



RAFFLES CAPITAL LIMITED

ACN 009 106 049

HALF YEAR REPORT

Incorporating

APPENDIX 4D ASX HALF-YEAR INFORMATION

30 JUNE 2012

LODGED WITH THE ASX UNDER LISTING RULE 4.2A

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2011 and any public announcements made by Raffles Capital Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Corporate Directory

Raffles Capital Limited

ACN 009 106 049
ABN 66 009 106 049

Registered and Corporate Office

Level 2
Hudson House
131 Macquarie Street
Sydney NSW 2000
Telephone: +61 2 9251 7177
Fax: +61 2 9251 7500
Website: www.rafflescapital.com.au

Auditors

K.S. Black & Co
Level 6
350 Kent Street
Sydney NSW 2000
Telephone: +61 2 8839 3000

Lawyers

Piper Alderman
Level 23, Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000
Telephone: +61 2 9253 9999

Bankers

St George Bank Limited
Level 14, 182 George St
Sydney NSW 2200
Telephone: +61 2 9236 2230

Directors

Tan Sri Ibrahim Menudin (Chairman)
Vincent Tan (Chief Executive Officer)
Richard Yap
Benjamin Amzalak

Joint Company Secretaries

Henry Kinstlinger
David L Hughes

Share Registry

Computershare Investor Services Pty Limited
Level 3
60 Carrington Street
Sydney NSW 2000
Australia
Telephone: 1300 850 505

ASX Code – RAF

Raffles Capital Limited shares are listed on the Australian Securities Exchange.

This financial report covers the Consolidated Entity consisting of Raffles Capital Limited and its controlled entities.

Raffles Capital Limited is a company limited by shares, incorporated and domiciled in Australia.

HALF-YEAR ENDED 30 June 2012
RESULTS FOR ANNOUNCEMENT TO THE MARKET

				\$
Revenue from ordinary activities	Up	65.2%	to	744,805
Profit/(loss) from ordinary activities after tax	Down	54%	to	(64,343)
Net Profit/(loss) for the period attributable to members	Down	46%	to	(75,629)

Dividends/distributions	Amount per security	Franked amount per security
Final dividend	\$Nil	N/A
Interim dividend	\$Nil	N/A

Refer to the Directors' Report for further information.

REVIEW OF OPERATIONS

Raffles Capital Limited (**Raffles**) (ASX: **RAF**) is a “Diversified Financials”¹ business. The following are the corporate activities of Raffles for the reporting period:

Highlights

- 12% increase in Investment Portfolio value to \$11.1 million
- Precious Metal Resources (**PMR**)
 - Secures \$2 million Chinese investment
 - Completes resampling and reassaying of 4,0000 metres of core
 - Takeover approach by Sovereign Gold

Review of operations

Raffles currently operates over three business areas:

- Corporate advisory - Raffles corporate advisory business identifies commercial and corporate opportunities, synergic partnerships, commercial and project funding. New businesses either continue to operate under Raffles or the business is able to seek independent funding. Raffles gains through the sale of the business for cash, equity or a combination. Joint venture participation is also possible.
- RafflesLaw - Through its subsidiary, RafflesLaw Pty Ltd, Raffles proposes to operate a Litigation Funding business providing funding of legal claims, in Australia and in other jurisdictions.

Business models are currently being evaluated.

Litigation funding promotes access to justice, spreads the risk of complex litigation and improves the efficiency of litigation by introducing commercial considerations that will aim to reduce costs.

- Origination - Raffles origination business identifies prospective businesses and mineral exploration projects. After conducting multi discipline due diligence and developing suitable business models it identifies and engages suitable project staff with an independent management team.

