SCANDINAVIAN RESOURCES

ANNUAL REPORT 2011

ABN 99 132 035 842

ANNUAL REPORT

for the financial year ended 30 June 2011

Board of Directors

Executive Chairman
Mr Damian Hicks

Technical Director
Mr Olof Forslund

Non-Executive Director
Mr Paul Thomas

Non-Executive Director
Mr Markus Bachmann
(appointed 19 January 2011)

Non-Executive Director &
Company Secretary
Mr Ian Gregory

Principal Office

Ground Floor,
28 Ord Street
West Perth, Western Australia 6005

Registered Office

Ground Floor,
28 Ord Street
West Perth,
Western Australia 6005

Postal Address

PO Box 1668
West Perth, Western Australia 6872

Contact Details

+61 8 9324 1153 (Telephone)
+61 8 9324 3366 (Facsimile)
admin@scandinavianresources.com
www. scandinavianresources.com
ABN 99 132 035 842

Social Network Sites

Twitter – scanres
Facebook – Scandinavian Resources

Share Registry

Computershare
Level 2,
45 St George's Terrace
Perth, Western Australia, 6000
1300 557 010 (Telephone)

Auditors

KPMG
235 St Georges Terrace
Perth, Western Australia 6000

Lawyers

Steinepreis Paganin
Level 4,
The Read Buildings
16 Milligan Street
Perth, Western Australia 6000

DIRECTORS' REPORT

The Directors of Scandinavian Resources Ltd (the Company or SCR) submit their annual financial report of the Group being the Company and its controlled entities for the financial year ended 30 June 2011.

Dear Shareholders

Scandinavian Resources Limited's strategy is to incubate a highly prospective portfolio of iron, gold, PGE and base metals projects in Scandinavia (primarily Sweden and Norway).

This strategy has been well executed during 2011 as evidenced by the growth in the gold and base metals portfolio and the rapid development of the Kiruna Iron Project.

Importantly the Company continues to build an excellent Team of highly capable people.

Most notably Markus Bachmann and Christina Lundmark joined Scandinavian Resources in 2011. Markus joined the Company as a Non-Executive Director in January 2011 and provides us with a wealth of capital markets expertise. Markus is the founder of global funds management company Craton Capital which has offices in Johannesburg, South Africa and Zurich, Switzerland. In 2010 Craton Capital was awarded Fund Manager of the Year at the Mining Journal's "Outstanding Achievement Awards". Christina joined us in July 2011, is an experienced geologist and was previously Head of Division Mineral Information for the Geological Survey of Sweden (the division responsible for managing all of Sweden's exploration data). Christina is now the General Manager of Scandinavian Resources and works very closely within our Exploration Team comprising Olof Forslund (Technical Director), Amanda Arrowsmith (Exploration Manager), Jorgen Lindskold (Senior Exploration Geologist) and key consultants. We also welcomed experienced geophysicist Ana Braña to the Exploration Team in September 2011.

This fantastic Team of high quality individuals and geoscientists is committed to the incubator strategy and is passionate about discovering significant economic mineral deposits.

The project that has developed fastest during the year is the Kiruna Iron Project where the Company's prospects are located within 80 kilometres of the largest iron mine in Europe and close to Kiruna, a dedicated full service mining town. The most advanced prospect is the Rakkuri prospect located within 6km of Kiruna, 500m from an iron ore railway and 300m from a major road. During the year the Company's wholly owned subsidiary, Kiruna Iron AB completed 14,000 metres of diamond drilling, entered into joint venture and acquisition agreements and commenced environmental and social impact studies. The aim of these activities is to build a major Swedish iron mining company that creates long term benefits for the many Kiruna stakeholders (including but not limited to the Kiruna Community, Saami Villages and Landowners) and shareholders. This is a challenging task and there is a long way to go however the foundations have been established and we'll continue to work towards those outcomes.

At this point we must acknowledge the outstanding contribution to the development of this project by our Exploration Manager Amanda Arrowsmith and her Team comprising Senior Exploration Geologist Jorgen Lindskold, Communications Manager Berit Sandstrom (both from Scandinavian Resources), Thomas Lindholm and Hans Lindberg (both from GeoVista). This Team has really achieved an enormous amount in a very short time frame and it requires an in-depth understanding of the project to appreciate the positive long-term benefits their work will likely provide to the broader Kiruna Community during the next 20 years.

We remain focused on incubating a portfolio of economic precious and base metals deposits within Sweden and Norway which currently stands at nineteen separate projects. One of the many challenges we face is ensuring we effectively allocate the limited but highly specialised skills sets across the portfolio without spreading ourselves too thinly. Exploration field work on this precious and base metals project has been highly encouraging and we expect two or three of these projects to advance rapidly during the next twelve months. Understandably the focus in recent times has been directed towards the rapidly developing Kiruna Iron Project.

It is often difficult to convey the rapid progress being made by our staff in Sweden and Norway but we are very encouraged by the keen interest shown by informed knowledgeable investors in London, Stockholm and Oslo. We will however continue to work towards keeping all shareholders fully informed of our activities primarily through ASX releases, the Company's web site (www.scandinavianresources.com), Face Book (Scandinavian Resources) and Twitter (scanres).

In closing I would like to acknowledge the continued strong support provided by our fellow Directors Olof Forslund, Ian Gregory, Markus Bachman and Paul Thomas to the development of Scandinavian Resources. We are also well supported by many advisers in Sweden, Norway and Australia and to those many professionals who have all made positive contributions to our development, we say thank you.

We look forward to providing shareholders with continued positive progress during 2012.

Kind regards,

Damian Hicks
Chairman

The Board of Directors

The names and particulars of the Directors of the Company during or since the end of the financial year are:

Mr Damian Hicks,
Chairman (appointed 3 July 2008)

Mr Hicks was the founding Chairman of Scandinavian Resources Ltd.

Prior to incorporation of the Company, Mr Hicks was a business analyst for three years, worked with law firms for five years and an international chartered accounting firm for one year.

Mr Hicks holds a Bachelor of Commerce (Accounting and Finance) from the University of Western Australia, is admitted as a Barrister and Solicitor of the Supreme Court of Western Australia, holds a Graduate Diploma in Applied Finance & Investment from FINSIA (formerly the Securities Institute of Australia), a Graduate Diploma in Company Secretarial Practice from Chartered Secretaries in Australia and is a Graduate Member of the Australian Institute of Company Directors.

Mr Hicks is currently serving as Managing Director of ASX listed Hannans Reward Ltd and Non-Executive Director of funds management company, Growth Equities Pty Ltd. Mr Hicks is a director of Equity & Royalty Investments Ltd (ERI) and a director of Acacia Investments Pty Ltd, the major shareholder of ERI. During the past 3 years Mr Hicks has not served as a Director of any other ASX listed companies.

Mr Olof Forslund,
Technical Director
(appointed 3 July 2008)

Mr Forslund is a geophysicist and has extensive international experience in the mineral exploration industry, particularly in the development and application of geophysical instruments and radar technology. His assignments have covered activities in Sweden, Japan, South Korea, Germany, Belgium, Italy, France, Canada and the USA.

Mr Forslund commenced with SGU in 1966 and during the period 2003 – 2007 Mr Forslund was Regional Manager of the Geological Survey of Sweden's Mineral Resources Information Office in Mala, Sweden. SGU's branch office in Mala serves as a 'one-stop' information office for all those conducting exploration in Sweden.

Mr Forslund was a founding shareholder and President of MALÅ GeoScience between 1994 and 1998. MALÅ is currently the global leader in the design and manufacture of Ground Penetrating Radar (GPR) systems.

From 1999-2003 Mr Forslund was also project manager for Georange, a non-profit organisation whose main task is to expand the concept of "development" in the mining and minerals industry in Sweden. Georange has today about 50 members from municipalities, organisations, Universities and private companies. Whilst involved with the Georange project, Mr Forslund was responsible for the raising of approximately SEK100 million from various organisation and governments including the European Union to fund Georange activities.

Mr Forslund has an extensive network of contacts through Scandinavia covering geophysicists, geologists, drilling companies, government and industry. He was responsible for the Sweden Geological Survey's active participation at the Prospectors and Developer's Conference (otherwise known as PDAC) in Toronto, Canada.

Mr Forslund is a director and shareholder of Equity & Royalty Investments Ltd (ERI). During the past 3 years Mr Forslund has not served as a Director of any other ASX listed companies.

Mr Paul Thomas,
Non-Executive Director
(appointed 17 May 2010)

Mr Thomas originally graduated as a Metallurgist from the Western Australian School of Mines and has subsequently attained various other regulatory and technical qualifications in mining, processing, management and finance. These include a Diploma in Open Cut and Underground Mining, a Diploma of Business and a Graduate Diploma of Applied Finance and Investment.

His extensive development and operational experience comes after being in the mining industry for 25 years, most of which has been in Management and Executive roles within Australian listed gold and base metal mining companies.

He was appointed Managing Director of S&P/ASX Top 200 Company OM Holdings Limited's subsidiary OM Manganese in March 2007 heading up the Australian Operations and forming part of the Senior Executive Management Team of the OM Holdings Group before becoming the OMH Group's Chief Development Officer in March 2010.

During the past 3 years Mr Thomas has not served as a Director of any other ASX listed companies.

Mr Markus Bachmann,
Non-Executive Director
(appointed 19 January 2011)

Mr Bachmann graduated with Honours ("cum laude") from the University of Berne, Switzerland and began his corporate finance career in 1993.

In 2001, Mr Bachmann was Senior Portfolio Manager with Coronation Fund Managers in Cape Town when it was awarded the Standard & Poor's Award for Manager of the Best Performing Large Cap Equity Unit Trust in South Africa.

In 2003, Mr Bachmann was founding partner of Craton Capital and is the Chief Executive Officer. Craton Capital was awarded Fund Manager of the Year at the Mining Journal's "Outstanding Achievement Awards" announced in London during December 2010 for the Craton Capital Precious Metal Fund. The award is the most prestigious fund award in the mining industry.

Craton Capital has offices in Johannesburg, South Africa and in Zurich, Switzerland.

Mr. Bachmann brings an extensive network of contacts in Europe and Africa to the Board which will assist with rapidly growing the Company's minerals portfolio including its flagship Kiruna Iron Project.

During the past 3 years Mr Bachmann has not served as a Director of any other ASX listed companies.

Mr Ian Gregory,
Non-Executive Director & Company Secretary (appointed 3 July 2008)

Mr Gregory holds a Bachelor of Business from Curtin University and has over 25 years' experience in the provision of company secretarial and business administration services in a variety of industries, including exploration, mining, mineral processing, oil and gas, banking, insurance and aquaculture.

In 2005 he established The Company Secretariat which provides professional and effective company secretarial and business administration services to listed and unlisted companies.

For 6 years prior to this Ian was the Company Secretary of the Iluka Resources Limited group of companies based in Perth. Iluka is the largest zircon producer in the world and the second largest producer of titanium minerals, with operating mines in Australia and the USA.

Before joining Iluka, Ian worked for 12 years as Company Secretary and Compliance Manager of IBJ Australia Bank Limited, the Australian operations of The Industrial Bank of Japan, and prior to that he was Company Secretary, for 4 years, of the Griffin Coal Mining group of companies.

Ian has been the Chairman of the Western Australian Branch Council of the Institute of Chartered Secretaries and Administrators and served on the National Council of that body.

Mr Gregory is a director of Equity & Royalty Investments Ltd (ERI) and Mr Gregory's wife is a shareholder of ERI. During the past 3 years Mr Gregory has not served as a Director of any other ASX listed companies.

At the date of this report the following table sets out the current Directors' relevant interests in shares and options of Scandinavian Resources Ltd.

	Ordinary Shares		Options over Ordinary Shares	
Director	Current Holding	Net Increase/ (decrease)	Current Holding	Net Increase/ (decrease)
Damian Hicks	–	–	–	–
Olof Forslund	–	–	–	–
Paul Thomas	–	–	–	–
Markus Bachmann (i)	6,837,147	6,837,147	6,100,000	6,100,000
Ian Gregory	188,334	–	188,334	–

i) Markus Bachmann held his interest as at the date of being appointed as director.

The following table sets out the current directors' interest in options granted as remuneration. Options with an expiry date of 31 August 2011 have been exercised at 20 cents per option since the end of the financial year and as a result at the date of signing this report, the directors have no interests in options granted as remuneration.

Director	Number of options granted during the year ending 30 June 2011	Number of options over ordinary shares at 30 June 2011	Number of options exercised since 30 June 2011
Damian Hicks	–	1,000,000	1,000,000
Olof Forslund	–	1,250,000	1,250,000
Paul Thomas	–	–	–
Markus Bachmann	–	–	–
Ian Gregory	–	250,000	250,000

During and since the end of the financial year no share options were granted to the directors as part of their remuneration by Scandinavian Resources Ltd.

Remuneration Report – Audited

The remuneration report is set out under the following main headings:

A. Principles used to determine the nature and amount of remuneration

B. Consequences of performance on shareholder wealth

C. Details of remuneration

D. Service agreements

E. Share based compensation

F. Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001.*

A. Principles used to determine the nature and amount of remuneration

The remuneration policy is set by the Board of Directors and has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component with the flexibility to offer specific long term incentives based on key performance areas affecting the Group's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors and executives to manage the Group.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the Board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The Board reviews executive packages annually and determines policy recommendations by reference to executive performance and comparable information from industry sectors and other listed companies in similar industries.
- The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract and retain the highest calibre of executives and reward them for performance that result in long term growth in shareholder wealth.
- The directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9% of base salary and do not receive any other retirement benefits.
- All remuneration paid to directors and executives is valued at the cost to the Group and expensed. Options are valued using the Black-Scholes methodology.
- The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews the remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Group.

