MARKET UPDATE

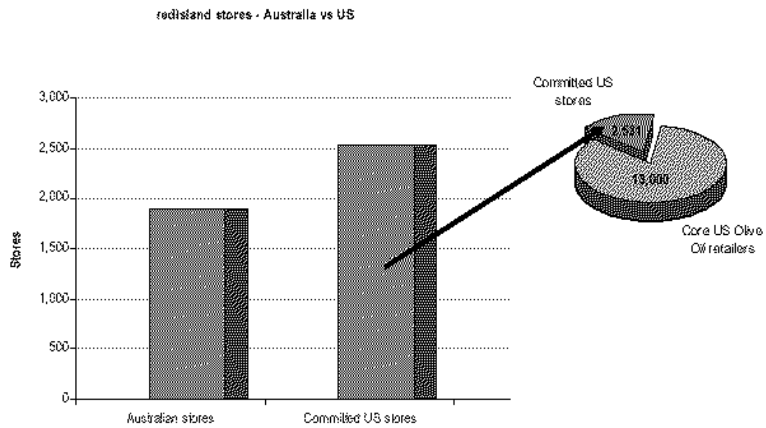
QUARTER ENDED 30 JUNE 2006

The quarter ending 30 June 2006 marked several significant milestones for Piquant Blue Limited. Revenues increased significantly during the quarter (reaching **$1.302m** for the 4th quarter of the year, compared to $0.573m for the same quarter in the prior year) continuing the strong upward sales growth the Company has experienced this year. Several new products were developed in conjunction with Australian customers, and launched during the quarter. Progress continued in signing up US supermarket chains and in July the Company announced that it secured distribution into 2,531 supermarkets in the US exceeding the number selling the product in the Australian market.

Subsequent to the end of the quarter the Company completed a placement of 12 million shares to institutions and sophisticated investors through ABN AMRO Morgans to raise $4.2m. This market update recaps the key developments in the business since the last quarterly update.

US Supermarket Program

Piquant Blue set out to establish a significant beach head in the US supermarket distribution channel during CY2006. The US supermarket program involved several years of lead up research, development and trials. During July the Company achieved its initial target of securing distribution into 2,500 US supermarkets in its three target regions being the north east, the south east and the west coast.



Initial shipments have been made to 6 of the Company's 14 US supermarket chains covering approximately 900 stores. Shipment volumes and schedules have been in line with expectations, and the Company's logistics infrastructure is operating as planned.

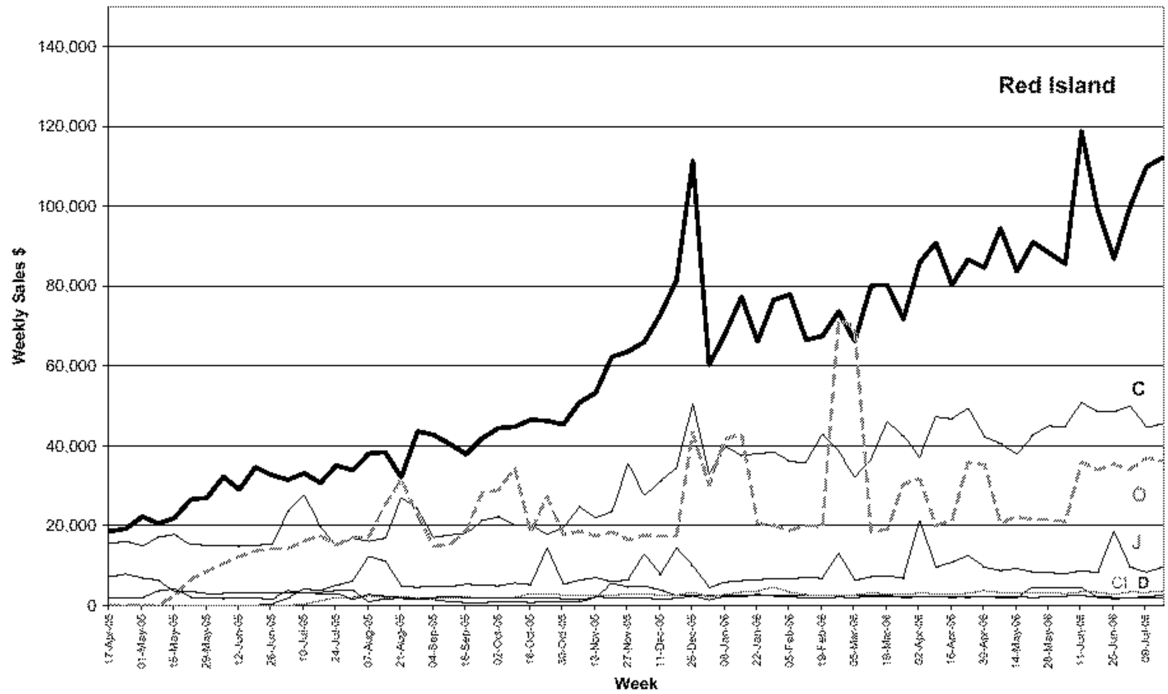
In the coming months the focus will be on the initial roll-out and launch in these stores however the sales team will continue to secure new business.

