



ASX: DNA

ASX RELEASE

22 October 2013

Notice of Annual General Meeting

In accordance with Listing Rule 3.17.1, Donaco International Limited lodges the attached Notice of Annual General Meeting, including a letter of invitation to shareholders and proxy form.

The letter mailed to shareholders will also include a hard copy of the 2013 Annual Report, for those shareholders who elected to receive it.

An online version of the Annual Report is available at our website, www.donacointernational.com.

For further information:

Ben Reichel
Executive Director
Phone: + 61 412 060 281

ABOUT DONACO INTERNATIONAL LIMITED (ASX: DNA)

Donaco International Limited operates leisure, entertainment and associated technology businesses across the Asia Pacific region.

Our flagship business is the Lao Cai International Hotel, a successful boutique casino in northern Vietnam. The Lao Cai International Hotel was established in 2002, and is located on the border with Yunnan Province, China. Donaco operates the business and owns a 75% interest, in a joint venture with the Government of Vietnam.

The Lao Cai International Hotel is a pioneer casino operator in Vietnam. The property is currently being expanded from a 3-star 34 room hotel, to a brand new resort complex with 428 hotel rooms.

Donaco also owns and operates successful gaming technology businesses, including secure mobile payment gateways across South East Asia, and the Way2Bet wagering portal, whose customers include all major corporate bookmakers in Australia.

To learn more about Donaco visit www.donacointernational.com



16 October 2013

Dear Shareholder

It is my pleasure to invite you to the 2013 Annual General Meeting (**AGM**) of Donaco International Limited (the **Company**).

The AGM will commence at 11:00am (Sydney time) on Thursday, 21 November 2013, at Four Points by Sheraton Hotel, 161 Sussex Street Sydney.

I enclose your Notice of Meeting, together with the following documents:

- A detailed Explanatory Memorandum;
- A personalised Proxy Form; and
- The Company's 2013 Annual Report (if you elected to receive a hard copy).

What you need to do

All shareholders should carefully read the attached documents, and decide whether to vote on the resolutions contained in the Notice of Meeting.

Your vote is important, but it is not compulsory to vote. If you would like to vote, you may either attend the meeting, or alternatively appoint a proxy to vote for you at the meeting by using the attached Proxy Form. If you intend to appoint a proxy, please complete the Proxy Form and return it to us in accordance with the directions on the reverse side of the form by **11:00am (Sydney time) on Tuesday, 19 November 2013**.

Attendance

If you wish to attend the meeting:

- please bring this letter with you to assist us to process your registration efficiently; and
- if possible, call us on (02) 9017 7000 to confirm your attendance.

Your Directors and the Company's management look forward to welcoming you to the AGM.

Yours faithfully,



Stuart J McGregor
Chairman

PLEASE BRING THIS LETTER TO THE ANNUAL GENERAL MEETING

The Annual General Meeting of Donaco International Limited will be held on Thursday, 21 November 2013 at Four Points by Sheraton Hotel, 161 Sussex Street Sydney, with registration commencing at 10:00am (Sydney time). Representatives of corporate shareholders should present satisfactory evidence of appointment when registering.

Donaco International Limited

Suite 2.02, 55 Miller Street
Pyrmont, NSW, 2009 Australia

[TEL] +61 (02) 9017 7000 [FAX] +61 (02) 9017 7001
[ABN] 28 007 424 777

Donaco International Limited

ABN 28 007 424 777

Registered Office: Suite 2.02
55 Miller Street
PYRMONT NSW 2009

Notice of 2013 Annual General Meeting

Donaco International Limited (the **Company**) gives notice that its Annual General Meeting of members will be held at 11:00am (Sydney time) on Thursday, 21 November 2013 at:

Four Points by Sheraton Hotel
161 Sussex Street
SYDNEY NSW 2000

Items of Business

Item 1: Financial Statement and Reports

To receive and consider the Financial Report of the Company and its controlled entities and the Reports of the Directors and the Auditor for the financial year ended 30 June 2013.

Item 2: Remuneration Report

To consider and, if thought fit, to pass the following as an ordinary resolution:

"That the Remuneration Report as set out in the 2013 Annual Report be adopted."

Item 3(a): Election of Director – Mr Stuart McGregor

To consider and, if thought fit, to pass the following as an ordinary resolution:

"That Stuart James McGregor, a Director retiring in accordance with the Constitution, being eligible, is re-elected as a Director of Donaco International Limited."

Item 3(b): Election of Director – Mr Rob Hines

To consider and, if thought fit, to pass the following as an ordinary resolution:

"That Robert Andrew Hines, a Director appointed by the Directors on 1 November 2013 and retiring, being eligible, is elected as a Director of Donaco International Limited."

Item 4: Approval and Adoption of Employee Share Trust

To consider and, if thought fit, to pass the following as an ordinary resolution:

“That

- (a) the Directors are authorised to establish, administer, maintain, vary, suspend or terminate an employee share trust plan providing for the allocation of Shares to eligible participants (to be known as the Employee Share Trust (EST)), in accordance with the EST rules which are summarised in the Explanatory Memorandum (apart from any changes the Directors decide are necessary or desirable) (EST Rules);*
- (b) the making of contributions by the Company to the Trustee under the EST to enable the Trustee to acquire Shares to be allocated to the employees under the EST is approved for the purposes of section 260C of the Corporations Act 2001; and*
- (c) the future issue of Shares under the EST is approved for the purposes of Listing Rule 7.2 Exception 9, as an exception to Listing Rule 7.1.”*

Item 5: Approval and Adoption of Option Share Trust

To consider and, if thought fit, to pass the following as an ordinary resolution:

“That

- (a) the Directors are authorised to establish, administer, maintain, vary, suspend or terminate an Option Share Trust plan providing for the allocation of Options to Shares to eligible participants (to be known as the Option Share Trust (OST)), in accordance with the OST rules which are summarised in the Explanatory Memorandum (apart from any changes the Directors decide are necessary or desirable) (OST Rules);*
- (b) the making of contributions by the Company to the Trustee under the OST to enable the Trustee to acquire Options to be allocated to the employees under the OST is approved for the purposes of section 260C of the Corporations Act 2001; and*
- (c) the future issue of Options under the OST is approved for the purposes of Listing Rule 7.2 Exception 9, as an exception to Listing Rule 7.1.”*

Item 6(a): Grant of Shares to Managing Director

To consider and, if thought fit, to pass the following as an ordinary resolution:

“That approval is given for the purposes of Listing Rules 7.2, 10.11, 10.14 and all other purposes, for the allocation to the Managing Director of up to \$99,000 worth of fully paid ordinary shares in the Company per year, in lieu of the equivalent amount of any annual cash bonus that the Managing Director may become entitled to, as determined by the Board, in accordance with the Explanatory Notes accompanying and forming part of this Notice of Meeting.”

Item 6(b): Grant of Options to Managing Director

To consider and, if thought fit, to pass the following as an ordinary resolution:

“That approval is given for the purposes of Listing Rules 7.2, 10.11, 10.14 and all other purposes, for the allocation to the Managing Director of \$204,000 worth of options in the Company per year, in accordance with the Explanatory Notes accompanying and forming part of this Notice of Meeting.”

