SCANDINAVIAN RESOURCES LTD

ABN 99 132 035 842

Financial report for the half year ended 31 December 2010

www.scandinavianresources.com

Contents

Corporate Directory

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

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Facebook – Scandinavian Resources

Share Registry
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Auditors
KPMG
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Perth, Western Australia 6000

Stock Exchange Listing
Australian Securities Exchange
(Home Exchange: Perth, Western Australia)
Code: SCR, SCRO

Directors' Report

The directors of Scandinavian Resources Ltd present the financial report of the group for the half-year ended 31 December 2010.

Directors

The names of directors who have held office during and since the end of the half year are:

Executive Chairman	Non-Executive Directors
Mr Damian Hicks	Mr Paul Thomas
Technical Director	Mr Ian Gregory
Mr Olof Forslund	Mr Markus Bachmann (appointed 19 January 2011)

Apart from Mr Markus Bachmann who was appointed as a director on 19 January 2011 all other directors held their position throughout the entire financial interim period and up to the date of this report.

Principal Activities

The principal activity of the Group during the interim period was exploration and evaluation of mineral interests.

Results

The net loss of the Group during the interim period after income tax expense was $8,957,707 (2009: $516,713)

Review of operations

The highlights of the Group during the six months to 31 December 2010 have included:

(a) Boulder hunting, diamond drilling and interpretation of assay results at the Lake Embrace Project in Norway;
(b) Data review, geophysics and drilling preparation at the Kiruna Iron Project in Sweden;
(c) Acquisition of the Rakkuri Project from Anglo American and Rio Tinto that now forms a major component of the Kiruna Iron Project;
(d) Acquisition of a license to utilise Anglo American's exploration database for Sweden; and
(e) Stakeholder (government, indigenous and community) consultation to ensure exploration activities are carried out in a transparent, open and compliant manner.

Settlement of Purchase Price of Scandinavian Resources AB

As detailed in the Replacement Prospectus dated 6 November 2009, the Company acquired a 100% interest in Scandinavian Resources AB. The acquisition agreement included deferred consideration payable to the vendor of 5,000,000 shares and 5,000,000 options exercisable at 20 cents on or before 31 October 2012. The deferred consideration is only payable in the event that the market capitalisation of the Company exceeds $50,000,000 for 15 consecutive ASX trading days within two years of listing on ASX.

The Company listed on the ASX on 21 April 2010 and its current market capitalisation, on an undiluted basis as at 9 March 2011 is $38,588,397.

If the Company achieves the $50,000,000 market capitalisation milestone, on an undiluted basis, shareholder approval may be required to approve the issue of the deferred acquisition consideration. Due to the related party nature of the transaction (three Company directors are also directors of the vendor) an independent expert report may be required to accompanying a Notice of Meeting at which shareholders are entitled to vote on the share issue.

Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 4.

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
Chairman
14th March 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 review for the half-year ended 31 December 2010 there have been:

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

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

KPMG.

KPMG

R Gambitta
Partner

Perth
14 March 2011

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Directors' declaration

In the opinion of the directors of Scandinavian Resources Limited:

1. the financial statements and notes as set out on pages 8 to 19, are in accordance with the *Corporations Act 2001*, including:

    a) giving a true and fair view of the Groups financial position as at 31 December 2010 and its performance, for the half year ended on that date; and

    b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*; and

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

Signed in accordance with a resolution of the directors:

Damian Hicks
Chairman

14th March 2011

KPMG

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

We have reviewed the accompanying half-year financial report of Scandinavian Resources Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2010, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, 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 half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Scandinavian Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Scandinavian Resources Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG.