Having secured tenure or project control, Raffles funds initial exploration and development through seed capital and proceeds to build the business. High-level discussions have commenced with both local and international bodies to participate in Raffles’ business. Whilst still at a preliminary stage, the directors are optimistic that these opportunities will result in valuable business and returns to Raffles shareholders

Total shareholders’ equity at 30 June 2012 was \$11.8 million. Its asset portfolio as at 30 June 2012 includes:

- 88.8 million shares, Hudson Investment Group Limited (ASX:**HGL**)
- 11.3 million shares in Hudson Resources Limited (ASX:**HRS**)
- 51.25 million shares in Precious Metal Resources (ASX:**PMR**)

Raffles share price has held firm during the reporting period in the range of \$0.50 - \$0.515

In July 2012 (after the reporting period) Sovereign Gold Company Limited (**Sovereign**) (ASX: **SOC**) proposed a takeover offer for all the shares in PMR. The offer closed on 27 August 2012, and Raffles accepted 41.25 million PMR shares into the offer. The assessed value of each PMR share was in the range of \$0.215 and \$0.235 per PMR share. Raffles will receive 37.125 million Sovereign Gold shares, with an assessed value in the range of \$0.267 and \$0.283 per Sovereign Share² (\$9.9 - \$10.5 million).

¹ GICS industry group determined by ASX

² Independent Expert’s Report 2 August 2012

DIRECTORS' REPORT

Your directors have pleasure in submitting their report together with the consolidated financial report of the consolidated entity (the **Group**), being Raffles Capital Limited (the **Company**) and its controlled entities for the half year ended 30 June 2012 and the Auditors' review report thereon.

Principal activities	The consolidated entity operates predominately in one business and one geographical segment being investment in commercial properties, mining and resources within Australia.
Consolidated results	The net consolidated loss of the Group for the six months ended 30 June 2012 was \$75,629 (2011: Loss \$140,440). Total Shareholders' Funds as at 30 June 2012 are \$11.8 million.
Review of operations	Information on the operations and financial position of the Group and its business strategies and prospects are set out in the Review of Operations on pages 3 of this report.
Dividends	No dividend has been declared for current reporting period (2011: Nil).

Directors

The directors of the Company at any time during or since the half-year are as followed, unless otherwise stated:

Tan Sri Ibrahim Menudin (Chairman)	Non-Executive Director
Vincent Tan	Chief Executive Officer
Richard Yap	Non-Executive Director
Benjamin Amzalak	Non-Executive Director

Information on Directors

Tan Sri Ibrahim Menudin, B.Com, FCA	Non-Executive Chairman Appointed 16 December 2009
	Tan Sri Ibrahim Menudin, a Malaysian citizen, is a Director and Chairman of Suria Capital Holdings Berhad a public-listed company on the Main Board of Bursa Malaysia Berhad. Tan Sri was formerly the Chief Executive Officer of Bumiputra Investment Fund of Sabah until 1985. He had also served as Chairman of Sabah Gas Industries Sdn Bhd, Deputy Chairman of Sabah Forest Industry Sdn Bhd as well as being board member of other Sabah Government corporations ranging from finance, forestry, and manufacturing, plantations, hotel and property development.
	He was previously appointed a board member of Malaysian Mining Corporation Berhad and Group Chief Executive and was also a board member of Ashton Mining Limited and Plutonic Resources Limited.
Current Directorships	Non-Executive Director of Hudson Resources Limited Non-Executive Chairman of Tiaro Coal Limited
Former directorships in the last three years of listed companies	None
Special Responsibilities	None
Interests in Shares and Options	None

DIRECTORS' REPORT continued

Vincent Tan BCom & Admin CA	Chief Executive Officer Appointed 16 December 2009
	Vincent Tan is a chartered accountant and has over the past 35 years worked in a range of industries, including insurance, securities trading, finance and property.
	Mr Tan has held senior management positions in a number of public and non-government organisations and has broad experience in corporate structuring.
Current Directorships	None
Former directorships in the last three years of listed companies	Australian Bauxite Limited – resigned 28 May 2012 Tiaro Coal Limited Hudson Resources Limited Hudson Investment Group Limited
Special Responsibilities	None
Interests in Shares and Options	Mr Tan indirectly holds 11,933,084 shares in the Company as a director of Pacific Portfolio Investments Pty Ltd.