The remuneration policy has been tailored to increase the direct positive relationship between shareholders investment objectives and directors and executive performance. Currently, this is facilitated through the issue of options to the directors and executives to encourage the alignment of personal and shareholder interests (as issued in the prior years). The Group believes this policy will be effective in increasing shareholder wealth. The Group currently has no performance based remuneration component built into director and executive remuneration packages.

B. Consequences of performance on shareholder wealth

In considering the Group's performance when determining key management personnel compensation the key factor used is the progress of operations based on goals set by the Board throughout the year. Refer to Operating and Financial Review for details of the Group's performance.

Remuneration Report – Audited (cont'd)

C. Details of remuneration

The key management personnel of Scandinavian Resources Ltd and the Group are the directors as listed on pages 4 and 5.

Given the size and nature of operations of Scandinavian Resources Ltd, there are no other employees who are required to have their remuneration disclosed in accordance with the Corporations Act 2001 as there are no other executives or key management personnel.

Details of remuneration of the directors and key management personnel (as defined in *AASB 124 Related Party Disclosures)* of Scandinavian Resources Ltd are:

	Short Term			Post-employment			Equity	Other benefits	
2011	Salary & fees $	Bonus $	Non-monetary $	Super-annuation $	Pre-scribed benefits $	Other $	Options $	(D&O Insurance) (i) $	Total $
Directors									
Damian Hicks	101,502	–	–	7,498	–	–	–	3,272	112,272
Olof Forslund	189,382	–	–	–	–	–	–	3,272	192,654
Paul Thomas (ii)	27,531	–	–	–	–	–	–	3,272	30,803
Markus Bachmann (iii)	12,325	–	–	–	–	–	–	1,461	13,786
Ian Gregory (iv)	25,372	–	–	2,296	–	–	–	3,272	30,940
Total	356,112	–	–	9,794	–	–	–	14,549	380,455

	Short Term			Post-employment			Equity	Other benefits	
2010	Salary & fees $	Bonus $	Non-monetary $	Super-annuation $	Pre-scribed benefits $	Other $	Options $	(D&O Insurance) (i) $	Total $
Directors									
Damian Hicks	24,999	–	–	2,250	–	–	–	820	28,069
Olof Forslund	40,875	–	–	–	–	–	–	820	41,695
Paul Thomas (ii)	3,125	–	–	–	–	–	–	523	3,648
Ian Gregory (iv)	5,734	–	–	516	–	–	–	820	7,070
Total	74,733	–	–	2,766	–	–	–	2,983	80,482

i) For accounting purposes Directors & officers Indemnity Insurance is required to be recorded as remuneration. No director receives any cash benefits, simply the benefit of the insurance coverage.

ii) Mr Paul Thomas acts as nominee director for OM Holdings Limited and his directors fees are paid to OM Holdings Limited.

iii) Appointed on 19 January 2011.

iv) Mr Ian Gregory also acts as Company Secretary for Scandinavian Resources Ltd.

Remuneration Report – Audited (cont'd)

D. Service agreements

Mr Damian Hicks

The Board negotiated an agreement for Damian Hicks as Chairman in October 2009 which commenced on 1 April 2010. The remuneration package comprises $8,333 per month plus statutory superannuation to be reviewed annually with a minimum 5% increase. Mr Hicks is to be reimbursed reasonable expenses incurred in carrying out his duties. The agreement continues for a period of 5 years with an automatic renewal for subsequent 2 year periods unless terminated by giving 90 days prior notice in writing or terminated by the relevant provisions in the service agreement. A termination fee is payable and will be equal to the aggregate remaining base fee for the unexpired remainder of the term unless Mr Hicks voluntarily leaves or through non-renewal of the service agreement.

Mr Olof Forslund

The Board negotiated an agreement with Olof Forslund as Technical Director in October 2009 which commenced on 1 April 2010. The remuneration package comprises $18,750 per month plus statutory superannuation to be reviewed annually with a minimum 5% increase. Mr Forslund is to be reimbursed reasonable expenses incurred in carrying out his duties. The agreement continues for a period of 5 years with an automatic renewal for subsequent 2 year periods unless terminated by giving 90 days prior notice in writing or terminated by the relevant provisions in the service agreement. A termination fee is payable and will be equal to the aggregate remaining base fee for the unexpired remainder of the term unless Mr Forslund voluntarily leaves or through non-renewal of the service agreement.

Non-Executive Directors

The Board has resolved that non-executive directors' remuneration is to comprise of $25,000 per annum each exclusive of 9% statutory superannuation. They are entitled to reimbursement of reasonable expenses incurred in carrying out their duties.

The annual aggregate non-executive directors remuneration may not exceed the amount fixed by the Company at a general meeting and is currently at a maximum of $250,000.

E. Share based compensation

Options over ordinary shares in the Company are granted to directors and executives as part of their remuneration. The options are not based on performance criteria, but are issued to directors and executives of Scandinavian Resources Ltd to increase goal congruence between executives directors and shareholders.

The following options were issued and vested previously:

Name	Option expiry date	Option grant date	No. granted during the year	No. vested	% of grant vested	% of grant forfeited	% of compensation for the year consisting of options
Damian Hicks	31 Aug 11	5 Sept 08	–	1,000,000	100	–	–
Olof Forslund	31 Aug 11	5 Sept 08	–	1,250,000	100	–	–
Ian Gregory	31 Aug 11	5 Sept 08	–	250,000	100	–	–

Each of the above Director options gives the holder the right to subscribe for one share per option at an exercise price of $0.20. They expire on the expiry date or in the event the director ceases to hold office they will have one month from date of leaving to exercise the options. The options were provided at no cost to the recipients and the fair value has been determined as Nil. The options have all been exercised since the end of the financial year.

Remuneration Report – Audited (cont'd)

No options have been granted or lapsed during the reporting period or since the end of the financial year.

No terms of equity settled share based payment transactions have been altered or modified by the issuing entity during the reporting period or prior period.

F. Additional information

Performance income as a proportion of total compensation

No performance based bonuses have been paid to key management personnel during the financial year.

Directors' Meetings

The following tables sets out information in relation to Board meetings held during the financial year.

Board Member	Board Meetings held while Director	Attended	Circular Resolutions Passed	Total
Damian Hicks	7	7	5	12
Olof Forlund	7	7	5	12
Paul Thomas	7	7	5	12
Markus Bachmann	4	4	2	6
Ian Gregory	7	7	5	12

Dates of Board Meetings and Circulating Resolutions:

Board Meetings	Circulating Resolutions
13 September 2010	10 November 2010
19 October 2010	21 December 2010
6 December 2010	22 December 2010
3 February 2011	1 February 2011
10 March 2011	2 June 2011
27 March 2011	
1 June 2011	

Projects

The Projects are constituted by the following permits:

Project	Permit Number	Interest %	Note	Permit Number	Interest %	Note
Kiruna	Ahmakero nr 2	100%		Maunuvaara nr 2	100%	
	Åkosjegge nr 1	0%	1	Maunuvaara nr 3	100%	
	Altavaara	100%		Pahtohavare nr 2	100%	
	Altavaara Norra	100%		Pahtohavare nr 4	100%	
	Årosjokk nr 1	0%	1	Paljasjärvi nr 2	100%	
	Ekströmsberg nr 4	0%	1	Pattok nr 1010	0%	
	Ekströmsberg nr 5	0%	1	Piedjastjåkko nr 1	100%	1
	Eustiljåkk nr 1	0%	1	Piedjastjåkko nr 4	100%	
	Eustillako	100%		Piedjastjåkko nr 5	100%	
	Eustilvaras	100%		Piedjastjåkko nr 6	100%	
	Gäddmyr nr 1	100%		Pirttivuopio nr 1	100%	
	Gäddmyr nr 2	100%		Puoltsa nr 4	100%	
	Gäddmyr nr 3	100%		Puoltsa nr 5	100%	
	Gäddmyr nr 4	100%		Puoltsa nr 6	100%	
	Gordon-Kitchener nr 1	100%		Rakkurijärvi nr 1	100%	
	Gordon-Kitchener nr 2	100%		Rakkurijärvi nr 2	100%	
	Hårås nr 1	100%		Rakkurijärvi nr 3	100%	
	Harrejaure nr 1	0%	2	Rakten nr 1	100%	
	Holmajärvi nr 1	100%		Rakten nr 2	100%	
	Holmajärvi Södra	100%		Ratek nr 1	0%	1
	Honkavaara	100%		Saivo nr 2	100%	
	Kaalasjärvi nr 1	100%		Salmijärvi nr 1	100%	
	Kajpak nr 1	0%	1	Salvotjåkka	100%	
	Kalixfors nr 2	100%		Sautusvaara nr 1	0%	2
	Lainiojärvi nr 1	100%		Staggotjåkka	100%	
	Lannavaara nr 1002	0%	3	Tervakoski nr 3	100%	
	Lannavaara nr 7	100%		Tjårrojåkka nr 104	0%	1
	Lannavaara nr 8	100%		Tjatitjvaratj nr 1	100%	
	Laukujärvi nr 3	0%	2	Tornefors nr 1	100%	
	Luppovare nr 1	100%		Ultevis nr 1	100%	
	Luppovare nr 2	100%		Vieto nr 1	0%	2
	Luppovare nr 3	100%		Villenjärvi nr 1	100%	
	Masugnsbyn	100%				

NOTE: 1. Grängesberg Iron AB holds 100% interest. Transaction with Grängesberg Iron completed on 7 June 2011.

2. Tasmet AB holds 100% interest. JV with Tasman Metal completed on 15 June 2010.

3. Boliden Mineral AB holds 100% interest.

4. Permits located in Norway.

Projects (cont'd)

Project	Permit Number	Interest %	Note	Permit Number	Interest %	Note
Näsberg-Våtmyrberget	Våtmyrberget nr 1	100%		Stekenjokk nr 7	100%	
	Våtmyrberget nr 2	100%		Våtmyrberget nr 3	100%	
Caledonides	Daningen nr 2	100%		Våtmyrberget nr 4	100%	
	Daningen nr 3	100%		Unna Gaisartjåkko nr 2	100%	
	Gräskevardo nr 1	100%		Famnvatnet 1-91, 96-575	100%	4
	Långträskberget nr 1	100%		Bleikvassli 10-47	100%	4
	Marmere nr 1	100%		Gjetarfjellet	100%	4
	Ropen nr 2	100%		Husvika 1-2	100%	4
	Särksjön nr 2	100%		Ravnåsen	100%	4
	Särksjön nr 3	100%		Øvre Elsvatnet 1-17	100%	4
Finnmark	Neiden 1-7	100%	4	Ringvassøya 1-4	100%	4
	Notsynene 1-8	100%	4	Njivlojávri 3-5	100%	4
	Gjeddevann 1-8	100%	4	Eappergielas 1	100%	4
	Njivlojávri 1-2	100%	4	Ragatmaras 1-2	100%	4
	Gorvvesjávri 1-2	100%	4	Rietnjajávri 1-3	100%	4
	Geassámaras 1	100%	4	Uhcavuovddás 1-3	100%	4
	Kåfjord 1-7	100%	4	Fiskarfjellet 1-6	100%	4
	Raipas 1-3	100%	4	Vilgesrassa 1-2	100%	4
	Birtavarre 1-10	100%	4			

Applications for permits controlled by Scandinavian Resources Ltd are as follows:

Project	Permit Number	Interest %
Finmark	Vaddas 1-10	100%

Capital

The Scandinavian Resources Ltd issued capital is as follows:

Ordinary Fully Paid Shares

At the date of this report there are the following number of Ordinary fully paid shares

	Number of shares
Ordinary fully paid shares	80,358,858

Shares Under Option

At the date of this report there are 60,166,905 unissued ordinary shares in respect of which options are outstanding

	Number of options
Balance at the beginning of the year	64,971,642
Movements of share options during the year and to the date of this report	
Issued, exercisable at 25 cents on or before 30 June 2013	400,000
Issued, exercisable at 50 cents on or before 30 June 2013	300,000
Issued, exercisable at 75 cents on or before 30 June 2013	300,000
Issued, exercisable at 20 cents on or before 31 October 2012	1,000,000
Issued, exercisable at 20 cents on or before 31 October 2012	500,000
Issued, exercisable at 40 cents on or before 15 December 2012	500,000
Issued, exercisable at 40 cents on or before 1 February 2013	1,000,000
Exercised at 20 cents on or before 31 August 2011	(2,500,000)
Exercised at 25 cents on or before 31 October 2011	(5,958,070)
Exercised at 20 cents on or before 31 October 2012	(346,667)
Total number of options outstanding at the date of this report	60,166,905

The balance is comprised of the following:

Date options issued	Expiry date	Exercise price (cents)	Number of options
26 August 2009	31 October 2012	20	20,133,334
9 October 2009	31 October 2012	20	8,186,673
24 March 2010	31 October 2011	25	27,846,898
22 September 2010	30 June 2013	25	400,000
22 September 2010	30 June 2013	50	300,000
22 September 2010	30 June 2013	75	300,000
15 November 2010	31 October 2012	20	1,000,000
29 December 2010	31 October 2012	20	500,000
8 February 2011	15 December 2012	40	500,000
10 February 2011	1 February 2013	40	1,000,000
Total number of options outstanding at the date of this report			60,166,905

No person entitled to exercise any option referred to above has had, by virtue of the option, a right to participate in any share issue of any other body corporate.