The US market represents a significant opportunity to the Company as it is the largest market for olive oil outside of Europe, has no significant local industry and demand for extra virgin olive oil is increasing.

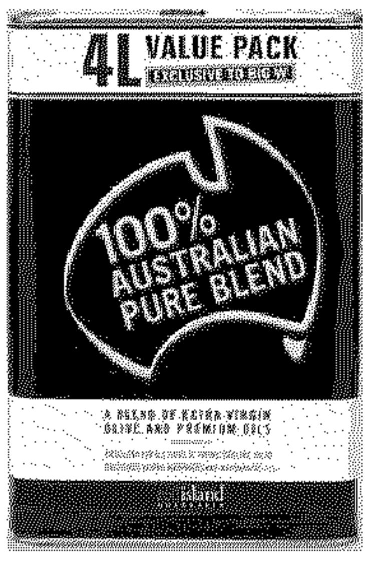
Australian Business

During the quarter the Company announced that its leading Australian extra virgin olive oil brand **redisland**™ had established a clear lead amongst Australian brands and had, in fact, become one of the leading brands even when compared with major European brands.

Scan Data: redisland™ vs Australian Brands



New business during the quarter included a 3 litre tin of extra virgin olive which is now sold in Coles supermarkets, a 3 litre blend of **redisland**™ olive oil, canola and cottonseed oil sold in Woolworths and the trial of a new 4 litre pack of the same blend which is sold in BigW stores. Since the end of the quarter, the BigW trial has been extended to a national roll out and the Company announced that the Metcash network had doubled the number of **redisland**™ products it stocks. Finally, a new style of olive oil called the **redisland**™ BBQ and Marinade blend is being trialed by Woolworths.



The Company's new product development process continues and the growth strategy for the Australian market remains that of filling in the gaps in the product range in all accounts, growing the food service distribution channel and adding new products to the range. This strategy is underpinned by an ongoing marketing program aimed at achieving increasing consumption by existing customers.

Production and Crop Update

The Company's bottling facility in Malaga, north of Perth, continues to increase output to meet demand. It is currently running at approximately 30% of its engineered capacity and is expected to switch to double shifts within the next 6 months. The facility currently produces an average of two containers of stock per week for US export. Additional equipment is currently being installed to increase the capacity of tinned products.

The Australian 2006 olive crop harvest is now complete and early information indicates that the crop size was in line with predictions at approximately 8 to 10 million litres (2005: 4 million).

Piquant Blue projects that it will require 15-20% of the entire Australian crop to supply its branded product business this year and in the next few years.

Corporate Update

The Company's operating cash usage of $0.726m during the quarter was in line with expectations and the significant build-up of US inventory was the main influence on cash usage.

The business has been reducing its overheads over the last two quarters and now has streamlined sales, production and administrative functions to support the business. Sales and production infrastructure is not expected to require significant upscaling over the next year.

