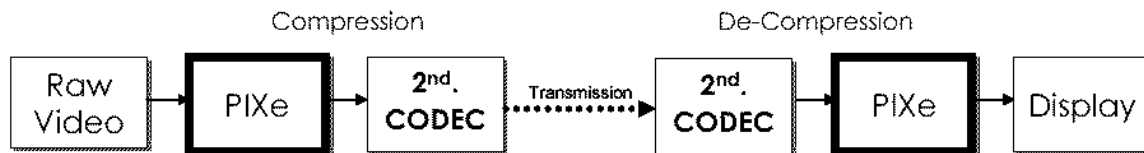
PIXe is a unique pre-compression filter, which supports the distribution of moving images (video), especially over low bandwidth environments, for example, mobile phones (2G – 3G) and other mobile devices.

**What makes PIXe unique?**

PIXe relies on an optical process, known as Short Range Apparent Motion, which manipulates the optical image. This is considerably different to conventional compression techniques, such as MPEG, which are generally mathematical and extremely processor intensive.

The PIXe pre-compression filter is unique for two primary reasons:

1. It relies on extremely low computational automated process based functions rather than mathematics.
2. It is a compatible, not a replacement, technology deliberately positioned to work with other standard or proprietary CODECS (as shown in the schematic). The Video Transmission market is dominated by the MPEG [Motion Picture Expert Group] range of CODECS, which we estimate have around 70% of today's available market. The remaining 30% is shared by 30-40 proprietary CODECS such as DivX, On2 and Sorenson.



As PIXe is a compatible CODEC, we expect to add significant value in the Video Compression industry and to open up a series of new markets not currently being serviced. An excellent example of this is the 2.0 and 2.5G Mobile Telephony market where Video Transmission is unavailable due to bandwidth limitation and the relatively low processing capacity of the phones. **PIXe can already demonstrate applications running on these devices.**

## What are the key benefits of PIXe?

PIXe has the potential to deliver broadcast quality, video in real time over DSL broadband landlines and by wireless to mobile devices such as cell phones and PDA's. **This cannot be achieved with current technologies.** Thus, PIXe has the potential to open up new multi billion dollar markets for video content and service providers which will be able to provide content via low bandwidth applications for the first time.

## What level of compression can PIXe achieve?

Today, the PIXe process is capable of achieving up to a 9x file size reduction before the application of a secondary CODEC.

So, if a Video Stream is being reduced by 50:1 through a conventional CODEC, the application of PIXe will compound this rate to achieve a compression ratio of up to 450 to 1. Blaze is not currently aware of any other compression technology that goes close to what PIXe is achieving in its current development phase. Of even greater significance, the current compression rates (and associated fidelity) being achieved by PIXe can, in our opinion, be improved significantly with the current development work being undertaken. Our target is to ultimately achieve compressions of up to 1000 to 1 with broadcast quality and commercial fidelity.

## What market segment is PIXe being positioned in?

The wonderful thing about PIXe, as a compatible pre-compression filter, is that it can be applied to all forms of Video Transmission which represents opportunities in US\$ billion markets. However, its attributes do lend it to an early penetration into low bandwidth environments – especially the mobile telephony 2.5G markets.

To this end, we are already in active discussions with leading global Mobile Carriers, Handset / Device Manufacturers and Content Providers / Deliverers in the United States, China, Japan and Korea.

Another example of the PIXe potential stems from recent meetings in China which confirmed the significant opportunities for PIXe that exist in China. The Chinese Government has recently announced that it intends to develop its own video compression standard and that it would not continue to license the current international MPEG4 standard due to prohibitive licensing costs. As a flexible and proprietary technology, PIXe has a real opportunity to work with Chinese strategic partners in the development of a new standard.

## Can you summarise the nature of the discussions with target partners?

We are in active discussions with 8-10 of the largest ICT companies in North America where second and third round meetings have already been held. Key milestone targets have been established for PIXe, in respect of what each of the US companies requires, for either strategic partnerships or outright acquisitions. Early presentations have also been made in India, China, Japan, Korea and Europe. To date every company that has been introduced to PIXe has been impressed with the technology and the market proposition, and has continued to actively engage in discussions about possible alliances.

How much development will be required before PIXe is ready for commercial use?

PIXe is being developed in two stages

- |   |                               |
|---|-------------------------------|
| 1. Core PIXe and PIXe integration with MPEG | Phased over next 3 –12 months |
| 2. PIXe for other CODECS                    | Next 12-24 months             |

With the PIXe development achieved to date and the responses received from target partners, PIXe is now working in parallel towards:

- (a) the completion of key commercialisation development milestones;
- (b) the establishment of formal working relationships with strategic partners.

Completion of these activities is targeted for the second half of 2005.

Is the PIXe technology patented?

PIXe lodged world wide provisional patents over a year ago with full patents expected to be granted over the next 12 months. Importantly, after an extensive four month review by US Patent Lawyers, PIXe believes that there is no other existing technology that may impinge on PIXe's ability to protect its intellectual property.

Who are regarded as the primary competitors?

To date we have not found a complimentary pre-compression filter capable of working with all the common CODECS in the market to achieve the combined compression rates currently being demonstrated by PIXe.

How will revenue be generated?

There are four basic operating models that PIXe will (subject to the potential for an outright sale of the PIXe technology) exploit to generate revenue:

***As a compression service***

Operates as a hosted compression service.

***As a CODEC***

Corporate Licensing Agreements with companies which stream and serve video, for example carriers, mobile phone manufacturers, chipset manufacturers and content providers.

***As part of the MPEG patent suite***

Become part of the MPEG patent pool.

***New applications [e.g. broadcast TV to mobile telephony]***

Broadcast TV and video downloads to cell and mobile telephone.

## What is the Go to Market Strategy?

Our go to market strategy involves using large partner companies to exploit PIXe, specifically:

- ¶ Mobile phone handset/chipset manufacturers;
- ¶ Server companies to embed the CODEC into the video encoding processes; and
- ¶ CODEC investors, for example, MPEG patent holders.

In parallel, we will explore the merits of becoming part of the MPEG (and other standards) licensed community.

For any more detailed information and questions please contact:

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