KPMG

R Gambitta
Partner

Perth
14 March 2011

Condensed Consolidated Statement of Comprehensive Income for the half year ended 31 December 2010

	Note	31 Dec 2010 $	31 Dec 2009 $
Revenue		61,568	2,603
Employee and contractors expense		(237,461)	-
Depreciation expense		(3,602)	-
Consultants expenses		(70,197)	(8,959)
Occupancy expenses		(32,333)	-
Marketing expenses		(14,962)	(24,581)
Travel expenses		(31,905)	(24,642)
Exploration and evaluation expenses	7	(8,496,919)	(438,942)
Exchange rate losses		(318,757)	-
Provision against recoverability of loan	9	(14,108)	-
Other expenses		(56,449)	(7,543)
Loss from operating activities		(9,215,125)	(502,064)
Finance income		338,932	-
Finance costs		(81,514)	(14,649)
Loss before income tax expense/benefit		(8,957,707)	(516,713)
Income tax expense/benefit		-	-
Loss attributable to owners of the Company		(8,957,707)	(516,713)
Other comprehensive income for the period			
Foreign currency translation differences for foreign operations		183,091	(8,311)
Total comprehensive loss for the period attributable to owners of the Company		(8,774,616)	(525,024)
Loss per share:			
Basic (cents per share)		(14.17)	(1.56)

Diluted loss per share is not disclosed as the group incurred a loss and does not present an inferior view of performance.

The accompanying notes form part of the consolidated financial statements.

Condensed Consolidated Statement of Financial Position as at 31 December 2010

	Note	31 Dec 2010 $	30 June 2010 $
Current assets			
Cash and cash equivalents		321,995	5,754,683
Trade and other receivables		159,915	61,853
Total current assets		481,910	5,816,536
Non-current assets			
Trade and other receivables		15,611	25,049
Property, plant and equipment	8	55,914	1,343
Other financial assets	9	1	-
Total non-current assets		71,526	29,392
TOTAL ASSETS		553,436	5,845,928
Current liabilities			
Trade and other payables		302,044	280,059
Deferred consideration	10	2,628,379	-
Other financial liabilities	11	567,241	-
Total current liabilities		3,497,664	280,059
TOTAL LIABILITIES		3,497,664	280,059
NET (LIABILITIES) / ASSETS		(2,944,228)	5,565,869
Equity			
Issued capital	12	7,304,351	7,255,888
Reserves	13	228,271	(170,876)
Accumulated losses	13	(10,476,850)	(1,519,143)
TOTAL (DEFICIENCY) / EQUITY		(2,944,228)	5,565,869

The accompanying notes form part of the consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity for the half year ended 31 December 2010

For the half year ended 31 December 2010	Attributable to equity holders of the Company			
	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 for the period				
Loss for the half year	-	-	(8,957,707)	(8,957,707)
Foreign exchange translation	-	183,091	-	183,091
	-	183,091	(8,957,707)	(8,774,616)
Transactions with owners, recorded directly in equity				
Issue of shares	50,000	-	-	50,000
Shares issue expenses	(1,537)	-	-	(1,537)
Issue of Options	-	216,056	-	216,056
	48,463	216,056	-	264,519
Balance as at 31 December 2010	7,304,351	228,271	(10,476,850)	(2,944,228)

For the half year ended 31 December 2009	Attributable to equity holders of the Company			
	Ordinary Shares $	Reserves $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2009	2	(141,846)	(341,725)	(483,569)
Total comprehensive income for the period				
Loss for the half year	-	-	(516,713)	(516,713)
Foreign exchange translation	-	(8,311)	-	(8,311)
	-	(8,311)	(516,713)	(525,024)
Transactions with owners, recorded directly in equity				
Issue of shares	650,000	-	-	650,000
Shares issue expenses	(167,371)	-	-	(167,371)
	482,629	-	-	482,629
Balance as at 31 December 2009	482,631	(150,157)	(858,438)	(525,964)

The accompanying notes form part of the consolidated financial statements.