Capital (cont'd)

Substantial Shareholders

Scandinavian Resources Ltd has the following substantial shareholders as at 27 September 2011:

Name	Number of shares	Percentage of issued capital
Equity & Royalty Investments Ltd	20,000,001	25.20
OM Holding Ltd	12,227,218	15.41
Grangesberg Iron AB	8,200,000	10.33
JP Morgan Nominees Australia Limited <Cash Income A/C>	7,703,197	9.71

Range of Shares as at 27 September 2011

Range	Total Holders	Units	% Issued Capital
1 - 1,000	5	1,113	0.00
1,001 - 5,000	30	98,797	0.12
5,001 - 10,000	65	617,113	0.78
10,001 - 100,000	145	6,242,409	7.87
100,001 - 9,999,999	58	72,399,301	91.23
Total	303	79,358,733	100.00

Unmarketable Parcels as at 27 September 2011

	Minimum parcel size	Holders	Units
Minimum $ 500.00 parcel at $ 0.30 per unit	1,667	7	3,563

Top 20 holders of Ordinary Shares as at 27 September 2011

Rank	Name	Units	% of Issued Capital
1	Equity & Royalty Investments Ltd	20,000,001	25.20
2	OM Holdings Limited	12,227,218	15.41
3	Grangesberg Iron AB	8,200,000	10.33
4	JP Morgan Nominees Australia Limited <Cash Income A/C>	7,703,197	9.71
5	HSBC Custody Nominees (Australia) Limited - A/C 2	2,817,828	3.55
6	HR Equities Pty Ltd	1,325,001	1.67
7	Mr Kjell Olof Forslund	1,250,000	1.58
8	Upsky Equity Pty Ltd <Upsky Investment A/C>	1,100,000	1.39
9	Acacia Investments Pty Ltd <DPH A/C>	1,000,000	1.26
10	HSBC Custody Nominees (Australia) Limited	966,750	1.22
11	Redbrook Nominees Pty Ltd	900,000	1.13
12	Tasman Metals Ltd	882,353	1.11
13	Bond Street Custodians Limited <CPCPL - TU0022 A/C>	850,000	1.07
14	UOB Kay Hian Private Limited <Clients A/C>	821,275	1.03
15	Mossisberg Pty Ltd <Hicks Group Super Fund A/C>	666,667	0.84
16	Braveheart Australia Pty Ltd	655,045	0.83
17	Kintore (WA) Pty Ltd	633,333	0.80
18	Mannwest Pty Ltd	578,050	0.73
19	Agonic Holdings Pty Ltd	500,000	0.63
20	Dyspo Pty Ltd <Henty Super Fund A/C>	500,000	0.63
	Total of top 20 Holders of ordinary shares	63,576,718	80.12

Principal Activity

The principal activity of the Group during the year was mineral exploration.

Operating and Financial Review

The Group began the financial year with cash reserves of $5,754,683.

During the year total exploration expenditure incurred by the Group amounted to $18,562,689. In line with the Group's accounting policies, all exploration expenditure was expensed as incurred. Net administration expenditure incurred amounted to $902,383. This has resulted in an operating loss after income tax for the year ended 30 June 2011 of $19,787,967 (2010: $1,177,418).

As at 30 June 2011 cash and cash equivalents totalled $128,430.

Summary of Financial Information as at 30 June

	2011 $	2010 $	2009 $
Cash and cash equivalents	128,430	5,754,683	47,468
Exploration expenditure expensed	(18,562,689)	(875,820)	(233,283)
No of issued shares	74,779,496	63,059,878	50,000,001
No of options	65,746,142	64,971,642	2,500,000
Share price	$0.40	$0.14	–
Market capitalisation (Undiluted)	29,911,798	8,828,382	–

Summary of Share Price Movement for Year ended 30 June 2011

	Price	Date
Highest	$0.65	1 March 2011
Lowest	$0.12	27 August 2011
Latest	$0.30	28 September 2011

ASX Announcements

ASX Announcements related to Corporate Matters

Date	Announcement Title	Date	Announcement Title
29/09/2011	Appendix 3B Options Exercised	22/03/2011	Appendix 3B Options Exercised
29/09/2011	Investor Presentation	29/03/2011	Appendix 3B Options Exercised
26/09/2011	Grant of Waiver	17/03/2011	Becoming a substantial holder
23/09/2011	Notice of General Meeting	17/03/2011	Appendix 3B Options Exercised
22/09/2011	Appendix 3B Options Exercised	15/03/2011	Appendix 3B
16/09/2011	Appendix 3B	14/03/2011	Financial Report for the Half Year
12/09/2011	Appendix 3B Options Exercised	02/03/2011	Appendix 3B Options Exercised
08/09/2011	2011 General Meeting Results	01/03/2011	Appendix 3B Options Exercised
01/09/2011	Options Conversion Documents	10/02/2011	Funding Update and Option Exercise
26/08/2011	Appendix 3B Options Exercised	08/02/2011	Investor Presentation
22/08/2011	Appendix 3B Options Exercised	08/02/2011	Option Exercise and Funding Update
12/08/2011	Appendix 3B Options Exercised	31/01/2011	2nd Quarter Cashflow Report
10/08/2011	2011 General Meeting Results	31/01/2011	2nd Quarter Activities Report
08/08/2011	Notice of General Meeting	21/01/2011	Initial Directors Interest Notice
02/08/2011	Cleansing Prospectus	19/01/2011	Appointment of Director
01/08/2011	Change of Interests of Substantial Holder	17/01/2011	Response to ASX Price and Volume Query
01/08/2011	4th Quarter Cashflow Report	31/12/2010	Securities Trading Policy
01/08/2011	4th Quarter Activities Report	29/12/2010	Funding and Iron Exploration
25/07/2011	Appendix 3B Options Exercised	22/11/2010	2010 AGM Results
22/07/2011	General Meeting	22/11/2010	2010 AGM Presentation
11/07/2011	Appendix 3B Options Exercised	15/11/2010	Anglo American and Rio Tinto
08/07/2011	Notice of General Meeting	15/11/2010	Reinstatement to Official Quotation
04/07/2011	Change of Interests of Substantial Holder from OMH	05/11/2010	Update on Transactions
29/06/2011	Appendix 3B	01/11/2010	1st Quarter Activities Report
09/06/2011	Appendix 3B Options Exercised	29/10/2010	1st Quarter Cashflow Report
01/06/2011	Appendix 3B Options Exercised	29/10/2010	Continuation of Voluntary Suspension
18/05/2011	Interests of Substantial Holder from OMH	22/10/2010	Suspension from Official Quotation
18/05/2011	Interests of Substantial Holder from OMH	20/10/2010	Trading Halt
17/05/2011	Appendix 3B Options Exercised	13/10/2010	Notice of Meeting 2010 AGM
06/05/2011	Appendix 3B Options Exercised	01/10/2010	Annual Report 2010
02/05/2011	3rd Quarter Reports	24/09/2010	Release of Shares and Options from Escrow
27/04/2011	Appendix 3B Options Exercised	22/09/2010	Appendix 3B
18/04/2011	Key Appointment	30/07/2010	4th Quarter Cashflow Report
14/04/2011	Appendix 3B Options Exercised	30/07/2010	4th Quarter Activities Report
08/04/2011	Appendix 3B Options Exercised	21/07/2010	Appointment of Exploration Manager
01/04/2011	Iron Transport Seminar, Narvik Norway		

ASX Announcements (cont'd)

ASX Announcements related to Kiruna Iron Project

Date	Announcement Title
15/09/2011	Kiruna Iron - Pricing, Logistics and Exploration Presentations
07/09/2011	Exploration Presentation
07/09/2011	Drilling and Assay Update
06/09/2011	Cooperation Agreement with Boliden
06/09/2011	Drilling and Assay Update
05/09/2011	Metallurgical Summary
29/07/2011	JORC Resources Significantly Exceed Targets
13/07/2011	Kiruna Iron Project - Update
08/06/2011	Kiruna Iron - Acquisition of Strategic Iron Permits
11/05/2011	Kiruna Iron Project Drilling Update
18/04/2011	Kiruna Iron Drilling Update
12/04/2011	Kiruna Iron Strategy Update
04/03/2011	Kiruna Iron Project - Drilling at Rakkurijarvi Prospect
23/02/2011	Kiruna Iron Project - Drilling at Sautusvaara Prospect
31/01/2011	Kiruna Iron Project - Vieto Drilling
20/01/2011	Kiruna Iron Update
11/10/2010	Kiruna Iron Project Update
08/10/2010	Kiruna Iron Project Update
12/08/2010	Excellent Iron Testwork Results from Puoltsa

ASX Announcements related to Lake Embrace Base Metals Project

Date	Announcement Title
17/08/2010	50% Zinc (Fifty Per Cent Zn) Assay from Boulder
21/07/2010	Lake Embrace Project Diamond Drilling

ASX Announcements related to Daningen Copper Project

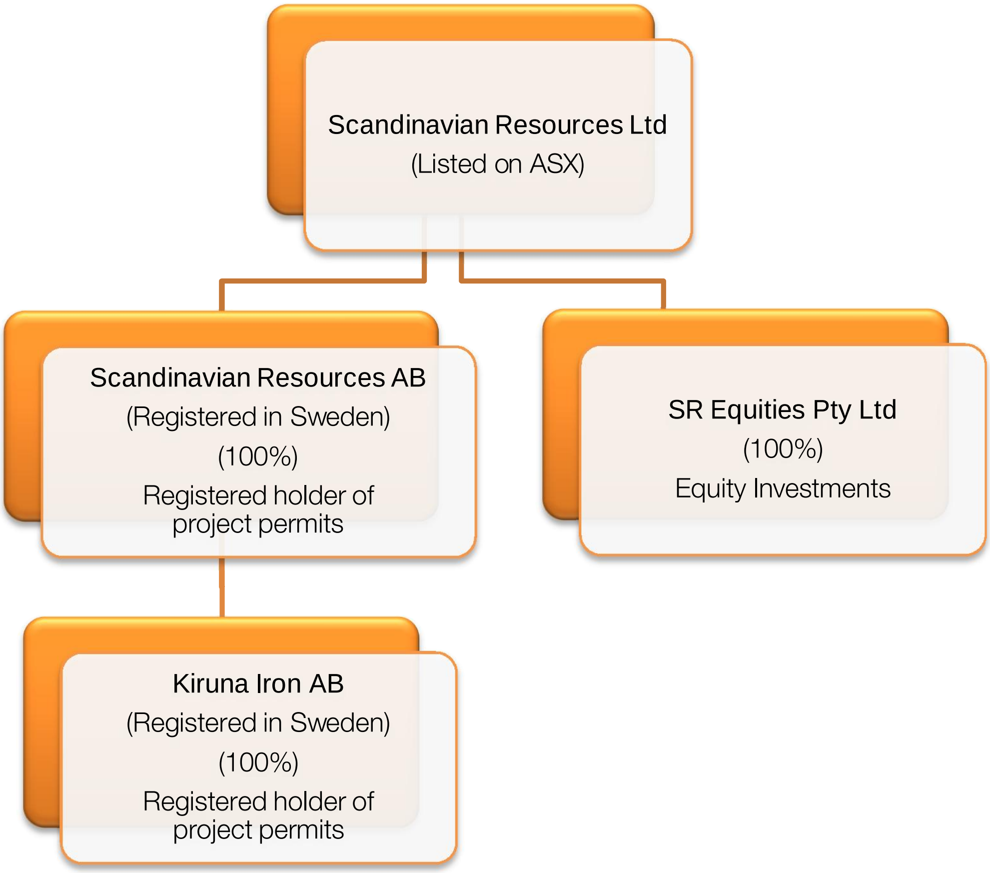
Date	Announcement Title
26/07/2010	High Grade Copper at Daningen, Sweden

ASX Announcements related to Särksjön Project

Date	Announcement Title
11/10/2010	High Grade Gold

Corporate Structure

The corporate structure of the Scandinavian Resources Limited Group is as follows:



Compliance

Corporate Governance Statement

The Board of Directors is responsible for the corporate governance of the Company. The Board guides and monitors the business affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The responsibilities of the Board include:

- protection and enhancement of shareholder value;
- formulation, review and approval of the objectives and strategic direction of the Company;
- monitoring the financial performance of the Company by reviewing and approving budgets and monitoring results;
- approving all significant business transactions including acquisitions, divestments and capital expenditure;
- ensuring the adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- the identification of significant business risks and ensuring that such risks are adequately managed;
- the review of performance and remuneration of executive directors and key staff;
- the establishment and maintenance of appropriate ethical standards; and
- evaluating and, where appropriate adopting, with or without modification, the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations".

The ASX document '*Corporate Governance Principles and Recommendations 2nd Edition* ' published by the ASX Corporate Governance Council applies to listed entities with the aim of enhancing the credibility and transparency of Australia's capital markets. The Principles and Guidelines can be viewed at www.asx.com.au.

Whilst the Company endeavours to comply with all of the guidelines under the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations", the Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the additional expense of compliance with all recommendations. Therefore the Board will consider on an ongoing basis its corporate governance procedures and whether they are sufficient given the Company's nature of operations and size.