Richard Yap B Econ, MBA, CPA	Non-Executive Director Appointed on 8 January 2010.
	Mr Yap has over 20 years' experience in investment banking and corporate finance with qualifications of a Bachelor of Economics and a Master of Business Administration from Monash University.
	Mr Yap is also currently the Director of Business Development and Advisor to the Chairman of TA Enterprise Berhad, a company listed on the Kuala Lumpur Stock Exchange.
Current Directorships	None
Former directorships in the last three years of listed companies	None
Special Responsibilities	None
Interests in Shares and Options	None

DIRECTORS' REPORT continued

Benjamin Amzalak B. Com (Marketing & Finance)	Non-Executive Director Appointed on 5 February 2010.
	Mr Amzalak has an extensive background in capital raising, investor relations and broking communications. He has been engaged in capital management, raising in excess of \$250 million in new venture capital for mining and other public companies. He provides advisory services to public companies in many areas including Initial Public Offerings and Mergers and Acquisitions.
Current Directorships	None
Former directorships in the last three years of listed companies	None
Special Responsibilities	None
Interests in Shares and Options	None

Officers

David L Hughes	Joint Company Secretary
	Mr Hughes has held similar positions with other listed companies for over 20 years. He is currently the Company Secretary of the following other ASX listed public companies; Latrobe Magnesium Limited, Hudson Investment Group Limited, and Joint Company Secretary of Empire Energy Group Limited, Hudson Resources Limited, Tiaro Coal Limited, and Sovereign Gold Company Limited.
Henry Kinstlinger	Joint Company Secretary
	Henry Kinstlinger has the past twenty-five years been actively involved in the financial and corporate management of a number of public companies and non-governmental organisations. He is a corporate consultant with broad experience in investor and community relations and corporate and statutory compliance.
Francis Choy MCom MBA FCPA (HK) FCPA CA	Chief Financial Officer
	Francis Choy has held a number of senior positions in corporate financial management roles throughout Australia and South East Asia. He has extensive experience in project finance, compliance, acquisition and investment appraisals. He has been involved in project financial, financial management of property development and telecommunication projects in South East Asia. He held senior financial roles for numerous public listed companies both in Hong Kong and Australia.

DIRECTORS' REPORT continued**Subsequent Events**

In July 2012 Sovereign Gold Company Limited (**Sovereign Gold**) (ASX: SOC) proposed a takeover offer for all the shares in PMR. The offer closed on 27 August 2012, and Raffles accepted 41.25 million PMR shares into the offer. The assessed value of each PMR share was in the range of \$0.215 and \$0.235 per PMR share. Raffles will receive 37.125 million Sovereign Gold shares, with an assessed value in the range of \$0.267 and \$0.283 per Sovereign Share³ (\$9.9 - \$10.5 million).

At the date of this report there are no other matters or circumstances which have arisen since 30 June 2012 that have significantly affected or may significantly affect:

- the operations, in financial half year subsequent to 30 June 2012, of the consolidated entity;
- the results of those operations; or
- the state of affairs, in financial half year subsequent to 30 June 2012, of the consolidated entity.

Likely developments and expected results of operations

The Company intends to identify and pursue further business opportunities offering additional prospects for growth in the longer term.

Environmental regulation

The Company operates within the resources sector and conducts its business activities with respect for the environment while continuing to meet the expectations of the shareholders, employees and suppliers.

The Company aims to ensure that the highest standard of environmental care is achieved, and that it complies with all relevant environmental legislation. The Directors are mindful of the regulatory regime in relation to the impact of the Company's activities on the environment.

There have been no known breaches by the Company during the reporting period.

