

3 October 2011

Dear Shareholders,

We've made very rapid progress in Scandinavia since our IPO on the ASX in April 2010.

In particular the Kiruna Iron Project has grown from a concept to becoming a significant project in the context of Europe's #1 iron mining district – the Kiruna District in northern Sweden.

As part of this growth we have completed agreements with Anglo American, Rio Tinto, Boliden, Grängesberg Iron and Tasman Metals as well as made our own permit applications and now we are the largest permit holder around the largest iron mine in Europe (owned by LKAB). On top of that we have completed 14,000 metres of diamond drilling and released our maiden JORC resource that exceeded all expectations. We anticipate releasing our next JORC resource in December 2011 and our plans are to complete at least another 30,000 metres of drilling in the next twelve months.

Our priority project is the Rakkurijoki project located 5km from Kiruna, 500 metres from an open access rail line, 250 metres from a major road, ten minutes from the Kiruna Iron AB office and core shed with power transmission lines directly above the permit. You really couldn't find a better location in terms of access to infrastructure.

The plan for Rakkurijoki during 2012 is to complete social impact, environmental and feasibility studies as well as increase the classification of the JORC resource towards the indicated and measured categories. It's imperative as part of this process that we work together with the Sami Villages and Kiruna Community to ensure that any future mining activities are consistent with the long term interests of the broader Community that live close to, or interact with, this major mining City and its surrounds. At the regional level we also aim to continue exploration drilling to try to reach our corporate goal of compiling 1 Billion Tonnes<sup>1</sup> of iron within 80km from the largest iron mine in Europe. We are very committed to the Kiruna Iron Project and are working towards making a positive long term contribution to the Kiruna Community.

We will also continue to build our precious and base metals project portfolio and we expect to incubate additional significant projects from this portfolio in the next twelve months.

On the funding side we are receiving interest in our activities from a number of investment banks in London, Stockholm and Oslo. I expect the Company to be in a position to announce an alliance with one or more of these financial institutions in the near term.

When you applied for shares in the IPO you also received an option to purchase more shares at 25 cents each. You may also have acquired options separately on the stock exchange since the IPO. Those options are expiring on 31 October 2011. As part of your decision making process it's important that you are aware an independent expert assessed the fair value of the SCR share price as \$1.45 (a fully copy of this report is contained in the Notice of Meeting dated 23 September 2011 that was posted to you last week). This is not to be considered financial advice but I do recommend you contact your professional adviser and ask them if they think it's worth buying more shares for 25 cents each.

You can follow all of our news and progress at [www.scandinavianresources.com](http://www.scandinavianresources.com), on Face Book (Scandinavian Resources), Twitter (scanres), email me at [dhicks@scandinavianresources.com](mailto:dhicks@scandinavianresources.com) or simply call the office on +61 8 9324 1153 - I'll be more than pleased to answer your questions.

Kind regards,



Damian Hicks  
Chairman

EXPLORING THE SCANDINAVIAN SHIELD

<sup>1</sup> This is merely a corporate goal and has no connection to JORC resources or JORC exploration targets and is solely on an internally generated corporate milestone.



3 October 2011

Dear Option Holder,

**YOUR OPTIONS TO ACQUIRE SCANDINAVIAN RESOURCES SHARES  
AT \$0.25 PER SHARE EXPIRE ON 31 OCTOBER 2011**

We are writing to you as a registered holder of listed options in Scandinavian Resources Ltd to remind you that the options will expire on 31 October 2011.

Your option holding may be exercised in whole or in part by payment of \$0.25 for each option by no later than 31 October 2011. If payment is not received by 5.00pm (WST) on 31 October 2011, the option will lapse and all rights under the options will cease at that time.

Courses of action available to you as a holder of these soon to expire options include:

- a) Exercise the options in whole or in part, and subject to the terms of the options, on or before 31 October 2011; or
- b) Do nothing, i.e. allow your options to expire. If you do not exercise your options they will expire on 31 October 2011 and your right to subscribe for ordinary shares in Scandinavian Resources Ltd at \$0.25 per share will lapse.

There is no obligation upon option holders to exercise their options. Quotation of the listed options will end on 24 October 2011, being five business days before the expiry date of the options.

The market sale price of ordinary shares in Scandinavian Resources Ltd on ASX was \$0.31 on 30 September 2011, being the last trading day in Perth prior to the date of this notice.