The Board has assessed the Group's current practice against the Guidelines and other than the matters specified below under *"If Not, Why Not" Disclosure*, all the best practice recommendations of the ASX Corporate Governance Council have been applied.

In relation to departures by the Company from the best practise recommendations, Scandinavian Resources makes the following comments:

Principle 1: Lay solid foundations for management and oversight

1.1 *Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions*

The Directors monitor the business affairs of the Company on behalf of Shareholders and have adopted a corporate governance policy which is designed to encourage Directors to focus their attention on accountability, risk management and ethical conduct.

1.2 *Companies should disclose the process for evaluating the performance of senior executives*

Evaluation of the Board is carried out on a continuing and informal basis. The Company will put a formal process in place as an when the level of operations justifies it.

Compliance (cont'd)

Corporate Governance Statement (cont'd)

Principle 2: Structure the Board to add value

2.1 *The majority of the Board should be independent directors*

The Board consists of three Non-Executive Directors, a Technical Director and an Executive Chairman, however, they are not independent as they do not satisfy the definition of an independent director under the best practice. The Board considers that the scope and size of the existing Board is appropriate given the size of the Group's operations and the skills matrix of the existing Board members.

2.2 *The chair should be an independent director.*

The Chairman, Damian Hicks, is not independent. This is for the reason set out in 2.1 above.

2.4 *The Board should establish a nomination committee*

The Board has not established a nomination committee. The Board as a whole will identify candidates and assess their skills in deciding whether an individual has potential to add value to the Company. The Board may also seek independent advice to assist with the identification process.

2.5 *Companies should disclose the process for evaluating the performance of the Board its committees and individual directors*

Evaluation of the Board is carried out on a continuing and informal basis. The Company will put a formal process in place as and when the level of operations justifies it.

Principle 4: Safeguard integrity of financial reporting

4.1 *The Board should establish an Audit Committee*

4.2 *The audit committee should be structured so that it: consists of only non-executive directors, consists of a majority of independent directors, is chaired by an independent chair; who is not chair of the Board and has at least three members*

4.3 *The Audit committee should have a formal charter*

The Board considers that due to the size and complexity of the Group's affairs it does not merit the establishment of a separate audit committee. Until the situation changes the Board will carry out any necessary audit committee functions.

Principle 8: Remunerate fairly and responsibly

8.2 *The Board should establish a remuneration committee*

The Board considers that due to the size and complexity of the Group's affairs it does not merit the establishment of a separate remuneration committee. Until the situation changes the Board will carry out any necessary remuneration committee functions.

Independent Professional Advice

Directors of the Company are expected to exercise considered and independent judgement on matters before them and may need to seek independent professional advice. A director with prior written approval from the Chairman may, at the Group's expense obtain independent professional advice to properly discharge their responsibilities.

Board Composition

The Board consists of an Executive Chairman, Technical Director and 3 Non-executive Directors. Details of their skills, experience and expertise and the period of office held by each director have been included in the Directors' Report. The number of Board meetings and the attendance of the directors are set out in the Directors' Report.

Compliance (cont'd)

Board Composition (cont'd)

The Board will decide on the choice of any new director upon the creation of any new Board position and if any casual vacancy arises. Decisions to appoint new directors will be minuted. The Board considers that due to the size and complexity of the Group's affairs it does not merit the establishment of a separate nomination committee. Until the situation changes the Board of Scandinavian Resources will carry out any necessary nomination committee functions.

Share Trading Policy

Directors, officers and employees are prohibited from dealing in Scandinavian Resources shares when they possess inside information. The Board is to be notified promptly of any trading of shares in the Company by any Director or officer of the Company.

Additional Compliance Statements

Risk Management

The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the Board.

The Company believes that it is crucial for all Board members to be part of this process, and as such the Board has not established a separate risk management committee.

The Board has a number of mechanisms in place to ensure management's objectives and activities are aligned by the Board. These include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders needs and manage business risk.
- Implementation of Board approved operating plans and Board monitoring of the progress against budgets.

Significant Changes in State of Affairs

Other than those disclosed in this annual report no significant changes in the state of affairs of the Group occurred during the financial year.

Significant Events after the Balance Date

The following matters or circumstances has arisen since 30 June 2011 that may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

a) On 20 July 2011 DPH Trust ("lender"), of which Mr Damian Hicks is a related party, entered into a loan with Scandinavian Resources Ltd which allows $150,000 to be drawn down as and when required with interest payable at the rate of 12.5% per annum. The loan and interest is required to be repaid on or before 30 November 2011 and the lender has a second priority security over the assets of Scandinavian Resources Ltd. As a fee the lender is to be paid an amount of $500. At the date of this report the full amount of the loan has been drawn down.

b) On 25 July 2011 Mrs Andrea Murray ("lender") entered into a loan agreement with Kiruna Iron AB, a wholly owned subsidiary of Scandinavian Resources Ltd ("SCR"), which allows $250,000 to be drawn down as and when required with interest payable at the rate of 12.5% per annum. The loan and interest is required to be repaid on or before 1 February 2012. The loan is unsecured. The Board of SCR has approved the rollover of the loan into a convertible note and options following shareholder approval of a new convertible note with an extended repayment date of 31 March 2012 and options scheduled for a meeting of shareholders on 8th September 2011. On rollover the convertible note will include a fee to the lender of 50,000 unlisted options in SCR exercisable at A$0.40 each on or before 1 February 2013 and, allow for conversion for every one convertible note to convert to 1.5 ordinary fully paid shares in SCR. At the date of this report the full amount of the loan has been drawn down.

Compliance (cont'd)

Significant Events after the Balance Date (cont'd)

c) On 12 August 2011 HR Equities Pty Ltd ("lender") entered into a loan agreement with Kiruna Iron AB, a wholly owned subsidiary of Scandinavian Resources Ltd ("SCR"), which allows $750,000 to be drawn down as and when required with interest payable at the rate of 21.3% per annum. The loan and interest is required to be repaid on or before 15 November 2011 and the lender has a continued first mortgage over the assets of Scandinavian Resources Ltd. The Board of SCR has approved the rollover of the loan into a convertible note following shareholder approval of a new convertible note with an extended repayment date of 31 March 2012 and options scheduled for a meeting of shareholders on 8th September 2011. On rollover the convertible note will include a fee to the lender of 150,000 unlisted options in SCR exercisable at A$0.40 each on or before 1 February 2013 and, allow for conversion for every one convertible note to convert to 1.5 ordinary fully paid shares in SCR. At the date of this report the full amount of the loan has been drawn down.

d) Of the $11m total available convertible loan funds secured, $5,795,000 has been drawn down as of 29 September 2011.

e) Since 30 June 2011 2,500,000 unlisted options exercisable on or before 31 August 2011 at 20 cents each, 2,732,570 listed options exercisable on or before 31 October 2011 at 25 cents each and 346,667 unlisted options exercisable on or before 31 October 2012 at 20 cents each have been exercised into fully paid ordinary shares listed on the ASX, resulting in proceeds of $1,252,476.

f) In accordance with the conditions of the agreement with Grängesberg Iron AB the Group made the second required payment of US$750,000 to Grängesberg Iron AB on 15 August 2011. Refer to note 4 for full details of the agreement.

g) Scandinavian Resources Ltd's wholly owned subsidiary Kiruna Iron AB entered into a cooperation agreement with Boliden Mineral AB over the Lannavaara Permits on 6 September 2011. The purpose of the agreement is to explore the Lannavaara Permits for the mutual benefit of Boliden Mineral AB (Boliden) and Kiruna Iron AB (KIAB) based on the fact that Boliden is focused on zinc, copper, gold, silver and lead and KIAB is focused on iron.

   In consideration of the exploration right, KIAB undertakes to invest US$1.5 million in exploration expenditure on the Lannavaara Permits within five years. If KIAB meets this minimum commitment it will have earned a 100% interest in the iron (only) rights. If the minimum commitment is not met, KIAB will not have earned any interest at all. After the minimum commitment is met, KIAB must invest US$1 million in exploration expenditure every three years to maintain its interest. If the continuing commitment is not met KIAB will not have earned any interest in the iron rights except in relation to exploitation concessions granted by the expiry of the last period or subsequently granted as a result of an application made within that time. KIAB shall provide to Boliden, free of charge, any and all exploration data it collects with respect to the Lannavaara Permits. A further agreement will be entered into if either Boliden or KIAB wish to proceed to mining.

h) On 22 July 2011 Scandinavian Resources Ltd confirmed with Tasman Metals Ltd that it had met Stage 1 and Stage 2 of the stage funding requirements (refer note 25) and has earned 75% interest in the permits.

i) On 23 September 2011, the Company released to the ASX a Notice of General Meeting to be held on 27 October 2011. A summary of the meeting's resolutions is as follows:

   - Issue of securities to Equity & Royalty Investments Ltd and the consequent increase in voting power;
   - Conversion of the convertible loan from OM Holdings Ltd (OM Holdings) into shares in Scandinavian Resources Ltd, the exercise of options by OM Holdings and the consequent increase in voting power of OM Holdings (refer note 18);
   - Allotment and issue of shares as deferred consideration to Anglo American Exploration B.V. and Rio Tinto Mining & Exploration Ltd (refer note 17);
   - Adoption of an employee performance rights plan; and
   - Allotment and issue of 10,000,000 shares.

Likely Developments and Expected Results

The Group expects to maintain the present status and level of operations and hence there are no likely developments in the Group's operations.

Compliance (cont'd)

Environmental Regulation and Performance

The Group is subject to significant environmental regulation in respect to its exploration activities.

The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it's aware of and is in compliance with all environmental legislation. The directors of the Group are not aware of any breach of environmental legislation for the year under review.

Insurance of Directors and Officers

During or since the financial year, the Company has had premiums insuring all the directors of Scandinavian Resources Ltd against costs incurred in defending conduct involving:

a) A wilful breach of duty

b) A contravention of sections 182 or 183 of the *Corporations Act 2001,*

as permitted by section 199B of the *Corporations Act 2001.*

The total amount of insurance contract premiums paid is $14,549.

Dividends

No dividends were paid or declared during the financial year and no recommendation for payment of dividends has been made.

Non-Audit Services

KPMG Australia did not provide any non-audit services to the Group during the year.

KPMG Sweden provided taxation services as well as auditing of the subsidiary companies Scandinavian Resources AB and Kiruna Iron AB.

The Board has considered the non-audit services provided during the year by the auditor of the subsidiary companies and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- non-audit services were subject to the corporate governance procedures adopted by the Group; and
- non-audit services have been reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor.

Details of the amounts paid to KPMG for audit and non-audit services provided during the year are set out in note 10.

Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 23.

Signed in accordance with a resolution of the Directors made pursuant to s 298(2) of the Corporations Act 2001.

On behalf of the Directors

Damian Hicks

Damian Hicks
Chairman
Perth, Western Australia this 30th day of September 2011

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Scandinavian Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG.

KPMG

R Gambitta
Partner

Perth
30 September 2011

KPMG, an Australian partnership and a member firm of the KPMG network
of independent member firms affiliated with KPMG International, a Swiss cooperative.

DIRECTORS' DECLARATION

for the year ended 30 June 2011

In the opinion of the directors of Scandinavian Resources Limited:

1. (a) the financial statements and notes and Remuneration Report in the Directors' Report set out on pages 27 to 58 and pages 6 to 9 respectively, are in accordance with the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and their performance, for the financial year ended on that date; and
    - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

   (b) the financial report complies with International Financial Reporting Standards as described in Note 1;

   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. the directors have been given the declarations required by s.295A of the Corporations Act 2001 for the financial year ended 30 June 2011.

Signed in accordance with a resolution of the directors:

Damian Hicks

Chairman

Perth

Independent auditor's report to the members of Scandinavian Resources Limited

Report on the financial report

We have audited the accompanying financial report of Scandinavian Resources Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2011, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, accompanying notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

Emphasis of Matter over going concern

Without qualifying our opinion, we draw attention to Note 1(d) in the financial report, which indicates that the Group incurred a net loss of $19.78 million during the year ended 30 June 2011 and, as of that date, the Group's total liabilities exceeded its total assets by $8.10 million. These conditions, along with other matters as set forth in Note 1(d), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Scandinavian Resources Limited for the year ended 30 June 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG.

