piquant blue limited

LISTING CODE: PQB

21 February 2006

Business Update

Dear fellow shareholder,

Piquant Blue Achieves Domestic Market Leadership and Now Diversifies Overseas

Following the success of sales and operations in 2005, we take this opportunity to bring you up to date with recent activities and our continuing growth strategy.

Piquant Blue's business model as a marketer of olive oil rather than a grower of olives has been implemented and the business has progressed through the start-up phase. Sales continue to grow rapidly in Australia and the Company is making solid progress toward profitability. A major expansion into the USA supermarket sector is underway and we will provide regular updates over the coming months.

The following is just a snapshot and we welcome your further inquiry on 08 9388 8926.

Australian marketplace

- Our first major product review with Coles has resulted in the **redisland**™ brand gaining additional shelf space and prominence which is similar to the prominent product display in Woolworths.
- Woolworths continues to support the product and lead the sales race, having initially commenced with more product lines; in recent months sales in Coles have closed the gap towards Woolworths levels.
- Several new products, including a spray can and a 3 litre blend have recently launched into Woolworths.
- **redisland**™ is leading the introduction of innovation into the relatively conservative and traditional olive oil category, and additional new products, which tailor the flavour profile to specific uses of olive oil, are also nearing launch.
- **redisland**™ is now represented in approximately 1400 major Australian supermarkets and several hundred independent supermarkets through Metcash.
- **njoi**™ , the Company's gourmet brand, is also represented in more than 100 Australian gourmet food stores.
- Sales for the six months to December 2005 total approximately $1.6million with a 51% increase in sales from the first to second quarters; December 2005 was the strongest sales month experienced to date.

part of the piquant blue group

njoi™

redisland AUSTRALIA

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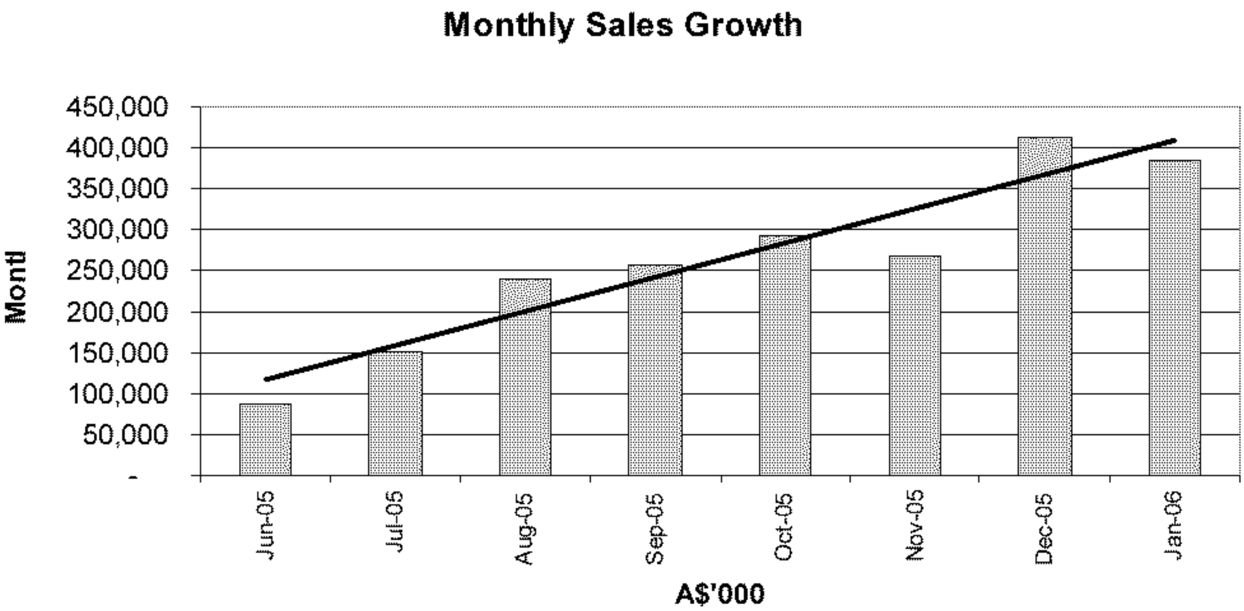
- Second half domestic sales have commenced strongly with January sales virtually equal to those of December, despite January usually being seasonally the weakest month for sales.
- Current monthly sales annualize to $5 million – without taking into account export potential or the positive contribution from new product launches into Coles and Woolworths.
- Domestic **redisland**™ sales momentum charted over the past 7 months indicates the Company will not have to rely on export sales success for profitability.
- Current production rates are approximately 1/3 of available capacity at the bottling plant in Perth. As export sales grow, a new bottling plant will be established in Victoria, which will provide more cost effective services to the export market and eastern seaboard.



United States marketplace

- Piquant Blue is in the final stages of discussions with several large supermarket chains in the United States to sell the unique **redisland**™ range.
- We expect to ship to the first such US supermarket chain deal by June.
- These are substantial retailers – some with sales in excess of US$10 billion per annum, and collectively, this first group of chains is larger than the entire Australian market.

- On the ground resources have now been secured to finalise the sales cycle; a leading sales manager from the world renowned HJ Heinz food company has been engaged in the USA to complete this breakthrough program.
- Market conditions are becoming even more favourable for **redisland**™, USA olive oil retail prices for European brands have increased in some cases up to 40% in the last six months due to poor harvests in Europe in recent successive years.
- This increases the price-competitiveness of our **redisland**™ brand in the USA; similar to the price points of the leading premium Italian brands.
- The target retail price in the USA is US$8-9 per 500mL bottle and can be achieved by streamlining distribution directly to retailers where possible - this approach has already worked well in Australia.
- There is no substantial local olive grove/oil production industry in the USA – they rely on imports. The recent Free Trade Agreement between Australia and the USA removed all tariffs on Australian olive oil and there is no anti-competitive "Buy American" campaign for **redisland**™ to encounter as it expands into this massive potential marketplace.

Concluding Comments:

Your Company has now built a well entrenched and financially sound business with significant growth prospects in its key markets domestically and overseas. This achievement is well timed as Australian groves are just starting to produce significant volumes and marketing solutions are required. European producers have been successful in driving up demand and Piquant Blue has come to the market with a superior quality product at competitive prices.

We believe the increased market presence through Coles, the introduction of additional products and improving margins through economies of scale will deliver both revenue and earnings growth to Piquant Blue during 2006. Piquant Blue is aiming to make the Australian operation profitable in its own right.

Whilst our focus in Australia is on growing existing accounts, in the USA we are concentrating on winning new large supermarket accounts in the short term. We expect to have **redisland**™ shipping to the first USA supermarkets within a matter of months. It is acknowledged that it will take some time to achieve the ultimate goal of country-wide distribution in the USA, however, at this stage of the Company's development, the targeted markets in the USA exceed the value of the Australian market, and will create a solid and profitable base for expansion.

The key factors for success in the USA are:

- Competitive price points in line with the market leaders
- A brand that stands out and has unique points of difference
- An underlying product that is higher quality and tastes better than the market leaders
- Growth in underlying consumption
- The clean and green Australian image

Finally, the Company wishes to acknowledge the extraordinary efforts of the management team in coming so far so quickly. The Directors are also very grateful for the support of the Company's shareholders with particular thanks to Timbercorp and Acorn Capital for consistently listening and sharing the vision.

Andrew Konowalous
Managing Director