Item 7(a): Grant of Shares to Executive Director

To consider and, if thought fit, to pass the following as an ordinary resolution:

“That approval is given for the purposes of Listing Rules 7.2, 10.11, 10.14 and all other purposes, for the allocation to the Executive Director of up to \$50,000 worth of fully paid ordinary shares in the Company per year, in lieu of the equivalent amount of any annual cash bonus that the Executive Director may become entitled to, as determined by the Board, in accordance with the Explanatory Notes accompanying and forming part of this Notice of Meeting.”

Item 7(b): Grant of Options to Executive Director

To consider and, if thought fit, to pass the following as an ordinary resolution:

“That approval is given for the purposes of Listing Rules 7.2, 10.11, 10.14 and all other purposes, for the allocation to the Executive Director of \$102,000 worth of options in the Company per year, in accordance with the Explanatory Notes accompanying and forming part of this Notice of Meeting.”

Item 8: Non-Executive Directors’ Remuneration

To consider and, if thought fit, to pass the following as an ordinary resolution:

“That in accordance with Listing Rule 10.17, the maximum aggregate amount payable to non-executive Directors by way of Director’s fees be increased from \$450,000 per annum to \$750,000 per annum (inclusive of statutory superannuation contributions), to be split between the non-executive Directors as they determine.”

Item 9(a): Approval of Previous Share Issue

To consider and, if thought fit, to pass the following as an ordinary resolution:

“That for the purposes of Listing Rule 7.4 and for all other purposes, approval is given for the previous issue of 22,468,420 new fully paid ordinary shares in the Company to the vendors of iSentric Sdn Bhd, on the terms more fully described in the Explanatory Memorandum accompanying and forming part of this Notice of Meeting.”

Item 9(b): Approval of Previously Agreed Share Issue

To consider and, if thought fit, to pass the following as an ordinary resolution:

“That for the purposes of Listing Rule 7.4 and for all other purposes, approval is given for the previously agreed issue of 657,894 new fully paid ordinary shares in the Company to the vendors of iSentric (Australia) Pty Ltd, on the terms more fully described in the Explanatory Memorandum accompanying and forming part of this Notice of Meeting.”

Item 10: Approval of Additional Capacity to Issue Shares

To consider and, if thought fit, to pass the following as a special resolution:

“That pursuant to and in accordance with Listing Rule 7.1A of the ASX Listing Rules and for all other purposes, the shareholders of the Company approve and authorise the Company to issue up to 10% of the issued capital of the Company, calculated at the time of the issue and in accordance with the formula prescribed in Listing Rule 7.1A.2, on the terms and conditions in the Explanatory Memorandum.”

By order of the Board



Ben Reichel
Company Secretary

Important Notes on the Resolutions

1. For further information and explanation on all resolutions, please refer to the Explanatory Memorandum which is **enclosed** and forms part of this Notice of Annual General Meeting.
2. **The Board recommends unanimously that all shareholders vote in favour of all resolutions**, on the basis set out in the enclosed Explanatory Memorandum, except that:
 - Mr Joey Lim abstains from making a recommendation in relation to Items 6(a) and 6(b);
 - Mr Ben Reichel abstains from making a recommendation in relation to Items 7(a) and 7(b); and
 - The non-executive Directors abstain from making a recommendation in relation to Item 8.

Entitlement to vote

The Directors have decided that for the purpose of determining entitlements to attend and vote at the Annual General Meeting, shares will be taken to be held by the persons who are the registered holders at 7:00pm (Sydney time) on Tuesday, 19 November 2013. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

Voting restrictions and exclusions in respect of the Resolutions are set out below for each resolution.

How to vote

Shareholders entitled to vote at the AGM may vote:

- by attending the meeting and voting in person; or
- by appointing an attorney to attend the meeting and vote on their behalf or, in the case of corporate members or proxies, a corporate representative to attend the meeting and vote on its behalf; or
- by appointing a proxy to attend and vote on their behalf, using the Proxy Form accompanying this Notice. A proxy may be an individual or a body corporate.

Voting in person (or by attorney)

Shareholders or their proxies, attorneys or representatives (including representatives of corporate proxies) wishing to vote in person should attend the Annual General Meeting and bring a form of personal identification (such as their driver's licence).

To vote by attorney at this meeting, the original or a certified copy of the power of attorney or other authority (if any) under which the instrument is signed must be received by the Registry before 11:00am (Sydney time) on Tuesday, 19 November 2013 to the Company.

To vote in person, you or your proxy, attorney, representative or corporate proxy representative must attend the Annual General Meeting to be held at Four Points by Sheraton Hotel, 161 Sussex Street Sydney on 21 November 2013 commencing at 11:00am (Sydney time).

A vote cast in accordance with the appointment of a proxy or power of attorney is valid even if before the vote was cast the appointor:

- died;
- became mentally incapacitated;
- revoked the proxy or power; or
- transferred the Shares in respect of which the vote was cast,

unless the Company received written notification of the death, mental incapacity, revocation or transfer before the meeting or adjourned meeting.

Voting by proxy

Shareholders wishing to vote by proxy at this meeting must:

- complete and sign or validly authenticate the Proxy Form, which is enclosed with this Booklet; and
- deliver the signed and completed Proxy Form to the Company by 11:00am (Sydney time) on Tuesday, 19 November 2013 in accordance with the instructions below.

A person appointed as a proxy may be an individual or a body corporate.

Submitting proxy votes

Shareholders wishing to submit proxy votes for the Annual General Meeting must return the enclosed Proxy Form to the Company in any of the following ways:

- by post at:
GPO Box 3993, Sydney NSW 2001
- or by hand delivery:
Share Registry – Boardroom Pty Ltd, Level 7, 207 Kent Street, Sydney NSW 2000
- or by facsimile to:
+61 2 9290 9655

Note: proxies may not be returned by email, nor is internet voting available.

Notes

Notes for proxies

1. A Shareholder entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote at the meeting on that Shareholder's behalf.
2. A proxy need not be a Shareholder.
3. A proxy may be an individual or a body corporate. A proxy that is a body corporate may appoint a representative to exercise the powers that the body corporate may exercise as the Shareholder's proxy.
4. If a Shareholder appoints two proxies and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, each proxy may exercise half the votes.
5. An appointment of a proxy may specify the way the proxy is to vote on a particular resolution. If it does:
 - The proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way; and
 - If the proxy has 2 or more appointments that specify different ways to vote on the resolution the proxy must not vote on a show of hands.
6. A proxy may vote or abstain as he or she chooses except where the appointment of the proxy directs the way the proxy is to vote on a particular resolution. If an appointment directs the way the proxy is to vote on a particular resolution:
 - if the proxy is the chair - the proxy must vote on a poll and must vote in the way directed; and
 - if the proxy is not the chair - the proxy need not vote on a poll, but if the proxy does so, the proxy must vote in the way directed.
7. If a proxy appointment is signed or validly authenticated by the Shareholder but does not name the proxy or proxies in whose favour it is given, the Chairman may either act as proxy or complete the proxy appointment by inserting the name or names of one or more Directors or the Company Secretary.

If:

 - a Shareholder nominates the Chairman of the meeting as the Shareholder's proxy; or
 - the Chairman is to act as proxy if a proxy appointment is signed by a Shareholder but does not name the proxies in whose favour it is given or otherwise under a default appointment according to the terms of the Proxy Form,

then the person acting as Chairman in respect of an item of business at the meeting must act as proxy under the appointment in respect of that item of business.
8. Proxy appointments in favour of the Chairman of the meeting, the Company Secretary or any Director which do not contain a direction will be voted in support of the Corporate Restructure and Acquisition resolutions (in the absence of a superior proposal prior to the date of the meeting).