Condensed Consolidated Statement of Cash Flows for the half year ended 31 December 2010

	31 Dec 2010 $	31 Dec 2009 $
Cash flows from operating activities		
Payments for exploration and evaluation	(5,664,744)	(445,635)
Payments to suppliers and employees	(416,247)	(35,265)
Interest received	72,938	2,603
Net cash used in operating activities	(6,008,053)	(478,297)
Cash flows from investing activities		
Amounts advanced to associate	(14,109)	-
Payment for property, plant and equipment	(58,173)	-
Net cash used in investing activities	(72,282)	35,787
Cash flows from financing activities		
Proceeds from issues of equity securities	-	650,000
Payment for Share Issue Costs	(1,537)	(167,371)
Proceeds from borrowings	645,000	75,633
Net cash provided by financing activities	643,463	558,262
Net (decrease)/increase in cash and cash equivalents	(5,436,872)	79,965
Cash and cash equivalents at the beginning of the half year	5,754,683	47,468
Effects of exchange rate fluctuations on cash held	4,184	(1,273)
Cash and cash equivalents at the end of the half year	321,995	126,160

The accompanying notes form part of the consolidated financial statements.

Condensed Notes to the Consolidated Financial Statements for the half year ended 31 December 2010

1. Reporting entity

Scandinavian Resources Ltd is a company domiciled in Australia. The condensed consolidated interim financial report of the Group as at and for the six months ended 31 December 2010 comprises the Company and its subsidiaries (together referred to as the "Group").

The condensed consolidated annual financial report of the Group as at and for the year ended 30 June 2010 is available upon request from the Company's registered office at 28 Ord Street, West Perth, Western Australia or at www.scandinavianresources.com.

2. Statement of compliance

The condensed consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

The condensed consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2010.

This condensed consolidated interim financial report was approved by the Board of Directors on 14th March 2011.

3. Significant accounting policies

The accounting policies applied by the Group in the condensed consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2010.

4. 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 half year ended 31 December 2010 the Company incurred a loss of $8,957,707 (2009: loss $516,713) and had a net equity deficiency of $2,944,228 (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 $6,100,774, the acquisition of data for $1,019,680 and exploration activities of $1,376,465. The equity deficiency includes the following items: deferred consideration for acquisition of the Rakkuri Project of $2,628,379 and the convertible note liability of $567,241.

The Company 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 payable by 20 October 2011 (refer note 7 for details of project and data acquisition).

4. Basis of preparation (cont'd)

To fund its strategy and meet its day-to-day obligations as and when they fall due the Company has entered into four separate convertible notes that total $10,000,000; the amount drawn down as at 9 March 2011 is $1,445,000 of which $645,000 was drawn up to the end of the reporting period. The first repayment date is 15 December 2011 ($3,750,000) and the second repayment date is 1 February 2012 ($6,250,000) should all the funds be drawn down.

The Company 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:

(a) Current exploration drilling at the Company's Kiruna Iron Project is aimed at establishing JORC compliant inferred mineral resources which may provide a foundation asset from which to base the Company's future valuation and assist in the raising of capital;

(b) The convertible notes drawn down, refer note 11, are convertible into ordinary shares at the discretion of the lender at 33 cents and 66 cents (the Company's share price as at 9 March 2011 is 60 cents, which is subject to change);

(c) The amount currently drawn down is $1,445,000 of which $645,000 was drawn up to the end of the reporting period while the amount available to be drawn down is $10,000,000 meaning funds are available to meet short to medium term commitments;

(d) The Company has issued options over ordinary shares expiring on 31 August 2011 (2,500,000 at 20 cents) and 31 October 2011 (33,804,968 at 25 cents) that are in-the-money (the Company's share price as at 9 March 2011 is 60 cents). In the event these options are exercised the Company will raise $8,951,242 in funds unless the share price falls to below the exercise price;

(e) The Company has received a notice of exercise for unlisted options expiring on 31 October 2012 (1,350,000 options at 20 cents for total funds of $270,000)

(f) The convertible notes do not contain any limitation on the Company with respect to future equity raisings.

