

ASX RELEASE**11 July 2013****Further Project Update – New Lao Cai Hotel**

Donaco International Limited (the **Company**) notes that in its Project Update released to the market on 5 July 2013, the Company stated that its new hotel and casino property in Lao Cai Province, Vietnam will be built to 5 star standard. This is an improvement in quality on the original plans to build the property to a 4 star standard.

This improvement in quality to 5 star standard has been under consideration by the Board and management team for some time. A decision has now been made to commit to the improvement, on the basis that this is expected to lead to stronger returns from the project. These stronger returns are expected to flow from a number of factors:

1. A 5 star hotel property will be more attractive to the tourism market in the Sapa region. Sapa is a popular French Colonial resort town in the highlands of northern Vietnam, less than one hour from the Company's hotel project at Lao Cai.
2. The increase in room quality will allow the Company to start to generate significant revenue streams from accommodation and food and beverage operations. To date, most of the 34 rooms in the Company's existing hotel are provided free of charge to VIP gaming customers. The new hotel will have 428 rooms, with a variety of room types, but all of them will be much higher quality than the existing hotel.
3. The increase to 5 star standard is also expected to put the Company in a favourable position to increase the number of gaming tables that it can operate. Currently the Company operates 8 tables at its existing casino property, and this is reasonably expected to at least double to 16 tables on the opening of the new property. As noted in the Project Update released last week, the new property can comfortably accommodate 40 tables.

As a result of the decision to upgrade the property to a 5 star standard, the total capital expenditure on the project is expected to increase to US\$52 million. Of this amount, approximately US\$24.7 million has already been spent to date. The remainder will be funded from cash on hand and cash generated from ongoing operations, together with a draw down of the Company's debt facilities if required.

The Company continues to believe that the new Lao Cai Hotel project offers the opportunity to generate strong returns. This is based on the high demand for gaming services at the Company's existing property, which generated an uplift in revenue of 42% and an uplift in net profit after tax of 48% in the March 2013 quarter, compared to the March 2012 quarter. While results for the June 2013 quarter are still being finalised, they are also much stronger than the June 2012 quarter.

Further, the improvements in rail and road infrastructure on the Chinese side of the border, as noted in last week's Project Update, is expected to increase the accessibility of the new Lao Cai

hotel for the target market in Yunnan Province, China. This also supports the Company's investment in the project.

For further information:

Ben Reichel
Director & Company Secretary
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 the first fully licensed table gaming business 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 online and mobile technology businesses, including secure mobile banking and payment gateways across South East Asia. We also own and operate the Way2Bet wagering portal, whose customers include all major corporate bookmakers in Australia.

To learn more about Donaco visit www.donacointernational.com