Corporate representatives

1. To vote in person at the Annual General Meeting, a Shareholder or proxy which is a body corporate may appoint an individual to act as its representative.
2. To vote by corporate representative at the meeting, a corporate Shareholder or proxy should obtain an Appointment of Corporate Representative Form from the Registry, complete and sign the form in accordance with the instructions on it. The appointment should be lodged at the registration desk on the day of the meeting.
3. The appointment of a representative may set out restrictions on the representative's powers.
4. The original form of appointment of a representative, a certified copy of the appointment, or a certificate of the body corporate evidencing the appointment of a representative is prima facie evidence of a representative having been appointed.
5. The Chairman of the meeting may permit a person claiming to be a representative to exercise the body's powers even if he or she has not produced a certificate or other satisfactory evidence of his or her appointment.

Explanatory Memorandum

The Board recommends unanimously that all shareholders vote in favour of all resolutions, except that:

- Mr Joey Lim abstains from making a recommendation in relation to Items 6(a) and 6(b);
- Mr Ben Reichel abstains from making a recommendation in relation to Items 7(a) and 7(b); and
- The non-executive Directors abstain from making a recommendation in relation to Item 8.

Introduction

This Explanatory Memorandum has been prepared to assist shareholders with their consideration of all resolutions contained in the Notice of Annual General Meeting of shareholders of Donaco International Limited ABN 28 007 424 777 (**the Company**) to be held at 11:00am (Sydney time) on Thursday, 21 November 2013 at Four Points by Sheraton Hotel, 161 Sussex Street, Sydney NSW 2000.

This Explanatory Memorandum should be read in conjunction with the accompanying Notice of Meeting.

If you are in doubt of what to do in relation to any of the resolutions, you should consult your financial or other professional advisors as soon as possible.

Item 1: Financial Statements and Reports

The Corporations Act and the Constitution (rule 20.2) require that the Report of the Directors, the Auditor's Report and the Financial Report be laid before the AGM. Shareholders will be given ample opportunity to ask questions with respect to these reports and statements at the AGM. There is no formal resolution for this item.

In addition to asking questions at the meeting, Shareholders may address written questions to the chairman about the management of the Company, or to the Company's auditor (William Buck) if the question is relevant to:

- (a) the content of the auditor's report; or
- (b) the conduct of its audit of the annual financial report to be considered at the meeting.

Under section 250PA(1) of the Corporations Act, a shareholder must submit the question to the Company no later than the fifth business day before the day on which the AGM is held. Written questions for the auditor must be delivered by Wednesday 14 November 2013. Please send any written questions to:

The Company Secretary
Donaco International Limited
Suite 2.02
55 Miller Street
PYRMONT NSW 2009

Item 2: Non-binding Resolution – Remuneration Report

As required by section 250R(2) of the Act, a resolution for the adoption of the Remuneration Report must be put to the vote. The Remuneration Report is contained within the Directors' Report in the 2013 Annual Report, on pages 19 to 25.

Shareholders attending the AGM will have the opportunity to ask questions and make comments on the Remuneration Report.

Resolution 2 is a non-binding, advisory resolution to adopt the Remuneration Report. This vote is advisory only and does not bind the Company or the Directors. However the Board will take the outcome of the vote into consideration when reviewing the remuneration policies of the Company.

Following amendments to the Act which took effect on 1 July 2011, if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive AGMs (treating this AGM as the first such meeting), Shareholders will be required to vote at the second of those AGMs on a resolution (a “spill resolution”) that another meeting be held within 90 days at which all of the Company’s directors (other than the Managing Director, if any) must stand for re-election. The 2012 Remuneration Report was approved by Shareholders at last year’s AGM.

Voting exclusion statement

Under Listing Rule 14.11, the Company will disregard any votes cast in relation to the Remuneration Report by:

- the Chairman, other directors, or other key management personnel as disclosed in the Remuneration Report; and
- Associates (such as specified family members, dependants and any controlled companies) of those persons.

However, the Company need not disregard any of the above mentioned votes if:

- cast by a person as proxy for a person entitled to vote, in accordance with the directions on the Proxy Form; or
- cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

If you choose to appoint a proxy, you are encouraged to direct your proxy how to vote on this Resolution by marking either “For”, “Against” or “Abstain” on the Proxy Form for this Resolution.

Item 3(a): Election of Director – Mr Stuart McGregor

The Company’s Constitution (rule 12.4) requires that one-third of the Directors, excluding the Managing Director, if any (or if that number is not a multiple of three, then the number nearest one-third), must retire at the AGM. The Constitution (rule 12.4) and Listing Rule 14.4 further provide that each Director is required to retire no later than at the third annual general meeting convened by the Company following his or her last election or appointment by a general meeting. Any Director retiring from office under rule 12.4 is eligible for re-election.

Stuart James McGregor is due to retire by rotation in accordance with the Constitution and, being eligible, presents himself for re-election.

Over the last 30 years, Mr McGregor has had a wide-ranging business career with active involvement across the Australasian and Asian region. In business, he has been Company Secretary of Carlton United Breweries, Managing Director of Cascade Brewery Company Ltd in Tasmania and Managing Director of San Miguel Brewery Hong Kong Ltd, a publicly listed Hong Kong based company with subsidiary businesses in China. In the public sector, he served as Chief of Staff to a Minister for Industry and Commerce in the Federal Government, and as Chief Executive of the Tasmanian Government’s economic development agency.

Mr McGregor was formerly a director of Primelife Limited from 1 December 2001 to 31 March 2004, and is currently a director of EBOS Group Limited (NZX:EBO).

Mr McGregor is Chair of the Audit & Risk Management Committee and the Nominations, Remuneration & Corporate Governance Committee.

Item 3(b): Election of Director – Mr Rob Hines

The Company's Constitution (rule 12.9) provides that a person appointed either to fill a casual vacancy or as an addition to the existing Directors will hold office until the conclusion of the next annual general meeting of the Company, but is eligible for election at that meeting. This provision does not apply to the Managing Director.

As part of the Board's efforts to reform and strengthen its composition, the Board has appointed Mr Robert Andrew Hines as an additional Director.

Mr Hines is one of Australia's leading gaming and wagering executives. As CEO of Racing Victoria Limited from 2008 to 2012, he led and managed the Victorian racing industry through a period of substantial change. Mr Hines also held CEO roles at Jupiters Limited (2000 to 2004), which was acquired by Tabcorp; and AWA Limited (1997 to 2000), which was acquired by Jupiters. From 2005 to 2008, he was CEO UK and Europe for Vecommerce Limited, a natural language speech recognition company providing services to wagering operators.

Mr Hines currently holds the positions of Non-Executive Director with Sportsbet Australia Pty Ltd; Group Chairman CEO Circle; and Advisory Board Member of the Sporting Chance Cancer Foundation.

Item 4: Approval and Adoption of Employee Share Trust

Items 4 to 7 inclusive relate to a new remuneration framework for executives of the Company.

As announced to the ASX on 12 August 2013, and as detailed in the 2013 Annual Report (page 19), the Board of the Company sought advice from a long-standing and well respected independent remuneration consultant, with expertise in advising Australian listed companies. The consultant conducted a market scan of ASX listed companies with comparable financial attributes to the Company, including market capitalisation and operating profit.

Having considered the report, the Board has decided to set the remuneration at levels which are substantially below market levels, and below the levels recommended by the consultant.