KPMG

R Gambitta
Partner

Perth
30 September 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 30 June 2011

	Note	2011 $	2010 $
Employee and contractors expenses		(350,448)	(36,624)
Depreciation expense	13	(22,420)	(79)
Consultants expenses		(223,397)	(115,282)
Occupancy expenses		(67,921)	(43,291)
Marketing expenses		(35,631)	(42,513)
Exploration and evaluation expenses	4	(18,562,689)	(875,820)
Provision against recoverability of loan	14	(14,108)	–
Other expenses		(188,458)	(114,275)
Loss from operating activities		(19,465,072)	(1,227,884)
Finance income	5	608,071	65,393
Finance costs	6	(930,966)	(14,927)
Net finance costs		(322,895)	50,466
Loss before income tax expense/benefit		(19,787,967)	(1,177,418)
Income tax expense/benefit	7	–	–
Loss attributable to owners of the Company		(19,787,967)	(1,177,418)
Other comprehensive income for the year			
Foreign currency translation differences for foreign operations		514,306	(29,030)
Total comprehensive loss for the year attributable to owners of the Company		(19,273,661)	(1,206,448)
Loss per share:			
Basic (cents per share)	21	(30.66)	(2.99)
Diluted (cents per share)	21	(30.66)	(2.99)

The accompanying notes form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2011

	Note	2011 $	2010 $
Current assets			
Cash and cash equivalents	29(a)	128,430	5,754,683
Trade and other receivables	11	821,538	61,853
Total current assets		949,968	5,816,536
Non-current assets			
Trade and other receivables	12	7,504	28,049
Property, plant and equipment	13	79,775	1,343
Other financial assets	14	1	–
Total non-current assets		87,280	29,392
TOTAL ASSETS		1,037,248	5,845,928
Current liabilities			
Trade and other payables	15	1,860,000	280,059
Employee benefits	16	5,172	–
Deferred consideration	17	3,734,944	–
Other financial liabilities	18	3,540,590	–
Total current liabilities		9,140,706	280,059
TOTAL LIABILITIES		9,140,706	280,059
NET (LIABILITIES)/ASSETS		(8,103,458)	5,565,869
Equity			
Issued capital	19	12,195,148	7,255,888
Reserves	20	1,008,504	(170,876)
Accumulated losses	20	(21,307,110)	(1,519,143)
TOTAL (DEFICIENCY)/EQUITY		(8,103,458)	5,565,869

The accompanying notes form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2011

	Attributable to equity holders of the Company			
For the year ended 30 June 2011	**Ordinary Shares $**	**Reserves $**	**Accumulated Losses $**	**Total Equity $**
Balance as at 1 July 2010	7,255,888	(170,876)	(1,519,143)	5,565,869
Total comprehensive income				
Loss for the year	–	–	(19,787,967)	(19,787,967)
Other comprehensive income				
Foreign exchange translation	–	514,306	–	514,306
Total comprehensive loss for the year	–	514,306	(19,787,967)	(19,273,661)
Transactions with owners, recorded directly in equity				
Issue of shares	4,956,375	–	–	4,956,375
Shares issue expenses	(17,115)	–	–	(17,115)
Share based payments	–	551,175	–	551,175
Equity component of convertible notes	–	113,899	–	113,899
	4,939,260	665,074	–	5,604,334
Balance as at 30 June 2011	12,195,148	1,008,504	(21,307,110)	(8,103,458)

	Attributable to equity holders of the Company			
For the year ended 30 June 2010	**Ordinary Shares $**	**Reserves $**	**Accumulated Losses $**	**Total Equity $**
Balance as at 1 July 2009	2	(141,846)	(341,725)	(483,569)
Total comprehensive income				
Loss for the year	–	–	(1,177,418)	(1,177,418)
Other comprehensive income				
Foreign exchange translation	–	(29,030)	–	(29,030)
Total comprehensive loss for the year	–	(29,030)	(1,177,418)	(1,206,448)
Transactions with owners, recorded directly in equity				
Issue of shares	7,510,994	–	–	7,510,994
Shares issue expenses	(255,108)	–	–	(255,108)
	7,255,886	–	–	7,255,886
Balance as at 30 June 2010	7,255,888	(170,876)	(1,519,143)	5,565,869

The accompanying notes form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 30 June 2011

	Note	2011 $	2010 $
Cash flows from operating activities			
Payments for exploration and evaluation		(8,335,561)	(897,259)
Payments to suppliers and employees		(1,716,067)	(220,400)
Interest received		56,565	54,023
Net cash used in operating activities	29(b)	(9,995,063)	(1,063,636)
Cash flows from investing activities			
Amounts advanced to associate		(14,108)	–
Payment for property, plant and equipment	13	(100,504)	(1,422)
Net cash used in investing activities		(114,612)	(1,422)
Cash flows from financing activities			
Proceeds from issues of equity securities	19	806,375	7,510,994
Payment for share issue costs	19	(17,115)	(255,108)
Proceeds from borrowings		3,695,000	–
Repayment of loans from outside entities		–	(430,022)
Interest paid		–	(50,483)
Net cash provided by financing activities		4,484,260	6,775,381
Net (decrease)/increase in cash and cash equivalents		(5,625,415)	5,710,323
Cash and cash equivalents at the beginning of the financial year		5,754,683	47,468
Effects of exchange rate fluctuations on cash held		(838)	(3,108)
Cash and cash equivalents at the end of the financial year	29(a)	128,430	5,754,683

The accompanying notes form part of the consolidated financial statements.

1. Reporting entity and basis of preparation

Scandinavian Resources Limited (the Company or SCR) is a public listed company, incorporated in Australia.

The Group's registered office and its principal place of business are as follows:

Registered office	Principal place of business
Ground Floor	Ground Floor
28 Ord Street	28 Ord Street
West Perth WA 6005	West Perth WA 6005

The consolidated financial statements of the Group comprise the Company and its subsidiaries (the Group) as at and for the year ended 30 June 2011. The Group is primarily involved in minerals exploration in Sweden and Norway.

(a) *Statement of compliance*

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Directors on 30 September 2011.

(b) *Basis of measurement*

The financial report has been prepared on historical cost, except for certain financial assets and liabilities which are carried at fair value and share based payment expenses which are recognised at fair value. Cost is based on the fair values of the consideration given in exchange for assets. Loans and receivables are stated at amortised cost.

(c) *Functional and Presentation currency*

The consolidated financial statements are presented in Australian dollars. The subsidiaries' functional currency is Swedish Krona (SEK). The functional currency of the Company is Australian Dollars.

(d) *Basis of preparation*

The consolidated financial report has been prepared on the going concern basis that contemplates the continuity of normal business activities and the realisation and extinguishment of liabilities in the ordinary course of business.

For the year ended 30 June 2011 the Group incurred a loss of $19,787,967 (2010: loss $1,177,418) and had a net equity deficiency of $8,103,458 (2010: surplus $5,565,869). The loss includes the following items: consideration for the acquisition of the Rakkuri Project from Anglo American and Rio Tinto for $6,108,450, the acquisition of data for $1,020,963, consideration for iron permits from Swedish Company Grängesberg Iron AB for $6,036,255and exploration activities of $5,397,021. The equity deficiency includes the following items: deferred consideration for acquisition of the Rakkuri Project and the Grängesberg Iron permits of $3,734,944 and the convertible note liability of $3,540,590.

The Group was listed on the Australian Securities Exchange (ASX) on 21 April 2010 after completing a capital raising of $6,700,000 and acquired the Rakkuri Project for US$6,000,000 and exclusive access to an exploration database for Sweden for US$1,000,000. An initial US$3,000,000 was paid for the Rakkuri Project and US$1,000,000 for the exploration database with the balance of US$3,000,000 of which US$1,500,000 can be paid in Ordinary shares in Scandinavian Resources and is payable by 6 December 2011 (refer note 17) for details of project and data acquisition).

To fund its strategy and meet its day-to-day obligations as and when they fall due the Group has entered into four separate convertible notes as at 30 June 2011 and two separate convertible notes subsequent to 30 June 2011 that total $11,000,000 (being the total facility amount) and one loan of $150,000 subsequent to 30 June 2011; the amount drawn down as at 29 September 2011 is $5,795,000 of which $3,695,000 was drawn to 30 June 2011. The first repayment date is 30 November 2011 ($150,000), the second repayment date is 15 December 2011 ($3,750,000), the third repayment date is 1 February 2012 ($1,145,000) and the fourth repayment date is 31 March 2012 ($750,000) based on amounts drawn to date.

The Group intends funding its future commitments through a combination of these convertible notes, option conversions and equity raisings and has had regard to the following in its assessment of going concern:

1. Reporting entity and basis of preparation (cont'd)

(a) Current exploration in-fill drilling at the Group's Kiruna Iron Project is aimed at firmly establishing JORC compliant inferred mineral resources which may provide a foundation asset from which to base the Group's future valuation and assist in the raising of capital. The Company has received a valuation from SRK Consulting (Sweden), valuing the Kiruna Iron Project in the range of US$77m to US$143m with the preferred value of US$125m;

(b) The convertible notes drawn down, refer note 18, are convertible into ordinary shares at the discretion of the lender at 33 cents and 66 cents (the Group's share price as at 29 September 2011 is 30 cents);

(c) The convertible note facility currently drawn is $5,795,000, leaving $5,355,000 available to meet short to medium term commitments. If drawn, the maturity for repayment of these additional amounts is on or before 1 February 2012. The Board believe it is the intent of the holders of the convertible notes maturing 15 December 2011, to convert to equity;

(d) At the date of signing this report, the Group has issued options over ordinary shares expiring on 31 October 2011 (27,846,898 at 25 cents) that are in-the-money (the Company's share price as at 29 September 2011 is 30 cents). Should these options be exercised the Group could raise $6,961,725 in funds;

(e) The convertible notes do not contain any limitation on the Group with respect to future equity raisings; and

(f) The Board is presently considering three alternative funding mandate proposals from lead arrangers to assist the Company raise up to US$10 million in funding during October and November 2011.

The Board of Directors is aware, having prepared a cash flow forecast, of the Group's working capital requirements and the need to access additional equity funding within the next 12 months.

As a result of recent market volatility, the ability of the Group to raise sufficient additional funding through the exercise of options and or the placement of additional shares or debt instruments is materially uncertain. Accordingly the ability of the Group to fund the deferred consideration for the Rakurri Project, meet potential demand for repayment from convertible noteholders together with funding the ongoing working capital requirements of the Group is uncertain.

The Directors believe the going concern basis to be appropriate, however consider that the uncertainties outlined in this note represent significant doubt as to whether the Group can continue as a going concern and that therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

2. Significant accounting policies

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2011 and the comparative information presented in these financial statements for the year ended 30 June 2010. These accounting policies have been applied consistently by Group entities.

(a) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries and annual leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Share based payments

Equity-settled share based payments are measured at fair value at the date of grant. Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share based payments is recognised as an employee expense with a corresponding increase in equity on a straight-line basis over the period that the employee unconditionally becomes entitled to the awards.

For cash-settled share based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

2. Significant accounting policies (cont'd)

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the entity in respect of services provided by employees up to reporting date.

(b) Non-derivative financial assets

The Group has the following non-derivative financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

(c) Non-derivative financial instruments issued by the Company

All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: loans and borrowings, and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest, dividends, losses and gains relating to the financial liability are recognised in profit or loss. On conversion, the financial liability is reclassified to equity; no gain or loss is recognised on conversion.

(d) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

2. Significant accounting policies (cont'd)

(e) Goods and services tax (GST) and Value added tax (VAT)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) in Australia and value added tax (VAT) in Sweden, except:

i. where the amount of GST and VAT incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables which are recognised inclusive of GST and VAT.

The net amount of GST and VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(f) Impairment of assets

At each reporting date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(g) Tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is recognised in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and joint ventures except where the entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

2. Significant accounting policies (cont'd)

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(h) Intangible assets

Exploration and Evaluation Expenditure

Expenditure incurred in the ongoing exploration, evaluation for mineral resources and acquisition of areas of interest is expensed immediately to the statement of comprehensive income as incurred.

(i) Basis of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Group, being the Company and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. The accounting policies of the subsidiaries have been changed where necessary to align with the policies adopted by the Group.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

i. Business combination

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill.

If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The recognised amount of non-controlling interests is stated at the proportion of the fair values of the assets and liabilities recognised.

ii. Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are revised. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity. Any cash paid for the acquisition is recognised directly in equity.

iii. Joint ventures

Jointly controlled assets and operations

Interests in jointly controlled assets and operations are reported in the financial statements by including the entity's share of assets employed in the joint ventures, the share of liabilities incurred in relation to the joint ventures and the share of any expenses incurred in relation to the joint ventures in their respective classification categories.

Jointly controlled entities

Interests in jointly controlled entities are accounted for under the equity method in the consolidated financial statements.

2. Significant accounting policies (cont'd)

(j) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is provided on plant and equipment. Depreciation is calculated on a diminishing value basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate (%)
Motor vehicles	20
Office furniture & equipment	20 – 33.3

(k) Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(l) Revenue recognition

Dividend and interest revenue

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(m) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and presented within equity in the foreign currency translation reserve.

2. Significant accounting policies (cont'd)

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the foreign currency translation reserve.

(n) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares, which comprise share options granted to directors and holders of convertible notes as a fee for providing loans to the Group.

(o) Segment reporting

Operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by the Company's chief operating decision maker which, for the Company, is the Board of Directors. In this regard, such information is provided using similar measures to those used in preparing the statement of comprehensive income and statement of financial position.

(p) New Accounting Standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2010, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for AASB 9 *Financial Instruments*, which becomes mandatory for the Group's 2014 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

3. Critical Accounting Estimates and Judgements

In the application of the Group's accounting policies, which are described in note 2, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Key estimates — share based payments

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model. The key assumption required in these valuations is the volatility which is based on the historical volatility of the Company and/or similar sized companies.

4. Exploration and evaluation expenses

	2011 $	2010 $
Project acquisition (i)	12,144,705	–
Data acquisition (ii)	1,020,963	–
Exploration	5,397,021	875,820
	18,562,689	875,820

(i) A wholly owned subsidiary Kiruna Iron AB acquired the Rakkuri Project from Anglo American Exploration B.V. and Rio Tinto Mining & Exploration Ltd. The consideration was US$6 million and a net smelter royalty of 1.5%. The first payment of US$3 million was made on 3 December 2010 and the second payment of US$3 million is due on or before 20 October 2011. See note 17 for details regarding the fair value of the deferred consideration.