To the best of the Directors' knowledge, the Company has adequate systems in place to ensure compliance with the requirements of all environmental legislation described above and are not aware of any breach of those requirements during the financial year and up to the date of the Directors' Report.

Tenement List

Application No	Licence No	Project	Status	Date Granted	Expiry Date	Area Sq kms
RAF1 Pty Ltd						
EPCA 2844		Allingham	Application			771
EPCA 2875		Trafalgar	Application			615
EPCA 2876		Spring	Application			282
EPCA 2855		Percy	Application			900
Total						2,568

³ Independent Expert's Report 2 August 2012

DIRECTORS' REPORT continued**JORC Code Compliant Public Reports**

The Company advises that this Half-Yearly Report contains summaries of Exploration Results and Mineral Resources as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("JORC Code").

The following table references the location of the Code-Compliant Public Reports or Public Reporting on which the summaries are based. These references can be viewed on the ASX website and the Company will provide these reports, free of charge, to any person who requests it.

Issue Date	Title of Notice as lodged with ASX
28/06/2012	PMR: VTEM Survey Underway
01/05/2012	PMR: Assays present further high grade results
27/04/2012	Quarterly Activities Report
30/03/2012	Corrected PMR Annual Report re-submitted
29/03/2012	PMR: Chinese SOE to explore Halls Peak VMS deposit
26/03/2012	PMR: Archived Core Continues to Impress
19/03/2012	PMR: High Grade Intersections - Halls Peak
27/01/2012	Quarterly Activities Report

Qualifying statement

The information in this report that relates to Exploration Information is based on information compiled by Peter Kennewell who is a member of the Australasian Institute of Mining and Metallurgy. Mr Kennewell is a qualified geologist and is a director of Precious Metal Resources Limited, a subsidiary of Raffles Capital Limited.

Mr Kennewell has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of exploration Results, Mineral Resources and Ore Resources. Mr Kennewell has consented to the inclusion in this announcement of the Exploration Information in the form and context in which it appears.

Auditor's Independence Declaration

We have obtained an independence declaration from our auditors, K. S. Black & Co which appears on page 9 of this report.

Signed in accordance with a resolution of the Directors:



Vincent Tan
Chief Executive Officer



Benjamin Amzalak
Director

Sydney, 29 August 2012

**AUDITORS INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

To the Directors of Raffles Capital Limited

In connection with the review of Raffles Capital Limited for the period ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been:

- (i) No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) No contravention of any applicable code of professional conduct in relation to the review.

KS Black & Co
Chartered Accountants



Faizal Ajmat
Partner

Sydney; 29 August 2012



INDEPENDENT AUDITORS' REVIEW REPORT TO THE MEMBERS OF RAFFLES CAPITAL LIMITED

Report on the Financial Report

We have reviewed the accompanying interim financial report of Raffles Capital Limited which comprises the statement of financial position as at 30 June 2012, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half year ended on that date, accompanying notes and directors' declaration of the company.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with the Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company's financial position as at 30 June 2012, and its performance for the half year ended on that date; and complying with Australian Standard AASB 134 Interim Financial reporting and Corporations Regulations 2001. As auditor of Raffles Capital Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Statement of Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.



INDEPENDENT AUDITORS' REVIEW REPORT
TO THE MEMBERS OF RAFFLES CAPITAL LIMITED
(continued)

Review Opinion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Raffles Capital Limited does not present fairly, in all material respects the financial position of Raffles Capital Limited as at 30 June 2012, and of its financial performance and its cash flows for the half year period ended on that date in accordance with Australian Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001.