As part of this remuneration framework, senior executives will have the opportunity to earn a short term incentive of up to 50% of their fixed annual remuneration, provided that appropriate KPIs are met. Subject to shareholder approval, half of the short term incentive will be paid in cash, and the other half will be provided in the form of fully paid ordinary shares in the Company. The shares will be subject to trading restrictions preventing them from being sold for a period of twelve months from the date of grant. If shareholder approval is not granted, then 100% of the short term incentive will be paid in cash.

In order for half of the short term incentive to be provided in the form of fully paid ordinary shares in the Company, the Company seeks shareholder approval to establish the Donaco International Limited Employee Share Trust (**EST**).

The EST allows certain directors and employees selected by the Board of Directors to be offered the benefit of Shares in the Company. The EST Trustee is a special purpose company known as Trinity Management Pty Ltd (the "**Trustee**"). The beneficial interest in the EST is divided into Share Units.

The key reasons for the establishment of the EST are:

1. The Company considers that a traditional employee option plan on its own does not facilitate the take up and retention of Shares by employees. The reason is that many employees find it necessary to immediately sell their Shares in order to fund the upfront tax on those Shares. The EST structure enables the acquisition of employee Shares to be funded from the EST, as described below. This will enable Shares to be retained in the EST for the benefit of employees.

2. Facilitating the retention of Shares for the benefit of employee's Shares will assist with the retention of key employees.
3. A traditional employee option plan on its own creates complex and negative taxation issues for employees. The taxation issues for employees arising from the EST are much more attractive because the employees own Share Units in the EST funded by an interest free, non-recourse loan arrangement.

The key steps that will occur when Shares are issued to the Trustee under the EST, to be allocated for the benefit of a director or an employee (the "**Employee**"), are as follows:

1. The Company makes contributions to the EST equal to the value of the Shares and the Shares are issued to the EST for consideration equal that value. The Shares are then allocated to Share Units in the EST.
2. The EST provides an interest free loan to the Employee equivalent to the value of the Shares to enable the Employee to subscribe for Share Units in the EST. The loan is non-recourse. The Share Units in the EST are issued for a consideration equal to the value of the Shares issued for the benefit of the Employee.
3. Provided the Shares have vested, the Employee can direct the EST to sell the Shares.
4. The Employee's Share Units are then redeemed and the Employee receives an amount equivalent to the net consideration from the sale of the underlying Shares (less repayment of any loans and other amounts owing by the Employee).

The Board proposes to issue shares under the EST each year, to executives who meet their KPIs and become entitled to them, after the Company's audited financial statements are signed off and announced to the market. The audited financial statements must be released by 30 September in each year. Accordingly, shares under the EST will be issued on 1 October in each year.

Executives will be issued shares worth a fixed dollar amount. The price for each share will be the then current market price, which will be determined based on the volume weighted average price (VWAP) of shares traded on the ASX in the week prior to 1 October in each year.

Shares issued under the EST will be subject to trading restrictions preventing them from being sold for a period of twelve months from the date of grant.

Item 5: Approval and Adoption of Option Share Trust

As a second element of the remuneration framework discussed under item 4 above, senior executives will receive a long term incentive, in the form of annual grants of options.

The recommendation from the Company's remuneration consultant was that annual grants of options should be made. This will allow each annual grant to reflect the then Company share price, and minimise the dilutionary impact of such grants. Annual grants will also provide the benefit that at any given time an executive has at risk a number of plans, with different vesting periods and amounts. This will operate to smooth, so far as possible and acceptable to the Company, both the risk and cash flow for the Company and the executives.

In order to implement this recommendation, the Company seeks shareholder approval to establish the Donaco International Limited Option Share Trust (**OST**). The OST allows certain directors and employees selected by the Board to be offered the benefit of Options to Shares in the Company.

The OST Trustee is a special purpose company known as Trinity Management Pty Ltd (the "**Trustee**"). The beneficial interest in the OST is divided into Share Units.

The key reasons for the establishment of the OST are:

1. The Company considers that a traditional employee option plan on its own does not facilitate the take up and exercise of Options and the retention of Shares by employees. The reason is that many employees find it difficult to fund the tax on acquisition or vesting of those Options. The OST structure enables the acquisition of employee Options and Shares to be funded from the OST, as described below. This will enable Shares to be retained in the OST for the benefit of employees.
2. Facilitating the acquisition of Options and the retention of Shares for the benefit of employees will assist with the retention of key employees.
3. A traditional employee option plan on its own creates complex and negative taxation issues for employees. The taxation issues for employees arising from the OST are much more attractive because the employees own Share Units in the OST funded by an interest free, non-recourse loan arrangement.
4. Under the OST, employees only pay tax on the acquisition of Options and Shares when they sell their Shares.

The key steps that will occur when Shares are issued to the Trustee under the OST, to be allocated for the benefit of a director or an employee (the “**Employee**”), are as follows:

1. The Company makes contributions to the OST equal to the value of the Options and the Options are issued to the OST for consideration equal that value. The Value of the Options is determined in accordance with Accounting Standard AASB2.
2. The Options are then allocated to Share Units in the OST.
3. The OST provides an interest free loan to the Employee equivalent to the value of the Shares to enable the Employee to subscribe for Share Units in the OST. The loan is non-recourse. The Share Units in the OST are issued for a consideration equal to the value of the Options allocated for the benefit of the Employee.
4. Provided the Options have vested, the Employee can direct the OST to exercise the Options.
5. When the shares are sold, the Employee’s Share Units are then redeemed and the Employee receives an amount equivalent to the consideration from the sale of the underlying Shares (less repayment of any loans and other amounts owing by the Employee).

As noted above, the Board proposes to issue options under the OST each year, on 1 July. The exercise price for each option will be the then current market price of shares, which will be determined based on the volume weighted average price (VWAP) of shares traded on the ASX in the week prior to 1 July in each year.

This will ensure that executives only receive a benefit if the Company’s share price increases in value over the option holding period. Executives will be focussed on share price growth, which benefits all shareholders. This is the simplest way to align internal stakeholders with external shareholders.

However in relation to the first year’s grant of options, to be granted after this AGM on 1 December 2013 (but with effect from 1 July 2013), the Board considers that it is not appropriate to set the exercise price as the market price of shares as at 1 July 2013 (which was 34 cents), because that price is well below current market levels as at the date that this Notice of Meeting was finalised. Accordingly, for the first year’s grant of options, the exercise price will be set as the market price on 1 October 2013. This has been determined as 61 cents, based on the volume weighted average price (VWAP) of shares traded on the ASX in the week prior to 1 October 2013 (which was 60.6 cents).

Executives will be issued options worth a fixed dollar amount. As noted above, the value of each option will be determined in accordance with Accounting Standard AASB2, and this will determine the number of options granted each year.

Each grant of options will vest in three equal tranches over a period of three years, on 1 July in each year. Once vested, options can be exercised at any time over the following two years, before expiring. The OST rules include standard provisions for accelerated vesting of options in the event of a control transaction.

Item 6(a): Grant of Shares to Managing Director

The Managing Director and Group Chief Executive Officer is employed under an executive service agreement, the key terms of which were announced to the market on 11 February 2013 and 12 August 2013. As disclosed in those announcements, the Managing Director is eligible to earn a short term incentive of up to \$198,000 per year, provided that appropriate KPIs are met. Subject to shareholder approval, half of the STI (up to \$99,000) will be paid in cash, and the other half will be paid in the form of fully paid ordinary shares in the Company, under the EST discussed in Item 4 above. The shares will be subject to trading restrictions preventing them from being sold for a period of twelve months from the date of grant.