Kiruna Iron AB also acquired a portfolio of nine iron permits from Swedish company Grängesberg Iron AB. The consideration comprised the issue of 8.2 million fully paid ordinary shares in Scandinavian Resources Ltd, a US$2 million payment and a 1% net smelter royalty on future production. The cash component is payable in three tranches: US$500,000 which was paid on 23 June 2011, US$750,000 payable by 15 August 2011 and US$750,000 payable by 15 November 2011. The shares were issued prior to 30 June 2011 (refer note 19) and will be escrowed until 15 August 2011 whereupon fifty per cent will remain in escrow until 15 November 2011. The transaction will be effected through the acquisition of 100% of the issued capital in a wholly owned Swedish incorporated subsidiary of Grängesberg Iron AB which owns a 100% unencumbered interest in the permits. See note 17 for details regarding the fair value of the deferred consideration.

(ii) A wholly owned subsidiary Kiruna Iron AB acquired the exclusive licence from Anglo American Exploration B.V. to access and use its exploration database for Sweden. The consideration was US$1 million, paid on 29 October 2010 and a net smelter royalty of 1.5%.

5. Finance income

	2011 $	2010 $
Bank interest	67,934	65,393
Effective interest on deferred consideration	540,137	–
	608,071	65,393

6. Finance costs

	2011 $	2010 $
Interest on loan	–	14,927
Effective interest on deferred consideration	327,616	–
Effective interest on convertible notes	174,541	–
Establishment costs for convertible notes	213,657	–
Net exchange rate losses	215,152	–
	930,966	14,927

7. Income taxes

	2011 $	2010 $
(a) Income tax recognised in profit or loss		
Tax expense comprises:		
Current tax expense	–	–
Deferred tax expense relating to the origination and reversal of temporary differences	–	–
Total tax expense	–	–

The prima facie income tax expense on pre–tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:

	2011 $	2010 $
Loss from operations	(19,787,967)	(1,177,418)
Income tax benefit calculated at 30%	(5,936,390)	(353,225)
Effect of rates in foreign jurisdictions	746,556	36,429
Non–deductible expenses	4,226,042	395
Non–assessable income	(182,451)	–
Current year unused tax losses and tax assets not recognised as deferred tax assets	1,146,243	316,401
Income tax attributable to operating loss	–	–

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

(b) Unrecognised deferred tax balances

The following deferred tax assets and (liabilities)have not been brought to account :

	2011 $	2010 $
Unused tax losses	1,536,729	390,486
Net temporary differences	2,731,190	69,626
	4,267,919	460,112

Deferred tax assets/(liabilities) have not been brought to account because it is not deemed probable that future taxable profits will be available against which the Group can recognise benefits therefrom.

8. Key management personnel disclosures

(a) Details of key management personnel

The Directors of Scandinavian Resources Ltd during the year were:

Directors

- Damian Hicks
- Olof Forslund
- Paul Thomas
- Markus Bachmann
- Ian Gregory

8. Key management personnel disclosures (cont'd)

(b) Key Management personnel compensation

The aggregate compensation made to key management personnel of the Group is set out below:

	2011 $	2010 $
Short-term employee benefits	356,112	74,733
Post-employment benefits	9,794	2,766
Other long term benefits	14,549	2,983
	380,455	80,482

Information regarding individual directors and executive compensation and some equity instrument disclosures as required by *Corporations Regulations 2M.3.03* is provided in the remuneration report section of the directors report.

9. Share based payments

At 30 June 2011 the Group has the following share based payment arrangements:

Share options

The Group has an ownership-based compensation arrangement for directors and employees of the Group. Each option issued under the arrangement converts into one ordinary share of Scandinavian Resources Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. Options neither carry rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. Vesting dates and conditions are dependent on each arrangement as agreed to by the Directors.

The number of options granted is at the sole discretion of the Directors.

Incentive options issued to Directors (executive and non-executive) are subject to approval by shareholders and attach vesting conditions as appropriate.

Convertible notes

The Group has entered into a number of convertible notes and issued options as a fee for providing loans to the Group.

Each option issued under the arrangement converts into one ordinary share of Scandinavian Resources Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. Options neither carry rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. Vesting dates and conditions are dependent on each arrangement as agreed to by the Directors.

The number of options granted is based on negotiations with lenders.

The following share based payment arrangements were in existence during the current and comparative reporting periods:

Options series	Number	Grant date	Expiry date	Exercise price $
Directors				
31 August 2011	2,500,000	5 September 2008	31 August 2011	0.20
Employees				
30 June 2013	400,000	22 September 2010	30 June 2013	0.25
30 June 2013	300,000	22 September 2010	30 June 2013	0.50
30 June 2013	300,000	22 September 2010	30 June 2013	0.75

9. Share based payments (cont'd)

Options series	Number	Grant date	Expiry date	Exercise price $
Convertible notes				
31 October 2011	1,000,000	4 November 2010	31 October 2011	0.20
31 October 2012	500,000	23 December 2010	31 October 2012	0.20
15 December 2012	500,000	2 February 2011	15 December 2012	0.40
1 February 2013	1,000,000	8 February 2011	1 February 2013	0.40

The grant date fair value of the share based payment plan was measured based on the Black–Scholes formula. The inputs used in the measurement of the fair value at grant date of the share based payment plan are the following:

	Option series – Directors and employees (at expiry date)				Option series –Convertible notes (at expiry date)			
Inputs into the model	31 August 2011	30 June 2013	30 June 2013	30 June 2013	31 October 2011	31 October 2012	15 December 2012	1 February 2013
Grant date share price (cents)	0	15	15	15	17	25	42	50
Exercise price (cents)	20	25	50	75	20	20	40	40
Expected volatility	100%	100%	100%	100%	100%	100%	89%	88%
Option life (Months)	36	33	33	33	24	22	22	24
Dividend yield	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Risk-free interest rate %	4.83	4.89	4.89	4.89	4.96	5.21	5.16	5.16
Fair value cents	0.0	7.76	5.57	4.37	6.00	10.19	20.76	27.55

The following reconciles the outstanding share options granted at the beginning and end of the financial year:

	2011		2010	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the financial year	2,500,000	0.20	2,500,000	0.20
Granted during the financial year	4,000,000	0.34	–	–
Exercised / forfeited / expired during the financial year (i)	–	–	–	–
Balance at end of the financial year (ii)	6,500,000	0.29	2,500,000	0.20
Exercisable at end of the financial year	6,500,000	0.29	2,500,000	0.20

(i) Exercised during the financial year

During the year no options under the share based payment plan over ordinary shares were exercised (2010: Nil).

(ii) Balance at end of the financial year

The share options outstanding under the share based payment plan at the end of the financial year had a weighted average exercise price of $0.29 (2010: $0.20) and a weighted average remaining contractual life of 1.04 years (2010: 1.17).

There are no vesting conditions attached in respect of these options, and all option grants have been fully vested in the financial statements.

10. Remuneration of auditors

	2011 $	2010 $
Amount received or due and receivable by the auditor for:		
Audit or review of the financial report		
-KPMG Sweden	18,446	10,962
-KPMG Australia	57,438	28,000
Other services		
-KPMG Sweden	4,536	1,088
	80,420	40,050

The auditor of Scandinavian Resources Ltd is KPMG Australia and of Scandinavian Resources AB and Kiruna Iron AB is KPMG AB, Skellefteå Sweden.

11. Current trade and other receivables

	2011 $	2010 $
Goods and services tax (GST and VAT)	557,858	50,483
Interest receivable	–	11,370
Other	263,680	–
	821,538	61,853

None of the current trade and other receivables are impaired or past due.

12. Non-current trade and other receivables

	2011 $	2010 $
Other receivables	7,504	28,049
	7,504	28,049

None of the non-current trade and other receivables are impaired or past due.

13. Property, plant and equipment

	Motor vehicles at cost $	Office furniture & equipment at cost $	Total $
Gross carrying amount			
Balance at 1 July 2009	–	–	–
Additions	–	1,422	1,422
Balance at 1 July 2010	–	1,422	1,422
Additions	55,942	44,562	100,504
Exchange differences	–	(8)	(8)
Balance at 30 June 2011	55,942	45,976	101,918
Accumulated depreciation and impairment			
Balance at 1 July 2009	–	–	–
Depreciation expense	–	(79)	(79)
Balance at 1 July 2010	–	(79)	(79)
Depreciation expense	(7,865)	(14,555)	(22,420)
Exchange differences	121	235	356
Balance at 30 June 2011	(7,744)	(14,399)	(22,143)
Net book value			
As at 30 June 2010	–	1,343	1,343
As at 30 June 2011	48,198	31,577	79,775

14. Other financial assets

	2011 $	2010 $
Investment in Resources & Rewards Pty Ltd (i)	1	–
Loan to Resources & Rewards Pty Ltd	14,108	–
Impairment on loan receivable (ii)	(14,108)	–
	1	–

(i) On 10 December 2010 Scandinavian Resources incorporated a wholly owned subsidiary SR Equities Pty Ltd. On the 13 December 2010 SR Equities Pty Ltd along with HR Equities Pty Ltd (a wholly owned subsidiary of Hannans Reward Ltd, of which Mr Damian Hicks is the Managing Director) incorporated Resources & Rewards Pty Ltd, each being issued 1 share at $1. The purpose of the company is to investigate potential new mineral fields with funding coming equally from its shareholders.

(ii) Details of the impairment are disclosed in note 27(d) to the financial statements.

15. Current trade and other payables

	2011 $	2010 $
Trade payables (i)	1,007,175	146,716
Accruals	808,938	132,785
Payroll liabilities	43,887	558
	1,860,000	280,059

(i) The average credit period on purchases of goods and services is 30 days. No interest is charged on the trade payables for the first 30 to 60 days from the date of the invoice. Thereafter, interest is charged at various penalty rates. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

16. Employee benefits

	2011 $	2010 $
Leave provisions	5,172	–
	5,172	–

17. Deferred consideration

	2011 $	2010 $
Fair value of deferred consideration at inception	3,849,241	–
Imputed interest expense	322,632	–
Exchange rate differences at reporting date	(436,929)	–
	3,734,944	–

A wholly owned subsidiary Kiruna Iron AB acquired the Rakkuri Project from Anglo American Exploration B.V. and Rio Tinto Mining & Exploration Ltd. The consideration is US$6 million and a net smelter royalty of 1.5% (refer note 4). The first payment of US$3 million was made on 3 December 2010 and the second payment or deferred consideration of US$3 million is due on or before 6 December 2011. The effective interest rate, implied on this deferred consideration is 18%.

Kiruna Iron AB also acquired a portfolio of nine iron permits from Swedish company Grängesberg Iron AB. The consideration comprises the issue of 8.2 million fully paid ordinary shares in Scandinavian Resources Ltd, a US$2 million payment and a 1% net smelter royalty on future production (refer note 4). The cash component is payable in three tranches: US$500,000 which was paid on 23 June 2011, US$750,000 payable by 15 August 2011 and US$750,000 payable by 15 November 2011. The effective interest rate, implied on this deferred consideration is 18%.

18. Other financial liabilities

	2011 $	2010 $
Convertible notes		
Proceeds from the issue of convertible notes	3,695,000	–
Transaction costs	(215,053)	–
Net proceeds	3,479,947	–
Amount classified as equity	(113,899)	–
Accrued and imputed interest	174,542	–
Carrying amount of liability at 30 June	3,540,590	–

Two convertible notes have been entered in to with HR Equities Pty Ltd (lender) - a wholly owned subsidiary of Hannans Reward Ltd, of which Mr Damian Hicks is the Managing Director (refer note 27(d)) - and allows $2.5 million and $1.25 million to be drawn down respectively as and when required with interest payable at the rate of 12.5% per annum. The loans and interest are required to be repaid on or before 15 December 2011 and 1 February 2012 respectively and the lender has first mortgage over the assets of Scandinavian Resources Ltd. The lender may at its election at any time convert the amount drawn down into fully paid ordinary shares at a rate of 3 shares and 1.5 shares respectively for every dollar drawn down.

As a fee the lender has been issued with 1 million options exercisable at 20 cents per option on or before 31 October 2011 and a further 500,000 options exercisable at 40 cents per option on or before 15 December 2012. Excluding interest and borrowing costs associated with the value of the options, a total of $2,345,000 has been drawn down at 30 June 2011 in respect of the first loan. No funds had been drawn down in respect of the second loan as at 30 June 2011. As the loan has not been drawn down, the loan establishment is recorded as a prepayment and amortised over the life of the loan.

A third convertible note has been entered in to with Mathew Walker (lender) and allows $1.25 million to be drawn down as and when required with interest payable at the rate of 12.5% per annum. The loan and interest is required to be repaid on or before 15 December 2011 and the lender has second mortgage over the assets of Scandinavian Resources Ltd. The lender may at its election at any time convert the amount drawn down into fully paid ordinary shares at a rate of 3 shares for every dollar drawn down. As a fee the lender has been issued with 500,000 options exercisable at 20 cents per option on or before 31 October 2012. Excluding interest and borrowing costs associated with the value of the options, a total of $850,000 of the loan has been drawn down at 30 June 2011.