During the three months preceding the date of this notice:

- the highest market sale price of ordinary shares on ASX was \$0.52 on 2 and 3 August 2011, and
- the lowest market sale price of ordinary shares on ASX was \$0.27 on 28 September 2011.

If you wish to exercise your options then you must complete the "Application on Exercise of Listed Options Expiring 31 October 2011" form attached to this notice and forward it together with payment of \$0.25 per option exercised to be received no later than 5.00 (WST) on 31 October 2011 to the Company, being:

Scandinavian Resources Ltd  
PO Box 1668  
West Perth WA 6872  
Australia

Cheques should be made payable to "Scandinavian Resources Ltd" in Australian dollars only and should be crossed "Not negotiable". Please do not hesitate to contact our office if you have any questions.

Yours sincerely

A handwritten signature in black ink, appearing to read "I. Gregory", with a large, stylized flourish underneath.

Ian Gregory  
Director & Company Secretary

EXPLORING THE SCANDINAVIAN SHIELD

Ground Floor, 28 Ord Street,  
West Perth, WA, Australia  
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West Perth, WA 6872, Australia  
**Facebook:** Scandinavian Resources **Twitter:** scanres  
**T:** +61 89324 1153  
**F:** +61 8 9324 3366  
**W:** www.scandinavianresources.com  
**ACN:** 132 035 842 **ASX:** SCR

**Scandinavian Resources Limited**  
**ABN 99 132 035 842**

NAME (as per holding account)

ADDRESS (as per holding account)

**Application Form on Exercise of Options Expiring 31 October 2011**

To the Directors, Scandinavian Resources Limited

I/We hereby exercise

option(s) and hand you herewith my/our cheque for

being \$0.25 per share on application for

ordinary shares in the capital of the Company.

I/We request that you allot me that number of shares and I/we agree to accept that number of shares on the terms below and the Constitution of the Company, and I/we authorise you to place my/our name on the register.

My/Our SRN/HIN (as shown on my/our Issuer Sponsored holding statement or CHES holdings statement) is

**Sign Here – This section must be signed for your instructions to be executed**

I/We authorise you to act in accordance with my/our instructions set out above.

Individual or Securityholder 1

Director

Securityholder 2

Director/Company Secretary

Securityholder 3

Sole Director and  
Sole Company Secretary

*Note: when signed under Power of Attorney, the attorney states that they have not received a notice of revocation. Computershare Investor Services Pty Limited needs to sight a certified copy of the Power of Attorney.*

Day/Date    Month    Year

Terms and  
Conditions of  
Options Overleaf

## TERMS AND CONDITIONS OF OPTIONS EXPIRING 31 OCTOBER 2011

- each Option entitles the holder to subscribe for and be allotted one fully paid ordinary Share in the Company;
- the Options are exercisable at \$0.25;
- the Options will expire at 5:00pm (WST) on 31 October 2011 (the **Expiry Date**);
- the Options are exercisable at any time on or prior to the Expiry Date by notice in writing to the directors of the Company accompanied by payment of the exercise price;
- application will be made to the ASX for Official Quotation of the Options;
- all Shares issued upon exercise of the Options will rank pari passu in all respects with the Company's then existing fully paid ordinary Shares. The Company will apply for Official Quotation by the ASX of all Shares issued upon exercise of the Options;
- there are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will send a notice to each holder of Options at least five business days before the record date. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue;
- if from time to time on or prior to the Expiry Date the Company makes an issue of Shares to the holders of ordinary Shares in the Company by way of capitalisation of profits or reserves (a bonus issue), then upon exercise of his Options an Option holder will be entitled to have issued to him (in addition to the Shares which would otherwise be issued to him upon such exercise) the number of Shares of the class which would have been issued to him under that bonus issue (bonus Shares) if on the record date for the bonus issue he had been registered as the holder of the number of Shares of which he would have been registered as holder if, immediately prior to that date, he had duly exercised his Options and the Shares the subject of such exercise had been duly allotted and issued to him. The bonus Shares will be paid by the Company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the bonus issue and upon issue will rank pari passu in all respects with the other Shares allotted upon exercise of the Options; and
- in the event of any reorganisation of the issued capital of the Company on or prior to the Expiry Date, the rights of an Option holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules in force at the time of the reorganisation.

## LODGEMENT INSTRUCTIONS

*Cheques shall be in Australian currency made payable to Scandinavian Resources Limited and crossed "Not Negotiable". The application for shares on exercise of the options with the appropriate remittance should be lodged with Scandinavian Resources Limited, PO Box 1668, Perth WA 6872.*