The KPIs are set by the Board at the outset of each financial year. Past KPIs have related to increases in revenue and net profit, and successful completion of corporate initiatives, including capital raising.

If shareholder approval is obtained, and the required KPIs are met, then for each of the three financial years from 2014 to 2016, up to 50% of the Managing Director's annual short term incentive may be paid in the form of shares in the Company, rather than cash. If shareholder approval is not obtained, then any short term incentive earned by the Managing Director will continue to be payable in cash only.

Listing Rule 10.11 requires the approval of ordinary shareholders to issue securities to a related party. For the purposes of Listing Rule 10.11, a director of a public company is defined as a related party under section 228 of the Corporations Act. Where an approval is given under Listing Rule 10.11, no separate approval is required under Listing Rule 7.1.

The proposed issue of shares to the Managing Director is in lieu of part or all of the annual short term incentive that the Managing Director might otherwise become entitled to, and is therefore treated as an "employee incentive scheme" for the purposes of the Listing Rules. Listing Rule 10.14 provides that a company may not permit one of its directors to acquire securities under an employee incentive scheme without the approval of holders of ordinary securities.

Resolution 4 seeks shareholder approval for the purposes of Listing Rules 7.2, 10.11, 10.14 and for all other purposes, to issue to the Managing Director a total of up to \$99,000 worth of fully paid ordinary shares in the Company per year, in lieu of the equivalent amount of any annual cash bonus that the Managing Director may become entitled to, in accordance with the Explanatory Notes accompanying and forming part of this Notice of Meeting.

The details of the proposed issue of shares to the Managing Director are set out in the table below, in accordance with the requirements of ASX Listing Rule 10.15A.

Name of all Rule 10.14 persons entitled to participate (Listing Rule 10.15A.5)	Mr Joey Lim Keong Yew Mr Benedict Paul Reichel (see Item 7(a) below)
Maximum number of shares (Listing Rule 10.15A.2)	Up to \$99,000 worth per year in each of the 2014, 2015 and 2016 financial years, in accordance with a Volume Weighted Average Price (VWAP) calculation in each year as set out below. The number of shares to be issued will be calculated by dividing the dollar amount of the proposed issue (up to \$99,000) by the VWAP of the

	<p>Company's shares traded on the ASX in the week prior to 1 October in each year.</p> <p>As an example, if shares had been granted on 1 October 2013, the VWAP in the relevant period was 60.6 cents. Therefore the maximum number of shares to be granted would have been 163,366.</p> <p>Although the maximum number of shares cannot be calculated in advance, this Notice of Meeting contains sufficient information about the method of calculating entitlements. Accordingly, the Company has applied for and been granted a standard waiver from the requirement under Listing Rule 10.15A.2 to state the maximum number of shares.</p>
Price of each share (Listing Rule 10.15A.3)	Market price as at 1 October in each year, as determined by the VWAP calculation noted above.
Issue date (Listing Rule 10.15A.9)	1 October 2014, 1 October 2015 and 1 October 2016. In any event, prior to 21 November 2016.
Value of financial benefit	Up to \$99,000 per year in each of the 2014, 2015 and 2016 financial years.

No securities have previously been issued under this proposed employee incentive scheme, as shareholder approval has not yet been obtained. (Listing Rule 7.2 exception 9(b) and Listing Rule 10.15A.4)

The Company does not propose to provide any loan or other financial assistance in relation to the proposed issue, other than under the terms of the EST proposed for shareholder approval under Item 4 above. (Listing Rule 10.15A.7)

Details of any securities issued under this employee incentive scheme will be published in each annual report of the Company relating to a period in which securities are issued. The annual report will also state that approval for the issue of securities was obtained under Listing Rule 10.14. (Listing Rule 10.15A.8)

Any additional persons who become entitled to participate in this employee incentive scheme after the resolution is approved, and who were not named in this Notice of Meeting, will not participate until approval is obtained under Listing Rule 10.14. (Listing Rule 10.15A.8)

There is no other information known to the Directors or the Company (besides that set out in these Explanatory Notes) that is reasonably required by shareholders in order to decide whether or not it is in the Company's interests to pass Resolution 6(a).

Voting Exclusion Statement

Under Listing Rule 14.11, the Company will disregard any votes cast on Resolution 6(a) by the Managing Director, Mr Joey Lim Keong Yew, and his associates.

However, the Company need not disregard any of the above mentioned votes if:

- cast by a person as proxy for a person entitled to vote, in accordance with the directions on the proxy form; or
- cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Mr Joey Lim Keong Yew abstains from making a recommendation in relation to Resolution 6(a), due to his material personal interest in the outcome.

The Company's other Directors recommend that shareholders vote in favour of Resolution 6(a).

Item 6(b): Grant of Options to Managing Director

As announced to the market on 12 August 2013, and in accordance with the terms of the OST discussed in Item 5 above, the Company seeks shareholder approval for the Managing Director and Group Chief Executive Officer to be offered an opportunity to participate in the Company's long term incentive scheme. If shareholder approval is obtained, then for each of the three financial years from 2014 to 2016, the Managing Director will be granted options worth \$204,000 per year.

Listing Rule 10.11 requires the approval of ordinary shareholders to issue securities to a related party. For the purposes of Listing Rule 10.11, a director of a public company is defined as a related party under section 228 of the Corporations Act. Where an approval is given under Listing Rule 10.11, no separate approval is required under Listing Rule 7.1.

The proposed issue of options to the Managing Director forms part of the Company's long term incentive scheme, and is therefore treated as an "employee incentive scheme" for the purposes of the Listing Rules. Listing Rule 10.14 provides that a company may not permit one of its directors to acquire securities under an employee incentive scheme without the approval of holders of ordinary securities.

Resolution 6(b) seeks shareholder approval for the purposes of Listing Rules 7.2, 10.11, 10.14 and for all other purposes, to issue to the Managing Director a total of \$204,000 worth of options in the Company per year, in accordance with the Explanatory Notes accompanying and forming part of this Notice of Meeting.

The details of the proposed issue of shares to the Managing Director are set out in the table below, in accordance with the requirements of ASX Listing Rule 10.15A.