A fourth convertible note has been entered in to with OM Holdings Ltd (lender) – Mr Paul Thomas is a nominee director for OM Holdings Ltd (refer note 27(d)) - and allows $5 million to be drawn down as and when required with interest payable at the rate of 12.5% per annum. The loan and interest is required to be repaid on or before 1 February 2012 and the lender has second mortgage over the assets of Scandinavian Resources Ltd. The lender may at its election at any time convert the amount drawn down into fully paid ordinary shares at a rate of 1 share for every 66 cents drawn down. As a fee the lender has been issued with 1 million options exercisable at 40 cents per option on or before 1 February 2013. Excluding interest and borrowing costs associated with the value of the options, a total of $500,000 of the loan has been drawn down at 30 June 2011.

The equity components of each of the convertible loans have been calculated by determining the difference between the fair value of the loans and their interest payments using a market rate of 18% for each of the loans (without a conversion feature) and the face value of the loans. The equity components are recognised as an equity reserve (refer note 20).

19. Issued capital

	2011 $	2010 $
74,779,496 fully paid ordinary shares (net of costs) (2010: 63,059,878)	12,195,148	7,255,888
	12,195,148	7,255,888

	2011		2010	
	No.	$	No.	$
Fully paid ordinary shares				
Balance at beginning of financial year	63,059,878	7,255,888	50,000,001	2
Issue of shares – 22 September 2010 (i)	294,118	50,000	–	–
Issue of shares – 7 June 2011 (ii)	8,200,000	4,100,000	–	–
Exercise of listed options	3,225,500	806,375	–	–
Cancellation of shares – 26 August 2009 (iii)	–	–	(30,000,000)	–
Seed shares – 9 October 2009	–	–	8,666,670	650,000
IPO – 31 March 2010	–	–	33,804,972	6,760,994
Issue of shares – 28 June 2010 (see note 25)	–	–	588,235	100,000
Share issue costs	–	(17,115)	–	(255,108)
Balance at end of financial year	74,779,496	12,195,148	63,059,878	7,255,888

(i) Tasman Metals Ltd confirmed the renewal of the Sautusvaara nr 1 permit. In accordance with the conditions of the joint venture Tasman Metals was issued 294,118 ordinary shares escrowed to 15 March 2011, paid the sum of $16,667 and reimbursed the renewal fees.

(ii) Kiruna Iron AB acquired a portfolio of nine iron permits from Swedish company Grängesberg Iron AB. In accordance with the agreement 8,200,000 fully paid ordinary shares in Scandinavian Resources Ltd were issued and will be escrowed until 15 August 2011 whereupon fifty per cent will remain in escrow until 15 November 2011(refer note 4).

(iii) On 24 July 2008, Scandinavian Resources Ltd (SRL) acquired all the issued shares in Scandinavian Resources AB (SRAB). In consideration, SRL issued 50,000,000 shares to Equity & Royalty Investments Ltd (ERI) (formerly Scandinavian Shield Ltd) and assumed the amount owing to ERI.

Subsequent to the acquisition, SRL & ERI varied the agreement for the acquisition of SRAB on the 26 August 2009 to the following:

a) $17,259;

b) the issue of 20,000,000 (effectively cancelling 30,000,000) fully paid ordinary shares in the Company;

c) the issue of 20,000,000 unlisted options in the Company exercisable at 20 cents each on or before 31 October 2012;

d) the payment of 1% gross revenue royalty from future production;

e) the agreement to issue a further 5,000,000 fully paid ordinary shares and 5,000,000 unquoted options in the Company if the market capitalisation of the Company exceeds $50,000,000 for 15 consecutive ASX trading days within two years of listing on the ASX; and

f) assumption of amounts owing to ERI.

No reliable estimate can be made on the royalty and future market capitalisation of the Company at the date of acquisition. Therefore it is not recognised in the financial statements.

19. Issued capital (cont'd)

Fully paid ordinary shares carry one vote per share at meetings of the Company and are entitled to receive dividends as declared.

Options

As at 30 June 2011, the Company has issued the following options:

Date options granted	Vesting Date	Expiry Date	Exercise Price (cents)	Number of Options	Notes
5 September 2008	31 August 2009	31 August 2011	20	2,500,000	-
26 August 2009	21 April 2012	31 October 2012	20	20,000,000	(iii)
9 October 2009	21 April 2012	31 October 2012	20	133,334	(iv)
9 October 2009	9 October 2010	31 October 2012	20	8,533,340	(iv)
24 March 2010	24 March 2010	31 October 2011	25	30,579,468	(v)
22 September 2010	22 September 2010	30 June 2013	25	400,000	(vi)
22 September 2010	22 September 2010	30 June 2013	50	300,000	(vi)
22 September 2010	22 September 2010	30 June 2013	75	300,000	(vi)
4 November 2010	4 November 2010	31 October 2011	20	1,000,000	(vii)
23 December 2010	23 December 2010	31 October 2012	20	500,000	(vii)
2 February 2011	2 February 2011	15 December 2012	40	500,000	(vii)
8 February 2011	8 February 2011	1 February 2013	40	1,000,000	(vii)
Total Number of Options				65,746,142	

Each option issued converts into one ordinary share of Scandinavian Resources Limited on exercise. Options neither carry rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

(iv) These options were issued to seed capitalists where as part of the offer, for each ordinary share issued one free attaching option was also issued. No value has been ascribed to the options.

(v) These options were issued as part of the IPO offer, for each ordinary share issued one free attaching option was also issued. No value has been ascribed to the options as it is deemed to be negligible on the date the options were issued.

(vi) These options were issued to the Exploration Manager as part of her remuneration package.

(vii) These options were issued as a fee to the providers of the convertible notes (refer note 18).

20. Reserves

	2011 $	2010 $
Common control reserve		
Balance at the beginning of the financial year	(128,168)	(128,168)
Common control reserve	–	–
Balance at the end of the financial year	(128,168)	(128,168)
Foreign currency translation reserve		
Balance at the beginning of the financial year	(42,708)	(13,678)
Foreign currency translation differences	514,306	(29,030)
Balance at the end of the financial year	471,598	(42,708)
Option reserve		
Balance at the beginning of the financial year	–	–
Share based payments	551,175	–
Balance at the end of the financial year	551,175	–
Convertible loans reserve		
Balance at the beginning of the financial year	–	–
Equity component of convertible notes	113,899	–
Balance at the end of the financial year	113,899	–
Total	1,008,504	(170,876)
Accumulated losses		
Balance at the beginning of the financial year	(1,519,143)	(341,725)
Loss attributable to members of the Group	(19,787,967)	(1,177,418)
Balance at the end of the financial year	(21,307,110)	(1,519,143)

(i) Common control reserve records the difference of Scandinavian Resources AB book value as recognised in Scandinavian Resources AB financial statements and the consideration paid for the acquisition of Scandinavian Resources AB. The acquisition was regarded as a common control transaction.

(ii) Translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

(iii) Option reserve recognises the fair value of options issued valued using the Black-Scholes model.

(iv) Convertible loans reserve is used to record the differences between the fair value of the convertible notes and their interest payments and the face value of the loans (refer note 18).

21. Loss per share

	2011 Cents per share	2010 Cents per share
Basic and diluted (loss) per share:		
From operations	(30.66)	(2.99)
Total basic earnings per share	(30.66)	(2.99)

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2011 $	2010 $
Loss	(19,787,967)	(1,177,418)

	2011 No.	2010 No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	64,536,335	39,384,739

Diluted earnings per share

Diluted earnings per share are not disclosed as the Group incurred a loss and the options are not deemed to be dilutive as it does not present an inferior view of the results.

22. Commitments for expenditure

	2011 $	2010 $
Exploration, evaluation & development (expenditure commitments) (i)		
Not longer than 1 year	369,711	331,481
Longer than 1 year and not longer than 5 years	4,390,429	1,603,975
Longer than 5 years	100,000	200,000
	4,860,140	2,135,456
Remuneration (ii)		
Not longer than 1 year	366,235	204,372
Longer than 1 year and not longer than 5 years	1,102,982	1,233,215
Longer than 5 years	–	–
	1,469,217	1,437,587

(i) In Sweden an exploration permit is valid for a period of three years from date of issue and following that may be extended for another maximum three year period if it can be shown suitable exploration has been carried out within the area. In Norway exploration permits are granted for 1 year with rights to extend one year at a time for a period of seven years. There are no minimum exploration commitments required by the relevant Swedish and Norwegian authorities to be spent on the permits. The commitments in the table include permit renewal fees and Tasman JV commitments referred to in note 25.

(ii) Remuneration commitment relates to the terms of the service agreements entered into with Damian Hicks and Olof Forslund as outlined in the Remuneration Report section of the Directors Report.

23. Contingent liabilities and contingent assets

In the opinion of the Directors, there are no contingent liabilities or contingent assets as at 30 June 2011 and none were incurred in the interval between the year end and the date of this financial report.

24. Segment Reporting

The Group operates predominantly in the mineral exploration industry in the Scandinavian countries of Sweden and Norway. For management purposes, the Group is organised into one main operating segment which involves the exploration of minerals in Scandinavia. All of the Group's activities are interrelated and discrete financial information is reported to the Board (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

25. Jointly controlled operations and assets

Name of project	Principal activity	Interest 2011 %	Interest 2010 %
Tasman Metals JV	Exploration	0%	0%

On the 28 June 2010 the Company announced a Joint Venture with Tasman Metals Ltd (TSXV: TAS) over four of its exploration claims in Northern Sweden. The terms of the joint venture are as follows:

Consideration:

- Initial payment of AU$33,333 and $100,000 in SCR shares. (Initial payment was made and 588,235 ordinary shares at $0.17 were issued on 28 June 2010).
- On renewal of the Sautusvaara permit, payment of AU$16,667 and $50,000 in SCR shares. (Payment was made and 294,118 ordinary shares at $0.17 were issued on 22 September 2010).
- Spend AU$175,000 within 12 months of the agreement.

Stage Funding:

- Stage 1 Spend AU$750,000 by 30 June 2013 to earn 51% in permits.
- Stage 2 Spend AU$500,000 by 30 June 2014 to earn further 24% interest in permits.
- Stage 3 Spend AU$400,000 by 30 June 2018 and fund feasibility study to earn further 15% in permits.
- Stage 4 Completion of Stage 3 Tasman can contribute 10% of future funding or convert to 1.5% net royalty.

Details at stage completion are outlined in subsequent events note 28(h).

The capital commitments arising from the consolidated entity's interests in joint ventures are disclosed in note 22.

26. Subsidiaries

Name of entity	Country of Incorporation	Ownership Interest 2011 %	Ownership Interest 2010 %
Parent entity:			
Scandinavian Resources Ltd (i)	Australia		
Subsidiaries:			
Scandinavian Resources AB (ii)	Sweden	100%	100%
Kiruna Iron AB (iii)	Sweden	100%	0%
SR Equities Pty Ltd (iv)	Australia	100%	0%

26. Subsidiaries (cont'd)

(i) Scandinavian Resources Ltd is the ultimate parent entity.

(ii) The 100% interest in Scandinavian Resources AB is held by the parent entity.

(iii) The 100% interest in Kiruna Iron AB is held via Scandinavian Resources AB.

(iv) The 100% interest in SR Equities Pty Ltd is held by the parent entity. Refer note 14 and note 27(d) for investment in Resources & Rewards Pty Ltd by SR Equities Pty Ltd.

27. Related party disclosures

(a) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 26 to the financial statements.

Equity interests in joint ventures

Details of the interest in a joint venture is disclosed in note 25 to the financial statements.

(b) Key management personnel remuneration

Details of key management personnel remuneration are disclosed in note 8 to the financial statements.

(c) Key management personnel equity holdings

Fully paid ordinary shares of Scandinavian Resources Ltd

The movement during the reporting period in the number of ordinary shares in Scandinavian Resources Ltd held directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Balance at 1 July	Granted as remuneration	Received on exercise of options	Net other change	Balance at 30 June
Directors	No.	No.	No.	No.	No.
2011					
Damian Hicks (i)	–	–	–	–	–
Olof Forslund (i)	–	–	–	–	–
Paul Thomas	–	–	–	–	–
Markus Bachmann (i)	–	–	–	6,837,147	6,837,147
Ian Gregory	188,334	–	–	–	188,334
	188,334	–	–	6,837,147	7,025,481
2010					
Damian Hicks	–	–	–	–	–
Olof Forslund	–	–	–	–	–
Paul Thomas	–	–	–	–	–
Ian Gregory	–	–	–	188,334	188,334
	–	–	–	188,334	188,334

(i) These directors have interests in Equity & Royalty Investments Ltd, a substantial shareholder of Scandinavian Resources Ltd.

27. Related party disclosures (cont'd)

Share options of Scandinavian Resources Ltd

The movement during the reporting period in the number of options over ordinary shares in Scandinavian Resources Ltd held directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

Directors	Bal at 1 July No.	Granted as remu-neration No.	Exer-cised No.	Net other change No.	Bal at 30 June No.	Bal vested at 30 June No.	Vested and exerci-sable No.	Options vested during year No.
2011								
Damian Hicks	1,000,000	–	–	–	1,000,000	1,000,000	1,000,000	–
Olof Forslund	1,250,000	–	–	–	1,250,000	1,250,000	1,250,000	–
Paul Thomas	–	–	–	–	–	–	–	–
Markus Bachmann (i)	–	–	–	6,100,000	6,100,000	6,100,000	6,100,000	–
Ian Gregory	438,334	–	–	–	438,334	305,000	305,000	–
	2,688,334	–	–	6,100,000	8,788,334	8,655,000	8,655,000	–
2010								
Damian Hicks	1,000,000	–	–	–	1,000,000	1,000,000	1,000,000	1,000,000
Olof Forslund	1,250,000	–	–	–	1,250,000	1,250,000	1,250,000	1,250,000
Paul Thomas	–	–	–	–	–	–	–	–
Ian Gregory	250,000	–	–	188,334	438,334	305,000	305,000	305,000
	2,500,000	–	–	188,334	2,688,334	2,555,000	2,555,000	2,555,000

(i) Markus Bachmann held his interest as at the date of being appointed as director.