KS Black & Co
Chartered Accountants



Faizal Ajmat
Partner

Sydney: 29 August 2012

DECLARATION BY DIRECTORS

The Directors of the Company declare that:

1. The financial statements and notes, set out on pages 13 to 20, are in accordance with the *Corporations Act 2001*, and:
 - i give a true and fair view of the financial position of the consolidated entity as at 30 June 2012 and of its performance for the six months ended on that date; and
 - ii comply with Australian Accounting Standards AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



Vincent Tan
Chief Executive Officer/Director



Benjamin Amzalak
Director

Sydney, 29 August, 2012

STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Notes	Consolidated	
		30-Jun-2012	30-Jun-2011
		\$	\$
Revenue	2	744,805	98,915
Administration expenses	2	(770,862)	(240,966)
Finance expenses		(38,286)	(1,292)
Profit/(loss) before income tax		(64,343)	(143,343)
Income Tax expense		-	-
Profit/(loss) after tax for the period		(64,343)	(143,343)
Profit/(loss) attributable to outside equity interest		(11,286)	2,903
		(75,629)	(140,440)
Other Comprehensive Income			
Other comprehensive income before income tax		-	-
Income tax expense			
Other comprehensive income for the period		-	-
Total Comprehensive Income/(loss) attributable to members of Raffles Capital Limited		(75,629)	(140,440)
		Cents	Cents
Basic earnings/(loss) per share		(0.32)	(0.65)
Diluted earnings/(loss) per share		(0.32)	(0.65)

This Statement of Comprehensive Income is to be read
in conjunction with the notes to the financial report

STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	Consolidated	
		30-Jun-12	31-Dec-11
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		628,306	158,150
Trade and other receivables		1,363,191	1,813,429
Financial assets		3,239,687	2,615,335
Other current assets		2,536	-
Total current assets		5,233,720	4,586,914
Non-current assets			
Trade and other receivables		222,626	-
Financial assets		7,840,728	7,318,278
Plant & equipment		2,453	1,462
Mining tenements	3	586,017	200,250
Total non-current assets		8,651,824	7,519,990
Total assets		13,885,544	12,106,904
LIABILITIES			
Current liabilities			
Trade and other payables		2,026,574	79,102
Provisions		10,408	4,687
Total current liabilities		2,036,982	83,789
Non-current liabilities			
Provisions		2,638	1,390
Total Non-current liabilities		2,638	1,390
Total liabilities		2,039,620	85,179
Net assets		11,845,924	12,021,725
EQUITY			
Issued Capital	4	11,698,002	11,698,002
Reserves		873,090	940,292
Retained profits / (accumulated losses)		(1,750,918)	(1,675,289)
Total equity attributable to equity holder of parent equity		10,820,174	10,963,005
Minority Interest		1,025,750	1,058,720
Total Equity		11,845,924	12,021,725

This Statement of Financial Position is to be read in conjunction with the notes to the financial report

STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

CONSOLIDATED	Issued Capital	Reserves	Accumulated	Minority	Total Equity
	\$	\$	Losses	Interest	\$
			\$	\$	
At 31 December 2010	10,395,502	-	(2,057,558)	250	8,338,194
Shares issued net of costs	1,343,563	-	-	-	1,343,563
Loss for the period	-	-	(140,440)	-	(140,440)
Movement for the period	-	-	-	(2,903)	(2,903)
At 30 June 2011	11,739,065	-	(2,197,998)	(2,653)	9,538,414
At 30 June 2011	11,739,065	-	(2,197,998)	(2,653)	9,538,414
Share issuing cost	(41,063)	-	-	-	(41,063)
Profit for the period	-	-	522,709	-	522,709
Movement for the period	-	940,292	-	1,061,373	2,001,665
At 31 December 2011	11,698,002	940,292	(1,675,289)	1,058,720	12,021,725
At 31 December 2011	11,698,002	940,292	(1,675,289)	1,058,720	12,021,725
Loss for the period	-	-	(75,629)	-	(75,629)
Movement for the period	-	(67,202)	-	(32,970)	(100,172)
At 30 June 2012	11,698,002	873,090	(1,750,918)	1,025,750	11,845,924

This Statement of Changes in Equity is to be read in conjunction with the notes to the financial report.