<p>Name of all Rule 10.14 persons entitled to participate (Listing Rule 10.15A.5)</p>	<p>Mr Joey Lim Keong Yew Mr Benedict Paul Reichel (see Item 7(b) below)</p>
<p>Maximum number of options (Listing Rule 10.15A.2)</p>	<p>For each of the 2014, 2015 and 2016 financial years, \$204,000 worth of options per year, with each option valued in accordance with Accounting Standard AASB2. Refer to the sample valuation below.</p> <p>Although the maximum number of options cannot be calculated in advance, this Notice of Meeting contains sufficient information about the method of calculating entitlements. Accordingly, the Company has applied for and been granted a standard waiver from the requirement under Listing Rule 10.15A.2 to state the maximum number of options.</p>
<p>Price of each option (Listing Rule 10.15A.3)</p>	<p>Each option will be valued in accordance with Accounting Standard AASB2. For the 2014 financial year, each option has an exercise price of 61 cents, based on the Volume Weighted Average Price (VWAP) of the Company's shares traded on the ASX in the week prior to 1 October 2013 (which was 60.6 cents).</p> <p>Each annual grant of options vests in three equal tranches over three years, with the first vesting date being 1 July 2014. The options expire two years after vesting.</p> <p>The exercise price for each option in 2015 and 2016 will be the market price as at 1 July in each year, as determined by the Volume Weighted Average Price (VWAP) of the Company's shares traded on the ASX in the week prior to 1 July in each year.</p>

	<p>The number of options to be issued will be calculated by dividing the dollar amount of the proposed issue (\$204,000) by the value of each option, as determined in accordance with Accounting Standard AASB2.</p> <p>Based on a valuation performed on 4 October 2013, the value of each option vesting on 1 July 2014 is \$0.3188; the value of each option vesting on 1 July 2015 is \$0.3961; and the value of each option vesting on 1 July 2016 is \$0.4394. On the basis of this valuation, the total number of options to be granted is 539,728. The precise value of each option, and accordingly the number of options granted, will be calculated at the grant date of 1 December 2013.</p>
Issue date (Listing Rule 10.15A.9)	1 December 2013, 1 July 2014, and 1 July 2015. In any event, prior to 21 November 2016.
Value of financial benefit	\$204,000 per year in each of the 2014, 2015 and 2016 financial years.

No securities have previously been issued under this proposed employee incentive scheme, as shareholder approval has not yet been obtained. (Listing Rule 7.2 exception 9(b) and Listing Rule 10.15A.4)

The Company does not propose to provide any loan or other financial assistance in relation to the proposed issue, other than under the terms of the OST proposed for shareholder approval under Item 5 above. (Listing Rule 10.15A.7)

Details of any securities issued under this employee incentive scheme will be published in each annual report of the Company relating to a period in which securities are issued. The annual report will also state that approval for the issue of securities was obtained under Listing Rule 10.14. (Listing Rule 10.15A.8)

Any additional persons who become entitled to participate in this employee incentive scheme after the resolution is approved, and who were not named in this Notice of Meeting, will not participate until approval is obtained under Listing Rule 10.14. (Listing Rule 10.15A.8)

There is no other information known to the Directors or the Company (besides that set out in these Explanatory Notes) that is reasonably required by shareholders in order to decide whether or not it is in the Company's interests to pass Resolution 6(b).

Voting Exclusion Statement

Under Listing Rule 14.11, the Company will disregard any votes cast on Resolution 6(b) by the Managing Director, Mr Joey Lim Keong Yew, and his associates.

However, the Company need not disregard any of the above mentioned votes if:

- cast by a person as proxy for a person entitled to vote, in accordance with the directions on the proxy form; or
- cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Mr Joey Lim Keong Yew abstains from making a recommendation in relation to Resolution 6(b), due to his material personal interest in the outcome.

The Company's other Directors recommend that shareholders vote in favour of Resolution 6(b).

Item 7(a): Grant of Shares to Executive Director

The Executive Director, Mr Ben Reichel, is employed under an executive service agreement, the key terms of which were announced to the market on 12 August 2013. As disclosed in that announcement, the Executive Director is eligible to earn a short term incentive of up to \$100,000 per year, provided that appropriate KPIs are met. Subject to shareholder approval, half of the STI (up to \$50,000) will be paid in cash, and the other half will be paid in the form of fully paid ordinary shares in the Company, under the EST discussed in Item 4 above. The shares will be subject to trading restrictions preventing them from being sold for a period of twelve months from the date of grant.

The KPIs are set by the Board at the outset of each financial year. Past KPIs have related to increases in revenue and net profit, and successful completion of corporate initiatives, including capital raising.

If shareholder approval is obtained, and the required KPIs are met, then for each of the three financial years from 2014 to 2016, up to 50% of the Executive Director's annual short term incentive may be paid in the form of shares in the Company, rather than cash. If shareholder approval is not obtained, then any short term incentive earned by the Executive Director will continue to be payable in cash only.

Listing Rule 10.11 requires the approval of ordinary shareholders to issue securities to a related party. For the purposes of Listing Rule 10.11, a director of a public company is defined as a related party under section 228 of the Corporations Act. Where an approval is given under Listing Rule 10.11, no separate approval is required under Listing Rule 7.1.

The proposed issue of shares to the Executive Director is in lieu of part or all of the annual short term incentive that the Executive Director might otherwise become entitled to, and is therefore treated as an "employee incentive scheme" for the purposes of the Listing Rules. Listing Rule 10.14 provides that a company may not permit one of its directors to acquire securities under an employee incentive scheme without the approval of holders of ordinary securities.

Resolution 7(a) seeks shareholder approval for the purposes of Listing Rules 7.2, 10.11, 10.14 and for all other purposes, to issue to the Executive Director a total of up to \$50,000 worth of fully paid ordinary shares in the Company per year, in lieu of the equivalent amount of any annual cash bonus that the Executive Director may become entitled to, in accordance with the Explanatory Notes accompanying and forming part of this Notice of Meeting.

The details of the proposed issue of shares to the Executive Director, in accordance with the requirements of ASX Listing Rule 10.15A, are identical to the details set out in relation to Resolution 6(a) above, except that the value of the financial benefit is up to \$50,000 per year in each of the 2014, 2015 and 2016 financial years. Accordingly, if shares had been granted on 1 October 2013, the maximum number of shares to be granted would have been 82,508.

Voting Exclusion Statement

Under Listing Rule 14.11, the Company will disregard any votes cast on Resolution 7(a) by the Executive Director, Mr Benedict Paul Reichel, and his associates.

However, the Company need not disregard any of the above mentioned votes if:

- cast by a person as proxy for a person entitled to vote, in accordance with the directions on the proxy form; or
- cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Mr Ben Reichel abstains from making a recommendation in relation to Resolution 7(a), due to his material personal interest in the outcome.

The Company's other Directors recommend that shareholders vote in favour of Resolution 7(a).

Item 7(b): Grant of Options to Executive Director

As announced to the market on 12 August 2013, and in accordance with the terms of the OST discussed in Item 5 above, the Company seeks shareholder approval for the Executive Director to be offered an opportunity to participate in the Company's long term incentive scheme. If shareholder approval is obtained, then for each of the three financial years from 2014 to 2016, the Executive Director will be granted options worth \$102,000 per year.

Listing Rule 10.11 requires the approval of ordinary shareholders to issue securities to a related party. For the purposes of Listing Rule 10.11, a director of a public company is defined as a related party under section 228 of the Corporations Act. Where an approval is given under Listing Rule 10.11, no separate approval is required under Listing Rule 7.1.

The proposed issue of options to the Executive Director forms part of the Company's long term incentive scheme, and is therefore treated as an "employee incentive scheme" for the purposes of the Listing Rules. Listing Rule 10.14 provides that a company may not permit one of its directors to acquire securities under an employee incentive scheme without the approval of holders of ordinary securities.

Resolution 6(b) seeks shareholder approval for the purposes of Listing Rules 7.2, 10.11, 10.14 and for all other purposes, to issue to the Executive Director a total of \$102,000 worth of options in the Company per year, in accordance with the Explanatory Notes accompanying and forming part of this Notice of Meeting.