Subsequent to the end of the period the Company completed a placement of 12 million shares to institutions and sophisticated investors through ABN AMRO Morgans to raise $4.2m. The issue was supported by existing shareholders Acorn Capital and Timbercorp Limited and several new institutions participated.

AUTHORISED BY:
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Rule 4.7B

Appendix 4C

Quarterly report
for entities admitted
on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

PIQUANT BLUE LIMITED

ABN	Quarter ended ("current quarter")
19 104 555 455	**30 JUNE 2006**

Consolidated statement of cash flows

Cash flows related to operating activities			**Current quarter $A'000**	**Year to date (12 months) $A'000**
1.1	Receipts from customers		1,220	3,414
1.2	Payments for	(a) staff costs	(476)	(1,537)
		(b) advertising and marketing	(105)	(806)
		(c) research and development	-	-
		(d) leased assets	-	-
		(e) other working capital (including inventory build up)	(1,375)	(4,186)
1.3	Dividends received		-	-
1.4	Interest and other items of a similar nature received		15	52
1.5	Interest and other costs of finance paid		(5)	(47)
1.6	Income taxes paid		-	-
1.7	Other (provide details if material)		-	-
	Net operating cash flows		**(726)**	**(3,110)**

+ See chapter 19 for defined terms.

		Current quarter $A'000	Year to date (12 months) $A'000
1.8	Net operating cash flows (carried forward)	**(726)**	**(3,110)**
	Cash flows related to investing activities		
1.9	Payment for acquisition of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	(93)	(221)
	(e) other non-current assets	-	-
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	-	-
	(e) other non-current assets	-	-
1.11	Loans to other entities	-	-
1.12	Loans repaid by other entities	-	-
1.13	Other (provide details if material)	-	-
	Net investing cash flows	**(93)**	**(221)**
1.14	**Total operating and investing cash flows**	**(819)**	**(3,331)**
	Cash flows related to financing activities		
1.15	Proceeds from issues of shares, options, etc.	-	4,615
1.16	Proceeds from sale of forfeited shares	-	-
1.17	Proceeds from borrowings	649	2,077
1.18	Repayment of borrowings and costs	(388)	(2,186)
1.19	Dividends paid	-	-
1.20	Other (provide details if material)	18	18
	Net financing cash flows	**279**	**4,524**
	Net increase (decrease) in cash held	(540)	1,193
1.21	Cash at beginning of quarter/year to date	2,169	436
1.22	Exchange rate adjustments to item 1.20	-	-
1.23	**Cash at end of quarter** [1]	**1,629**	**1,629**

[1] On 25 July 2006, the Company successfully completed a placement of $4.2m by the issue of 12,000,000 shares at $0.35 each. This additional equity will be applied to building inventory and debtors for the US supermarkets for its **redisland**™ brand of premium Australian extra virgin olive oil.

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter $A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	**(70)**
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Executive Directors' remuneration	**(38)**
Non-Executive Directors' remuneration	**(23)**
Fees paid to director related entities for administrative and secretarial services	**(9)**

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements*	**See below**	-

*The Group has access to a revolving debtors financing facility. The limit of this facility increases in line with the available level of debtors balance. The amount used under the facility was $664,000 at 30 June 2006.

In addition to this facility, the Group has facilities to finance export sales by the use of letters of credit.

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	**Current quarter $A'000**	**Previous quarter $A'000**
4.1 Cash on hand and at bank	**1,629**	**2,169**
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	**1,629**	**2,169**

Acquisitions and disposals of business entities

	Acquisitions *(Item 1.9(a))*	**Disposals** *(Item 1.10(a))*
5.1 Name of entity	**N/A**	**N/A**
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.

2 This statement does give a true and fair view of the matters disclosed.

Sign here: .... Date: **28 July 2006**
(Managing Director)

Print name: **Andrew Konowalous**

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.

   - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
   - 9.2 - itemised disclosure relating to acquisitions
   - 9.4 - itemised disclosure relating to disposals
   - 12.1(a) - policy for classification of cash items
   - 12.3 - disclosure of restrictions on use of cash
   - 13.1 - comparative information

3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.