(d) Transactions with other related parties

(i) Corporate Board Services, a division of Hannans Reward Limited, of which Mr Damian Hicks is the Managing Director, performed certain administrative services for the Group, for which a management fee of $265,863 (2010: $46,902) was charged, being an appropriate allocation of costs incurred by relevant administrative departments. Amounts billed were based on normal market rates for such services and are due and payable under normal payment terms. At 30 June 2011 $258,124 was owing by the Group.

(ii) During the year the Group entered into convertible notes amounting to $3.75 million in total with HR Equities Pty Ltd. HR Equities Pty Ltd is a wholly owned subsidiary of Hannans Reward Ltd, of which Mr Damian Hicks is the Managing Director. At 30 June 2011 the balance outstanding on the convertible notes was $2,419,871 and is included in other financial liabilities. Details of the convertible notes are disclosed in note 18 to the financial statements.

(iii) During the year the Group entered into a convertible note with OM Holdings Ltd. Non-Executive Director, Mr Paul Thomas is a director of OM Holdings Ltd. At 30 June 2011 the balance outstanding on the convertible note was $301,587 and is included in other financial liabilities. Details of the convertible note is disclosed in note 18 to the financial statements.

(iv) At 30 June 2011 Equity & Royalty Investments Ltd is the largest shareholder in Scandinavian Resources Ltd. Mr Damian Hicks is the Chairman of the Board of Directors of Equity & Royalty Investments Ltd.

(v) The Group has a 50 % interest in Resources & Rewards Pty Ltd (refer note 14). During the year a loan of $14,108 was made to Resources & Rewards Pty Ltd . This loan is non-interest bearing and has no specified repayment date nor is it subject to any contract. The loan was fully provided at 30 June 2011.

28. Subsequent events

The following matter or circumstances has arisen since 30 June 2011 that may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

(a) On 20 July 2011 DPH Trust ("lender"), of which Mr Damian Hicks is a related party, entered into a loan with Scandinavian Resources Ltd which allows $150,000 to be drawn down as and when required with interest payable at the rate of 12.5% per annum. The loan and interest is required to be repaid on or before 30 November 2011 and the lender has a second priority security over the assets of Scandinavian Resources Ltd. As a fee the lender is to be paid an amount of $500. At the date of this report the full amount of the loan has been drawn down.

(b) On 25 July 2011 Mrs Andrea Murray ("lender") entered into a loan agreement with Kiruna Iron AB, a wholly owned subsidiary of Scandinavian Resources Ltd, which allows $250,000 to be drawn down as and when required with interest payable at the rate of 12.5% per annum. The loan and interest is required to be repaid on or before 1 February 2012. The loan is unsecured. The Board of SCR has approved the rollover of the loan into a convertible note and options following shareholder approval of a new convertible note with an extended repayment date of 31 March 2012, and options scheduled for a meeting of shareholders on 8th September 2011. On rollover the convertible note will include a fee to the lender of 50,000 unlisted options in SCR exercisable at A$0.40 each on or before 1 February 2013 and, allow for conversion for every one convertible note to convert to 1.5 ordinary fully paid shares in SCR. At the date of this report the full amount of the loan has been drawn down.

(c) On 12 August 2011 HR Equities Pty Ltd ("lender") entered into a loan agreement with Kiruna Iron AB, a wholly owned subsidiary of Scandinavian Resources Ltd ("SCR"), which allows $750,000 to be drawn down as and when required with interest payable at the rate of 21.3% per annum. The loan and interest is required to be repaid on or before 15 November 2011 and the lender has a continued first mortgage over the assets of Scandinavian Resources Ltd. The Board of SCR has approved the rollover of the loan into a convertible note following shareholder approval of a new convertible note with an extended repayment date of 31 March 2012 and options scheduled for a meeting of shareholders on 8th September 2011. On rollover the convertible note will include a fee to the lender of 150,000 unlisted options in SCR exercisable at A$0.40 each on or before 1 February 2013 and, allow for conversion for every one convertible note to convert to 1.5 ordinary fully paid shares in SCR. At the date of this report the full amount of the loan has been drawn down.

(d) Of the $11m total available convertible loan funds secured, $5,795,000 has been drawn down as of 29 September 2011.

(e) Since 30 June 2011 2,500,000 unlisted options exercisable on or before 31 August 2011 at 20 cents each, 2,732,570 listed options exercisable on or before 31 October 2011 at 25 cents each and 346,667 unlisted options exercisable on or before 31 October 2012 at 20 cents each have been exercised into fully paid ordinary shares listed on the ASX, resulting in proceeds of $1,252,476.

(f) In accordance with the conditions of the agreement with Grängesberg Iron AB the Group made the second required payment of US$750,000 to Grängesberg Iron AB on 15 August 2011. Refer to note 4 for full details of the agreement.

(g) Scandinavian Resources Ltd's wholly owned subsidiary Kiruna Iron AB entered into a cooperation agreement with Boliden Mineral AB over the Lannavaara Permits on 6 September 2011. The purpose of the agreement is to explore the Lannavaara Permits for the mutual benefit of Boliden Mineral AB (Boliden) and Kiruna Iron AB (KIAB) based on the fact that Boliden is focused on zinc, copper, gold, silver and lead and KIAB is focused on iron.

    In consideration of the exploration right, KIAB undertakes to invest US$1.5 million in exploration expenditure on the Lannavaara Permits within five years. If KIAB meets this minimum commitment it will have earned a 100% interest in the iron (only) rights. If the minimum commitment is not met, KIAB will not have earned any interest at all. After the minimum commitment is met, KIAB must invest US$1 million in exploration expenditure every three years to maintain its interest. If the continuing commitment is not met KIAB will not have earned any interest in the iron rights except in relation to exploitation concessions granted by the expiry of the last period or subsequently granted as a result of an application made within that time. KIAB shall provide to Boliden, free of charge, any and all exploration data it collects with respect to the Lannavaara Permits. A further agreement will be entered into if either Boliden or KIAB wish to proceed to mining.

(h) On 22 July 2011 Scandinavian Resources Ltd confirmed with Tasman Metals Ltd that it had met Stage 1 and Stage 2 of the stage funding requirements (refer note 25) and has earned 75% interest in the permits.

28. Subsequent events (cont'd)

(i) On 23 September 2011, the Company released to the ASX a Notice of General Meeting to be held on 27 October 2011. A summary of the meeting's resolutions is as follows:

- Issue of securities to Equity & Royalty Investments Ltd and the consequent increase in voting power;
- Conversion of the convertible loan from OM Holdings Ltd (OM Holdings) into shares in Scandinavian Resources Ltd, the exercise of options by OM Holdings and the consequent increase in voting power of OM Holdings (refer note 18);
- Allotment and issue of shares as deferred consideration to Anglo American Exploration B.V. and Rio Tinto Mining & Exploration Ltd (refer note 17);
- Adoption of an employee performance rights plan; and
- Allotment and issue of 10,000,000 shares.

29. Notes to the statement of cash flows

	2011 $	2010 $

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2011 $	2010 $
Cash and cash at bank	128,430	5,754,683
	128,430	5,754,683

(b) Reconciliation of loss for the year to net cash flows from operating activities

	2011 $	2010 $
Loss for the year	(19,787,967)	(1,177,418)
Depreciation of non-current assets	22,420	79
Equity settled share based payment	60,856	–
Net foreign exchange loss/(gain)	11,154	(25,922)
Equity settled exploration payments	4,150,000	–
Deferred consideration for acquisition of projects and permits	4,250,964	–
Net interest on deferred consideration	(212,521)	–
Effective interest on convertible notes	174,541	–
Establishment costs for convertible notes	213,657	–
Provision against recoverability of loan	14,108	–
Interest expense incurred	–	14,927
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
(Increase) in assets:		
Trade and other receivables	(477,388)	(83,813)
Increase in liabilities:		
Trade and other payables and provisions	1,585,113	208,511
Net cash used in operating activities	(9,995,063)	(1,063,636)

30. Financial instruments

(a) Financial risk management objectives

The Group manages the financial risks relating to the operations of the Group.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the Group's Board of Directors.

The Group's activities expose it primarily to the financial risks of changes in interest rates, credit risk and exchange risk. The Group does not enter into derivative financial instruments to manage its exposure to interest rate.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

(c) Foreign currency risk management

The Group is exposed to currency risk on borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The Group's exposure to foreign currency risk was as follows based on notional amounts:

	2011		2010	
	AUD	SEK	AUD	SEK
Other financial liabilities	3,809,706	25,288,838	–	–

Sensitivity analysis

A strengthening of the AUD, as indicated below, against the SEK at 30 June would have increased/(decreased) equity by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Strengthening	Weakening
2011		
SEK (10 percent movement)	342,779	418,952
2010		
SEK (10 percent movement)	–	–

(d) Interest rate risk management

The Group is exposed to interest rate risk as it places funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate products which also facilitate access to money.

30. Financial instruments (cont'd)

Maturity profile of financial instruments

The following tables detail the consolidated entity's and Company's exposure to interest rate risk.

	Weighted average effective interest rate	Variable interest rate	Fixed maturity dates			Non interest bearing	Total
			Less than 1 year	1 - 5 years	5+ years		
Consolidated	%	$	$	$	$	$	%
2011							
Financial assets:							
Cash and cash equivalents	3.2%	128,430	–	–	–	–	128,430
Trade and other receivables	0.0%	–	–	–	–	829,042	829,042
		128,430	–	–	–	829,042	957,472
Financial liabilities:							
Trade and other payables		–	–	–	–	1,860,000	1,860,000
Deferred consideration	18.0%	–	3,734,944	–	–	–	3,734,944
Other financial liabilities	12.5%	–	3,540,590	–	–	–	3,540,590
		–	7,275,534	–	–	1,860,000	9,135,534

	Weighted average effective interest rate	Variable interest rate	Fixed maturity dates			Non interest bearing	Total
			Less than 1 year	1 - 5 years	5+ years		
Consolidated	%	$	$	$	$	$	%
2010							
Financial assets:							
Cash and cash equivalents	4.9%	5,754,683	–	–	–	–	5,754,683
Trade and other receivables	0.0%	–	–	–	–	61,853	61,853
		5,754,683	–	–	–	61,853	5,816,536
Financial liabilities:							
Trade and other payables		–	–	–	–	280,059	280,059
		–	–	–	–	280,059	280,059

Cash flow sensitivity analysis for variable rate instruments

A change of 1 percent in interest rates at the reporting date would have increased equity and profit or loss by $1,284 (2010: $57,547). This analysis assumes that all other variables remain constant.

(e) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group exposure and the credit ratings of its counterparties are continuously monitored. The Group measures credit risk on a fair value basis.

30. Financial instruments (cont'd)

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group's maximum exposure to credit risk at reporting date is equal to the carrying amount.

(f) Fair value of financial instruments

Except as detailed in the following table, the net fair value of financial assets and liabilities of the Group approximated their carrying amount.

There are no assets or liabilities carried at fair value and therefore, the fair value hierarchy in AASB 7 is not relevant.

	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Convertible notes	3,540,590	3,809,706	–	–

The fair value of the liability component of convertible notes is determined with reference to repayment dates of the loans and using an 18% interest rate (refer note 18).

(g) Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting arrangements.

30 June 2011	Carrying Amount	Contractual cash flows	6 months or less	6-12 months
Deferred consideration (i)	3,734,944	(4,246,200)	(4,246,200)	-
Convertible notes (ii)	3,540,590	(4,050,673)	(3,482,696)	(567,977)
Trade and other payables	1,860,000	(1,860,000)	(1,860,000)	-
	9,135,534	(10,156,873)	(9,588,896)	(567,977)

30 June 2010	Carrying Amount	Contractual cash flows	6 months or less	6-12 months
Trade and other payables	280,059	(280,059)	(280,059)	-
	280,059	(280,059)	(280,059)	-

(i) US$1.5 million of the deferred consideration can be settled by the issue of fully paid ordinary shares in Scandinavian Resources Ltd.

(ii) The convertible notes are convertible into ordinary shares at the discretion of the lender.

(h) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors capital and cash flow requirements and seeks to ensure sufficient cash is held to cover anticipated capital and operating expenditure at all times. Capital raisings will be undertaken as and when required.

31. Parent entity disclosures

The following details information related to the parent entity, Scandinavian Resources Ltd, at 30 June 2011. The information presented here has been prepared using consistent accounting policies as presented in note 2.

	2011 $	2010 $
Results of the parent entity		
Loss for the year	(12,111,142)	(353,752)
Total comprehensive loss for the year	(12,111,142)	(353,752)
Financial position of parent entity at year end		
Current assets	92,051	6,951,961
Non-current assets	17,259	17,259
Total assets	109,310	6,969,220
Current liabilities	375,896	124,780
Total liabilities	375,896	124,780
Total equity of the parent entity comprising of:		
Share capital	12,195,148	7,255,888
Reserves	60,856	–
Retained earnings	(12,522,590)	(411,448)
Total (deficiency)/equity	(266,586)	6,844,440

Parent entity contingencies

Provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required.