The details of the proposed issue of options to the Executive Director, in accordance with the requirements of ASX Listing Rule 10.15A, are identical to the details set out in relation to Resolution 6(b) above, except that the value of the financial benefit is up to \$102,000 per year in each of the 2014, 2015 and 2016 financial years. For the 2014 financial year, the exercise price of the options will be 61 cents. Based on a valuation performed on 4 October 2013, the value of each option vesting on 1 July 2014 is \$0.3188; the value of each option vesting on 1 July 2015 is \$0.3961; and the value of each option vesting on 1 July 2016 is \$0.4394. On the basis of this valuation, the total number of options to be granted is 269,864. The precise value of each option, and accordingly the number of options granted, will have to be calculated at the grant date of 1 December 2013.

Voting Exclusion Statement

Under Listing Rule 14.11, the Company will disregard any votes cast on Resolution 7(b) by the Executive Director, Mr Benedict Paul Reichel, and his associates.

However, the Company need not disregard any of the above mentioned votes if:

- cast by a person as proxy for a person entitled to vote, in accordance with the directions on the proxy form; or
- cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Mr Ben Reichel abstains from making a recommendation in relation to Resolution 7(b), due to his material personal interest in the outcome.

The Company's other Directors recommend that shareholders vote in favour of Resolution 7(b).

Item 8: Non-Executive Directors' Remuneration

Total fees paid to non-executive Directors are limited to the maximum amount set by Shareholders. Resolution 8 seeks shareholder approval to increase the maximum annual aggregate amount paid to non-executive Directors of the Company from the current limit of \$450,000 per year, to \$750,000 per year (including statutory superannuation contributions).

The limit of \$450,000 has remained unchanged for nine years, since it was adopted by the Company's predecessor business (Two Way Limited) at the 2004 Annual General Meeting.

The Company's business has expanded substantially since the limit of \$450,000 was set. In addition, as noted above, the Board has commenced a process of reforming and strengthening its composition, commencing with the appointment of Mr Rob Hines as a non-executive Director.

The Board wishes to maintain a fee buffer to give it flexibility in planning its composition in advance of specific needs arising. This may include appointing new Directors to the Board before the Directors they are replacing retire, to allow an orderly succession and for optimal handover arrangements.

Further, the Board sought advice on the appropriate level of Board fees from a long-standing and well respected independent remuneration consultant, with expertise in advising Australian listed companies. The independent consultant recommended that the total fee pool for non-executive Directors be increased from \$450,000 per annum to up to \$750,000 per annum. The Board has chosen to follow this advice.

The maximum fee pool of up to \$750,000 will be split between the non-executive Directors as they determine.

Voting Exclusion Statement

Under Listing Rule 14.11, the Company will disregard any votes cast on Resolution 7(b) by all non-executive Directors and their associates.

However, the Company need not disregard any of the above mentioned votes if:

- cast by a person as proxy for a person entitled to vote, in accordance with the directions on the proxy form; or
- cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

In the interests of proper corporate governance, the non-executive Directors abstain from making a recommendation in relation to Resolution 8.

Item 9: Approval of Previous Share Issues

Listing Rule 7.1 provides that the Company must not issue more than 15% of its issued capital in any 12 month period without shareholder approval. However, under Listing Rule 7.4, the Company may seek subsequent approval to specified issues of securities, and if that approval is granted, such issues do not count toward the 15% limit.

Resolution 9(a) and 9(b) seek shareholder approval for the shares previously issued, and to be issued in accordance with a previous agreement, to the vendors of the iSentric business, which now comprises the core of the Company's Gaming Technology division. Details on the financial performance and contribution of this division are set out in the 2013 Annual Report (pages 43-47 and 60-61).

Resolution 9(a) refers to the previous issue on 1 June 2013 of 22,468,420 new fully paid ordinary shares in the Company to the vendors of iSentric Sdn Bhd. These shares were issued in accordance with the 15% in 12 months limitation set out in Listing Rule 7.1.

Resolution 9(b) refers to the future issue of 657,894 new fully paid ordinary shares in the Company to the vendors of iSentric (Australia) Pty Ltd. This issue has not yet been completed, as the conditions precedent to the transaction have not been satisfied. The agreement to issue the shares was made in accordance with the 15% in 12 months limitation set out in Listing Rule 7.1.

Accordingly, the total number of shares issued and to be issued to the vendors of the iSentric business is 23,026,314.

The following information is provided in relation to these share issues, in accordance with the requirements of Listing Rule 7.4.

Number of shares	23,026,314
Price of shares	38 cents per share
Terms of the securities	Ordinary fully paid shares in the same class and ranking equally with existing fully paid ordinary shares on issue in all respects
Basis on which allottees were determined	Vendors of iSentric business
Names of allottees and respective allocations	Lee Chin Wee – 11,184,210 shares issued (plus 328,642 shares to be issued) Ng Chin Kong – 11,184,210 shares issued (plus 328,642 shares to be issued)
Voting exclusion statement	See below
Intended use of the funds raised	Acquisition of iSentric business

The Board believes that it is in the best interests of the Company to maintain its ability to issue up to a full 15% of its issued capital, in order that it may issue further securities in the next 12 months if necessary, enabling the Company to continue to pursue its objectives.

Accordingly, the Company seeks Shareholder approval of the issues of:

- 22,468,420 ordinary shares on 1 June 2013, and
- 657,894 ordinary shares in accordance with a previous agreement,

for the purposes of Listing Rule 7.4 of the Listing Rules.

Voting Exclusion Statement

Under Listing Rule 14.11, the Company will disregard any votes cast on Resolution 9(a) and Resolution 9(b) by either of the persons named in the table above, and their Associates.

However, the Company need not disregard any of the above mentioned votes if:

- cast by a person as proxy for a person entitled to vote, in accordance with the directions on the Proxy Form; or
- cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Item 10: Approval of Additional Capacity to Issue Shares

As noted under Item 9 above, ASX Listing Rule 7.1 allows the Company to issue a maximum of 15% of its capital in any 12 month period without requiring shareholder approval. Listing Rule 7.1A allows eligible entities (companies with a market capitalisation of \$300 million or less and that are also outside the S&P/ASX 300 index) to issue a further 10% of share capital (calculated in accordance with the formula in Listing Rule 7.1A) within the next 12 months, without requiring shareholder approval.

As at the date of this Notice of Meeting, the Company is an eligible entity under Listing Rule 7.1A. If the Company ceases to be eligible at the date of the AGM (for example, because the Company's market capitalisation increases to more than \$300 million at that date), then Item 10 will be withdrawn from consideration at the AGM.

The Company provides the following information under Listing Rule 7.3A:

Minimum price at which the equity securities may be issued	<p>The issue price of each share must be not less than 75% of the volume weighted average price for the shares calculated over the 15 trading days on which trades in that class were recorded immediately before:</p> <ul style="list-style-type: none"> (a) the date on which the price at which the securities are to be issued is agreed; or (b) if the securities are not issued within 5 trading days of the date in paragraph (a), the date on which the securities are issued.
Risk of economic and voting dilution	<p>An issue of shares under Listing Rule 7.1A involves the risk of economic and voting dilution for existing ordinary shareholders. Risks include:</p> <ul style="list-style-type: none"> • the market price for shares may be significantly lower on the issue date than on the date of the approval under Listing Rule 7.1A; and • the shares may be issued at a price that is at a discount to the market price for the shares on the issue date. <p>A table estimating the potential dilution is set out below.</p>
Date by which the Company may issue the securities	<p>The period commencing on the date of the AGM to which this notice relates at which approval is obtained (21 November 2013), and expiring on the date which is 12 months after that date (21 November 2014).</p> <p>The approval under Listing Rule 7.1A will cease to be valid in the event that holders of the Company's ordinary shares approve a transaction under Listing Rules 11.1.2 or 11.2.</p>
Purposes for which the equity securities may be issued, including whether the Company may issue them for non-cash consideration	<p>The Board currently intends that any funds raised pursuant to an issue of shares will be applied towards the Company's growth strategy. This may include:</p> <ul style="list-style-type: none"> • costs of target identification; • payment of consideration for an acquisition or a strategic partnership; • costs associated with an acquisition, including advisory or professional fees;

