

25 June 2010

The Companies Announcement Office
Australian Stock Exchange Limited
Level 10 Exchange Centre
20 Bond Street
SYDNEY NSW 2000

Dear Sir / Madam

Letter to Excluded Shareholders - Pro-Rata Non-Renounceable Entitlement Offer

Please find attached a letter to Shareholders which were excluded from the Pro-Rata Non-Renounceable Entitlement Offer.

Yours faithfully



Peter Coppini
Company Secretary

25 June 2010

Dear Shareholder

PARTICIPATION IN PRO-RATA NON-RENOUNCEABLE ENTITLEMENT OFFER – EXCLUDED SHAREHOLDERS

The directors of Port Bouvard Limited (**PBD** or the **Company**) are delighted to let you know that at the general meeting of shareholders held on Wednesday, 23 June 2010, the Company's shareholders (**Shareholders**) approved all the resolutions necessary to put into effect a solution to the Company's capital management strategy. These resolutions were passed by the overwhelming majority of Shareholders voting. This solution enables the Company to undertake the required debt reduction with our bankers, assist with the cancellation of the option agreements on the Gidgegannup properties, introduce a most suitable cornerstone investor to the Company's share register and fund the start up of our flagship Point Grey project. Access to the funding to activate the Point Grey project provides the Company with the opportunity to begin to unlock significant value from the project. It also means we can activate Point Grey without needing to ask the bank for the money. The capital raising is now fully underwritten, as has already been formally announced to the market, which means the Company can move forward on a stabilised basis and with confidence.

The offer price of 13 cents per share represents a discount to the net tangible asset backing of each share (post issue) of approximately 23 cents per share. You will, of course, make up your mind on whether you think this is good value. We believe the strong level of institutional support, the engagement of FKP as our cornerstone investor and the fact the offer is fully underwritten may provide some guide as to other's assessment of value.

After a tough time for the Company and its Shareholders, this capital raising provides the opportunity for a fresh start. As a Shareholder with a registered address outside Australia and New Zealand you are not eligible to participate in the Entitlement Offer for the reasons set out in more detail below. We still encourage you to consider the terms of the Entitlement Offer (and the Company's overall Capital Raising).

Overview

As announced on 20 May 2010, the Company wishes to advise that it intends to proceed with a 1 for 1 non-renounceable pro rata entitlement offer to existing Shareholders at an offer price of \$0.13 per share to raise \$17,002,878 (**Entitlement Offer**), which forms one component of the Company's overall capital raising which seeks to raise \$60,200,000 before costs (**Capital Raising**).

Only Shareholders with registered addresses in Australia or New Zealand who were registered at 5.00pm (WST) on 22 June 2010 (**Record Date**) will be eligible to participate in the Entitlement Offer (**Eligible Shareholders**).

In addition to the Entitlement Offer, the other components of the Capital Raising are as follows:

- the issue of 175,000,000 shares at an issue price of \$0.13 per Share to FKP Limited (**FKP**) to raise \$22,750,000 (**FKP Placement**); and
- the issue of 157,285,551 shares at an issue price of \$0.13 per share to institutional and sophisticated investors to raise \$20,447,122 (**Institutional Placement**).

A Prospectus for the Entitlement Offer was lodged with the Australian Securities and Investments Commission and ASX on 25 June 2010. Full details of the terms and conditions of the Entitlement Offer are contained in the Prospectus.

The Entitlement Offer is non-renounceable. This means that there will be no trading of entitlements to subscribe for the New Shares (**Entitlements**) on the ASX and you may not dispose of your Entitlement to subscribe for New Shares under the Entitlement Offer to any other party. Eligible Shareholders may apply for additional New Shares over and above their Entitlement in the manner set out in the Prospectus.

The ASX Listing Rules (**Listing Rules**) require the Company to provide you with certain information as part of the procedure under the Entitlement Offer. This notice contains all the information required by Appendix 3B of the Listing Rules.

Excluded Shareholders

In accordance with Listing Rule 7.7.1(a), the Company has given regard to:

- the number of Shareholders outside Australia and New Zealand;
- the number and value of the securities to be offered to Shareholders outside Australia and New Zealand; and
- the cost of complying with the legal requirements and requirements of regulatory authorities in the overseas jurisdictions,

and considers that it would be unreasonable to make an offer to Shareholders who have a registered address outside Australia or New Zealand (**Excluded Shareholders**). Accordingly, the Entitlement Offer will not be made to Excluded Shareholders.

Any New Shares that would otherwise have been offered to you as an Excluded Shareholder may be allocated to Eligible Shareholder by the Company.

Under the terms of the Offer, you are not eligible to subscribe for New Shares and you will not be sent a copy of the Prospectus or the personalised acceptance form, however a copy of the Prospectus has been lodged with ASX and is available on the ASX website (www.asx.com.au) and the Company's website (www.portbouvardltd.com.au). Full details of the terms and conditions of the Entitlement Offer are contained in the Prospectus.

If you have any questions, please do not hesitate to contact me on (+61 8) 6436 2200.

This notice is to inform you of the Offer. You are not required to do anything in response to this letter.

Yours faithfully



Stephen Court
Executive Director
Port Bouvard Limited

Important Information

No action has been or will be taken to register, qualify or otherwise permit a public offering of the New Shares in any jurisdiction outside Australia. However, the Offer will also be extended to shareholders with a registered address in New Zealand pursuant to certain exceptions from the registration requirements in those jurisdictions. But, in particular, the New Shares have not and will not be registered under the United States Securities Act of 1933, as amended (**US Securities Act**) or the securities laws of any state or other jurisdiction of the United States and, in connection with the Offer, may not be offered or sold in the United States or to, or for the account or benefit of, US persons (as defined in Rule 902(k) under Regulation S of the US Securities Act). The Prospectus is also not for distribution in the US or to US persons.