STATEMENT OF CASH FLOW

For the six months ended 30 June 2012

	Notes	Consolidated	
		30-Jun-12 \$	30-Jun-11 \$
Cash flows from operating activities			
Payments to suppliers and employees		(706,988)	(263,987)
Interest received		211	23,915
Net cash inflow/(outflow) from operating activities		(706,777)	(240,072)
Cash flows from investing activities			
Proceed from disposal of investment		400,000	-
Tenement deposit received		2,000,000	-
Advance to other entities		(222,626)	-
Repayment from other parties		539,000	-
Acquisition of Investment		(1,426,802)	(56,915)
Acquisition of equipment		(1,182)	(1,669)
Net cash inflow/(outflow) from investing activities		1,288,390	(58,584)
Cash flows from financing activities			
Shares issued		-	1,500,000
Share issue costs		-	(156,437)
Share issue cost- controlled entities		(111,457)	-
Net cash inflow/(outflow) from financing activities		(111,457)	1,343,563
Net increase/(decrease) in cash and cash equivalents		470,156	1,044,907
Cash and cash equivalents at the beginning of the financial period		158,150	242,712
Cash and cash equivalents at the end of the financial period		628,306	1,287,619

This Statement of Cash Flow is to be read
in conjunction with the notes to the financial report

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

Reporting Entity

Raffles Capital Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 30 June 2012 comprises the Company and its subsidiaries (together referred to as the "consolidated entity").

Statement of Compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 31 December, 2011.

This consolidated interim financial report was approved by your Board of Directors.

Estimates

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgement made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 31 December, 2011.

Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

2. REVENUE AND EXPENSES

Profit/(loss) before income tax includes the following specific revenues and expenses:

	Consolidated	
	30-Jun-2012	30-Jun-2011
Revenues	\$	\$
Interest Income	69,008	23,915
Fee Income	240,000	75,000
Contribution received for funded expenditures	370,000	-
Gain on disposal of investment	45,888	-
Other	19,909	-
	744,805	98,915
	744,805	98,915
Administration Expenses		
Directors Fee	154,103	-
Consulting and professional fee	82,085	12,433
Other administrative expenditures	534,674	228,533
	770,862	240,966
	770,862	240,966

NOTES TO THE FINANCIAL STATEMENTS continued

3. MINING TENEMENTS

	Consolidated	
	30-Jun-12	31-Dec-11
	\$	\$
Capitalised exploration expenditures	586,017	200,250

The recoverability of the carrying amount of evaluation and exploration assets is dependent upon successful development and commercial exploitation, or alternatively the sale of the respective areas of interest.

4. CONTRIBUTED EQUITY

	Consolidated		Consolidated	
	30-Jun-12	31-Dec-11	30-Jun-12	31-Dec-11
	Shares	Shares	\$	\$
Share capital issued	23,700,359	23,700,359	11,698,002	11,698,002

(a) Movements in ordinary share capital during the period

Consolidated

Date	Details	No. of shares	Issue Price \$	\$
31 December 2011	Balance	23,700,359		11,698,002
	Share Placement	-	-	-
	Share issuing costs	-	-	-
30 June 2012	Balance	23,700,359		11,698,002

(b) Options

There have been no options issued or granted over unissued shares.

(c) Terms and Conditions

Each ordinary share participates equally in the voting rights of the Company. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

5. COMMITMENTS

	Consolidated	
	30-Jun-12	31-Dec-11
	\$	\$
Exploration expenditure commitments		
Tenement exploration expenditure	151,583	137,000
Tenement lease and rent payment	12,055	-
	163,638	137,000

The minimum exploration expenditure commitments and lease payments on the Group exploration tenements totalling approximately \$163,638 over the term of tenements.