The Board of directors is aware, having prepared a cash flow forecast, of the Company's working capital requirements and the need to access additional equity funding within the next 12 months. The Directors are confident of the ability to raise additional equity funding within the next 12 months however if the Company is unable to raise sufficient funds, it may be necessary to reduce exploration and administration costs.

As a result of past success in raising sufficient equity and debt funding together with available facilities and potential option conversions the Directors consider the going concern basis of preparation to be appropriate. However, should the Company not be successful in achieving forecast cash flow including raising additional funds, it may not be able to realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in this financial report.

5. Financial risk management

The Groups financial risk management objective and policies are consistent with those disclosed in the financial report as at and for the year ended 30 June 2010.

6. 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.

7. Exploration and evaluation expenses

	Dec 2010 $	Dec 2009 $
Project acquisition (i)	6,100,774	-
Data acquisition (ii)	1,019,680	-
Exploration	1,376,465	438,942
	8,496,919	438,942

(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 is USD$6 million and a net smelter royalty of 1.5%. The first payment of USD$3 million was made on 3 December 2010 and the second payment of USD$3 million is due on or before 20 October 2011. See note 10 on 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 USD$1 million, paid on 29 October 2010 and a net smelter royalty of 1.5%.

8. Property, plant and equipment

During the six months ended 31 December 2010 the Group acquired assets with a cost of $58,173 (six months ended 31 December 2009: Nil).

9. Other financial assets

	Dec 2010 $	June 2010 $
Loan to Resources & Rewards Pty Ltd	14,108	-
Impairment on loan receivable	(14,108)	-
Investment in Resources & Rewards Pty Ltd	1	-
	1	-

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) 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.

10. Deferred consideration

	Dec 2010 $	June 2010 $
Fair Value of deferred consideration	2,608,929	-
Interest expense	64,329	-
Exchange rate differences at reporting date	(44,879)	-
	2,628,379	-

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 USD$6 million and a net smelter royalty of 1.5%(refer note 7). The first payment of USD$3 million was made on 3 December 2010 and the second payment or deferred consideration of USD$3 million is due on or before 20 October 2011. The effective interest rate implied on this deferred consideration is 12.5%.

11. Other financial liabilities

	Dec 2010 $	June 2010 $
Convertible Notes	567,241	-
	567,241	-

A convertible note has been entered in to with HR Equities Pty Ltd (lender) and allows $2.5 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 15 December 2011 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 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 2012. Excluding interest and borrowing costs associated with the value of the options a total of $645,000 of the loan has been drawn down at 31 December 2010.

A second 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. As at 31 December 2010 no funds had been drawn down.

12. Issued capital

Fully paid ordinary shares	31 December 2010	30 June 2010
63,353,996 fully paid ordinary shares (30 June 2010: 63,059,878)	7,304,351	7,255,888
	7,304,351	7,255,888

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

	31 December 2010		30 June 2010	
	No.	$	No.	$
Balance at beginning of financial year	63,059,878	7,255,888	50,000,001	2
Issue of share on incorporation – 3 July 2008	-	-	-	-
Issue of shares – 24 July 2008	-	-	-	-
Cancellation of Shares – 26 August 2009	-	-	(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	-	-	588,235	100,000
Issue of Shares – 22 September 2010 (i)	294,118	50,000	-	-
Share issue costs	-	(1,537)	-	(255,108)
Balance at end of financial year	63,353,996	7,304,351	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.

12. Issued capital (cont'd)

Options

As at 31 December 2010, the Company has issued the following options:

Date options Issued	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	-
9 October 2009	21 April 2012	31 October 2012	20	133,334	-
9 October 2009	9 October 2010	31 October 2012	20	8,533,340	-
24 March 2010	-	31 October 2011	25	33,804,968	-
22 September 2010	-	30 June 2013	25	400,000	(i)
22 September 2010	-	30 June 2013	50	300,000	(i)
22 September 2010	-	30 June 2013	75	300,000	(i)
15 November 2010	-	31 October 2012	20	1,000,000	(ii)
29 December 2010	-	31 October 2012	20	500,000	(ii)
		Total Number of Options		67,471,642	

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.