	<ul style="list-style-type: none"> • integration costs, including staff, systems, marketing and branding; • increased compliance and office costs, including audit and compliance expenses (such as ASX fees). <p>The Company reserves the right to issue shares for non-cash consideration, including for any acquisition.</p>
Details of the Company's allocation policy for issues under the approval	<p>The allottees under the Listing Rule 7.1A approval have not been determined as at the date of this Notice of Meeting. The Company's allocation policy will depend on the prevailing market conditions at the time of any proposed issue pursuant to Listing Rule 7.1A. The identity of the allottees will be determined on a case-by-case basis having regard to various factors, including but not limited to the following:</p> <ul style="list-style-type: none"> • the methods of raising funds that are available to the Company, including but not limited to rights issue or other issues in which existing security holders can participate; • the effect of the issue of the shares on the control of the Company; • the financial situation of the Company; and • advice from corporate, financial and broking advisers (if applicable). <p>Allottees may include existing substantial shareholders, or new shareholders who are not related parties or associates of a related party of the Company.</p> <p>Further, if the Company is successful in its growth strategies, it is likely that the allottees under the Listing Rule 7.1A approval will be or include the vendors of the relevant target company or companies.</p>
Previous approvals under Listing Rule 7.1A	No previous approvals have been sought.

The table below shows the potential dilution of existing shareholders under various scenarios, as required by Listing Rule 7.3A. The potential dilution is based on the current market price of the Company's shares as at the date of this Notice of Meeting (58 cents). It is also based on the current number of ordinary securities for variable "A", calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of this Notice. The formula in Listing Rule 7.1A.2 is as follows:

"7.1A.2 In addition to issues under rule 7.1, an eligible entity which has obtained the approval of the holders of its ordinary securities under this rule 7.1A may issue or agree to issue during the period of the approval a number of equity securities calculated in accordance with the following formula:

$$(A \times D) - E$$

A = Has the same meaning as in rule 7.1.

D = 10%

E = The number of equity securities issued or agreed to be issued under rule 7.1A.2 in the 12 months before the issue date or date of agreement to issue that are not issued with the approval of holders of ordinary securities under rule 7.1 or 7.4."

Variable “A” is based on the number of ordinary securities the Company will have on issue, assuming that resolutions 9(a) and 9(b) above are both approved at the Annual General Meeting.

The table also shows:

- (a) two examples where variable A has increased, by 50% and 100%. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require shareholder approval (for example, a pro rata entitlements issue, or scrip issued under a takeover offer), or future specific placements under Listing Rule 7.1 that are approved at a future meeting of shareholders; and
- (b) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

Variable A in Listing Rule 7.1A		Dilution		
		Issue Price (58c)	50% Decrease in Issue Price (29c)	100% Increase in Issue Price (\$1.16)
Current Variable A 372,389,040 shares	10% issued	37,238,904 shares	37, 238,904 shares	37, 238,904 shares
	Funds raised	\$21,598,564	\$10,799,282	\$43,197,128
50% increase in Variable A 558,583,560 shares	10% issued	55,858,356 shares	55,858,356 shares	55,858,356 shares
	Funds raised	\$32,397,846	\$16,198,923	\$64,795,692
100% increase in Variable A 744,778,080 shares	10% issued	74,477,808 shares	74,477,808 shares	74,477,808 shares
	Funds raised	\$43,197,128	\$21,598,564	\$86,394,257

The table has been prepared on the basis of the following assumptions:

- (a) The Company issues the maximum number of shares available under the Listing Rule 7.1A approval.
- (b) No options are exercised to convert into shares before the date of the issue of the shares under Listing Rule 7.1A.
- (c) The 10% voting dilution reflects the percentage dilution against the issued share capital at the time of issue.
- (d) The table does not show an example of dilution that may be caused to any particular shareholder by reason of a share issue under Listing Rule 7.1A, based on that shareholder’s holding at the date of the AGM.
- (e) The table shows only the effect of issues of equity securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
- (f) The issue of equity securities under Listing Rule 7.1A consists only of ordinary shares. If the issue includes listed options, it is assumed that those listed options are exercised into ordinary shares for the purpose of calculating the voting dilution effect on existing shareholders.
- (g) The issue price is \$0.58, being the closing price of the Company’s shares on ASX on 15 October 2013.

End of Explanatory Statement

All Correspondence to:

✉ **By Mail** Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia

Level 7, 207 Kent Street,
Sydney NSW 2000 Australia

📠 **By Fax:** +61 2 9290 9655

💻 **Online:** www.boardroomlimited.com.au

☎ **By Phone:** (within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 11:00am (AEDT) on Tuesday 19 November 2013.**

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chairman of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- (a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

STEP 3 SIGN THE FORM

The form **must** be signed as follows:

Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all the securityholders should sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **11:00am (AEDT) on Tuesday 19 November 2013.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

📠 **By Fax** + 61 2 9290 9655

✉ **By Mail** Boardroom Pty Limited
GPO Box 3993,
Sydney NSW 2001 Australia

👤 **In Person** Level 7, 207 Kent Street,
Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

☐**Your Address**

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

PROXY FORM**STEP 1 APPOINT A PROXY**

I/We being a member/s of **Donaco International Limited** and entitled to attend and vote hereby appoint

☐

Appoint the **Chairman of the Meeting** (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting as my/our proxy at the **Annual General Meeting of Donaco International Limited to be held at the Four Points by Sheraton Hotel, 161 Sussex Street Sydney on Thursday 21 November 2013 at 11:00am (AEDT)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

Chairman authorised to exercise undirected proxies on remuneration related matters: If I/we have appointed the Chairman of the Meeting as my/our proxy or the Chairman of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of Item 2 I/we expressly authorise the Chairman of the Meeting to exercise my/our proxy in respect of this item even though item 2 is connected with the remuneration of a member of key management personnel for Donaco International Limited.

The Chairman of the Meeting will vote all undirected proxies in favour of all Items of business (including Item 2) If you wish to appoint the Chairman of the Meeting as your proxy with a direction to vote against, or to abstain from voting on an item, you must provide a direction by marking the 'Against' or 'Abstain' box opposite that resolution.

STEP 2 VOTING DIRECTIONS

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		FOR	AGAINST	ABSTAIN			FOR	AGAINST	ABSTAIN
Item 2	Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Item 7(a)	Grant of Shares to Executive Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3(a)	Election of Stuart McGregor as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Item 7(b)	Grant of Options to Executive Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3(b)	Election of Rob Hines as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Item 8	Non-Executive Director's Remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4	Approval and Adoption of Employee Share Trust	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Item 9(a)	Approval of Previous Share Issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5	Approval and Adoption of Option Share Trust	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Item 9(b)	Approval of Previously Agreed Share Issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 6(a)	Grant of Shares to Managing Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Item 10	Approval of Additional Capacity to Issue Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 6(b)	Grant of Options to Managing Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					

STEP 3 SIGNATURE OF SHAREHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2013