NOTES TO THE FINANCIAL STATEMENTS continued**5. COMMITMENTS continued**

	Consolidated	
	30-Jun-12	31-Dec-11
	\$	\$
Remuneration expenditure commitments		
Salary and other remuneration commitments under long-term employment contracts existing at reporting date not recognised as liabilities:		
Within one year	163,500	163,500
Later than one year but not later than 5 years	163,500	231,625
Later than 5 years	-	-
	327,000	395,125

Executive employment agreement

The controlled entity, Precious Metal Resources Limited (PMR), has entered into an Executive Agreement with Peter Kennewell, a director of PMR pursuant to which he has agreed to provide the services of Chief Executive Officer. The material terms are set out below.

The services he is to provide to PMR include:

- Peter Kennewell is employed to provide the services of Chief Executive Officer of PMR for a period of 3 years;
- Peter Kennewell is to be paid \$150,000 per annum not including superannuation as required by the Superannuation Guarantee Administration Act 1992 (Cth);
- Incentive payments will be considered by the Board from time to time and made available in either the form of cash bonuses or share options at PMR's discretion.
- The agreement can be terminated by either PMR or Peter Kennewell on 6 months' notice.

Services agreements

The Company has entered into a management service agreement with Hudson Corporate Limited pursuant to which Hudson Corporate Limited has agreed to provide its management, registered office, administrative, accounting and secretarial services.

The term of the Executive Services Agreement is two years and the fee payable is that amount agreed between the parties from time to time. The terms of the Service Agreement provide that Hudson Corporate Limited shall act in accordance with the directions of the Board.

The Company has entered into a geological services agreement with Michael Leu for fixed remuneration per day, term of the contract is 2 years.

There are no other material commitments as at the date of this report.

6. CONTINGENCIES**Contingent assets and liabilities**

The parent entity and Group had no material contingent assets and liabilities at the reporting date.

Guarantees

Cross guarantees by Raffles Capital Limited and its wholly owned controlled entities. No deficiency of assets exists in the consolidated entity as a whole.

No material losses are anticipated in respect of any of the above contingent liabilities.

NOTES TO THE FINANCIAL STATEMENTS continued**7. SEGMENT INFORMATION**

The consolidated entity operates predominately in one business and one geographical segment being investment in commercial properties, mining and resources within Australia.

8. EVENTS SUBSEQUENT TO BALANCE DATE

In July 2012 Sovereign Gold Company Limited (**Sovereign Gold**) (ASX: SOC) proposed a takeover offer for all the shares in PMR. The offer closed on 27 August 2012, and Raffles accepted 41.25 million PMR shares into the offer. The assessed value of each PMR share was in the range of \$0.215 and \$0.235 per PMR share. Raffles will receive 37.125 million Sovereign Gold shares, with an assessed value in the range of \$0.267 and \$0.283 per Sovereign Share⁴ (\$9.9 - \$10.5 million).

At the date of this report there are no other matters or circumstances, other than noted above, which have arisen since 30 June 2012 that have significantly affected or may significantly affect:

- the operations, in financial half year subsequent to 30 June 2012, of the consolidated entity;
- the results of those operations; or
- the state of affairs, in financial half year subsequent to 30 June 2012, of the consolidated entity.

⁴ Independent Expert's Report 2 August 2012

SUPPLEMENTARY APPENDIX 4D INFORMATION

NTA Backing

	30-Jun-2012	31-Dec-2011
Net tangible asset backing per ordinary share	47.51 cents	49.88 cents

Controlled Entities Acquired

No entities were acquired during the reporting period.

Loss of Control of Entities During the Period

No entities were disposed during the reporting period.

Subsequent Events

Refer Note XX to the financial statements.

Accounting Standards

Australian Accounting Standards have been used in the preparation of this report.

Other Significant Information

All significant information in relation to the financial performance and position of Raffles Capital Limited has been disclosed in the attached report.

Returns to Shareholders

No distribution/dividend paid this year. The company does not have a dividend/distribution reinvestment plan.

Associated and Joint Venture Entities

None during the reporting period.

Audit Alert

The Auditor's Review Report is included in the financial statements.