(i)These options were issued to the Exploration Manager as part of their remuneration package.
(ii) These options were issued as a fee to the providers of the convertible notes.

13. Reserves

	31 Dec 2010 $	30 June 2010 $
Common control reserve		
Balance at the beginning of the financial period	(128,168)	(128,168)
Balance at 31 December	(128,168)	(128,168)
Foreign currency translation reserve		
Balance at the beginning of the financial period	(42,708)	(13,678)
Foreign currency translation differences	183,091	(29,030)
Balance at 31 December	140,383	(42,708)
Option reserve		
Balance at the beginning of the financial period	-	-
Issue of Options	216,056	-
Balance at 31 December	216,056	-
Accumulated Losses		
Balance at the beginning of the financial period	(1,519,143)	(341,725)
Loss attributable to members of the Group	(8,957,707)	(1,177,418)
Balance at 31 December	(10,476,850)	(1,519,143)

(i) Common control reserve comprises 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.

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

(iii) Option reserve comprises the valuation of options issued using the Black and Scholes model.

14. Share-based payments

Directors and Employees
The Company has an ownership-based compensation arrangement for directors and employees of the Company.

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 Company 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 and Employees				
31 August 2011	2,500,000	5 September 2008	31 August 2011	0.20
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
Convertible Notes				
31 October 2012	1,000,000	4 November 2010	31 October 2012	0.20
31 October 2012	500,000	23 December 2010	31 October 2012	0.20

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:

14. Share-based payments (cont'd)

Inputs into the model	Option series					
	31 August 2011	30 June 2013	30 June 2013	30 June 2013	31 October 2012	31 October 2012
Grant date share price (cents)	0	15	15	15	17	25
Exercise price (cents)	20	25	50	75	20	20
Expected volatility	100%	100%	100%	100%	100%	100%
Option life (Months)	36	33	33	33	12	22
Dividend yield	Nil	Nil	Nil	Nil	Nil	Nil
Risk-free interest rate %	4.83	4.89	4.89	4.89	4.96	5.21
Fair value cents	0.0	5.43	3.90	3.06	4.12	10.19

Based on these inputs, the grant date fair value of the share based payment plan has been determined as $216,056 (2009: Nil).

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

	December 2010		December 2009	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at the beginning of the financial year	2,500,000	0.20	-	-
Granted during the half year	2,500,000	0.31	-	-
Balance at end of the half year (ii)	5,000,000	0.26	-	-
Exercisable at end of the half year	5,000,000	0.26	-	-

(i) Exercised during the half year

During the half year no options over ordinary shares were exercised. (2009: Nil)

(ii) Balance at end of the half year

The share options outstanding under the share based payment plan at the end of the half year had a weighted average exercise price of $0.26 (2009: Nil) and a weighted average remaining contractual life of 1.38 years.

15. Subsequent events

The following matter or circumstances has arisen since 31 December 2010 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 8 February 2011 a convertible note has been entered in to with HR Equities Pty Ltd (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 1 February 2012 and the lender has a continued 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 1 share for every $0.66 drawn down. As a fee the lender has been issued with 500,000 options exercisable at 40 cents per option on or before 15 December 2012.

b) On 10 February 2011 a convertible note has been entered in to with OM Holdings Ltd (lender) 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. 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 $0.66 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.

c) Of the $10m total available convertible loan funds secured, $1,445,000 has been drawn down as of 4th March 2011.

d) Since 31 December 2010 960,000 listed options exercisable on or before 31 October 2011 at 25 cents have been exercised into fully paid ordinary shares listed on the ASX.