



HANNANS REWARD

Exploring for Gold and Base Metals

9 March 2012

Dear Shareholder

I am very pleased to be writing to you about a proposed merger of Hannans Reward and Scandinavian Resources.

On 29 February 2012, Hannans Reward announced a proposal to acquire all of the outstanding shares in Scandinavian Resources by way of an off-market takeover bid (please refer to the copy of the ASX release attached). Hannans Reward currently owns 19.6 million shares in Scandinavian Resources, representing 17.14% of the issued share capital of the company.

Under the Offer, accepting Scandinavian Resources shareholders will receive 3 Hannans Reward shares for every 1 Scandinavian Resources share held.

I believe the proposed merger will generate increased shareholder value and ensure the new group is well financed through the next phase of exploration and resource definition of our combined projects in Sweden, Norway and Australia.

A single merged entity listed on ASX will create a stronger platform to promote the new group to investors and key stakeholders. The new structure will also strengthen and simplify the current management arrangements which should achieve cost savings by reducing corporate overheads.

As the offer will be extended to Scandinavian Resources' shareholders, you will not be required to take any further action in relation to the proposed merger. Over the coming weeks, a bidders statement will be sent to Scandinavian Resources shareholders for them to consider and will also be available via the ASX platform and Hannans Reward's website.

I look forward to updating you on the successful completion of the transaction and outlining our plans to advance all projects within the group.

Yours faithfully

Richard Scallan
Chairman

For further information please contact:

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HANNANS REWARD

HANNANS REWARD ANNOUNCES PROPOSAL TO ACQUIRE SCANDINAVIAN RESOURCES

29 February 2012

Highlights

- Hannans Reward to consolidate the ownership of Scandinavian Resources including the Kiruna Iron Project;
- Hannans Reward currently holds 17.14% of Scandinavian Resources' ordinary shares;
- Scandinavian Resources shareholders to receive 3 Hannans Reward shares for every 1 Scandinavian Resources share;
- The combined group will be well financed through the next phase of exploration and resource definition;
- The merger will create a well-resourced geological and technical company leveraging off well established in-country relationships;
- The new structure will establish a simpler and stronger platform to promote the combined group to investors and other stakeholders;
- Scandinavian Resources shareholders who accept the Offer will:
 - maintain an exposure to Scandinavian Resources' assets; and
 - gain exposure to the potential upside within Hannans Reward's exploration and investment portfolio;
- Group ownership post-merger to be split Scandinavian Resources shareholders 68%, Hannans Reward shareholders 32% on an undiluted basis

Hannans Reward Ltd (Hannans Reward) (ASX:HNR) has today announced (Announcement Date) a proposal to acquire all of the outstanding fully paid ordinary shares in Scandinavian Resources Ltd (Scandinavian Resources) (ASX:SCR) by way of an off-market takeover bid (Offer). Hannans Reward currently owns 19.6 million shares in Scandinavian Resources, representing 17.14% of the company.

Under the Offer, accepting Scandinavian Resources shareholders will receive 3 Hannans Reward shares for every 1 Scandinavian Resources share held, implying a value of A\$0.28¹ per Scandinavian Resources share, based on the closing price of Hannans Reward shares on 27 February 2012, the last trading day prior to the Announcement Date.

Benefits for Scandinavian Resources Shareholders

The merger will consolidate Scandinavian Resources' and Hannans Reward's strategic portfolios in Sweden, Norway and Australia under a single entity listed on ASX, creating a simpler and stronger platform to promote the company to investors and stakeholders.

The merger will lead to a strengthening and simplification of the current management arrangements and should achieve cost savings by reducing corporate overheads.

Scandinavian Resources and Hannans Reward's existing shareholders will retain their exposure to the benefits of the merger and the upside inherent in the combined group's portfolio of mineral properties.

Commenting on the proposal, Mr Richard Scallan Chairman of Hannans Reward, said:

"We believe that simplifying our corporate structure and combining the portfolios of both companies will deliver short, medium and long term benefits to shareholders of both companies.

Critically, shareholders of both companies will retain their exposure to the Kiruna Iron Project and Scandinavian Resources' shareholders will gain access to our portfolio of base metal and gold prospects in Western Australia.

Utilising our cash and liquid investments, we can look forward to advancing the exploration efforts at Kiruna, Forrestania and Lake Johnson with confidence."

Scandinavian Resources is currently seeking to secure US\$12.5 million in pre IPO funds for the Kiruna Iron Project (Kiruna Raising). However, in light of challenging global equity markets and pricing uncertainty, the Hannans Reward board considers that the proposed Offer is a better alternative for Scandinavian Resources shareholders.

The Hannans Reward Board believes that with the \$11.2 million² of net liquid investments, when combined with the 17.14% of Scandinavian Resources' shares it already owns is best placed to provide the additional funding Scandinavian Resources requires to advance exploration and development activities.

¹ Based on the closing price of Hannans Reward's shares on ASX on 27 February 2012 of A\$0.094, the last trading day prior to the Announcement Date. As the consideration offered comprises Hannans Reward shares, the value of the consideration will vary with the market price of Hannans Reward shares.

² Based on cash of A\$0.421 million at 31 December 2012 plus 4 million Atlas Iron (Atlas) shares (ASX:AGO) at A\$3.15 being the ASX closing price for Atlas shares on 28 February 2012 less the margin loan of A\$1.86 million as at 31 January 2012. Disclosed in Hannans Reward's unaudited "Appendix 5B – 2nd Quarter Cash flow Report for the period ended 31 December 2011" released to the ASX on 1 February 2012.) Excludes the shares and options already owned by Hannans Reward in Scandinavian Resources.

Common Directorship

Mr Damian Hicks, Hannans Reward's Managing Director, is also the Non-Executive Chairman of Scandinavian Resources. The independent directors of Hannans Reward have resolved to make this Offer to Scandinavian Resources shareholders and, as a result of Mr Hicks' common directorship, have excluded him from all discussions in relation to formulating the Offer.

Mr Ian Gregory, the Company Secretary of Hannans Reward and a Non-Executive Director and Company Secretary of Scandinavian Resources, has also been excluded from all discussions in relation to the Offer.

Offer Conditions

The Offer is subject to conditions, including (but not limited to):

- (a) 90% acceptance;
- (b) that there be no spin-out/demerger of Scandinavian Resources' iron assets (including by way of the Kiruna Raising);
- (c) that no "prescribed occurrences" occur; and
- (d) that no material adverse change occurs in relation to Scandinavian Resources.

The full conditions to the Offer are set out in "Annexure A – Offer Conditions" to this announcement.

Other aspects of the Offer

Ineligible foreign Scandinavian Resources' shareholders who accept the Offer, and Scandinavian Resources' shareholders who, if they accept the Offer, would be entitled to an unmarketable parcel of Hannans Reward shares, will not receive shares in Hannans Reward. The Hannans Reward shares held by the ineligible shareholders will be sold by an ASIC approved nominee and those shareholders will receive the sale proceeds less expenses.

The Offer will be extended to any Scandinavian Resources shares that are issued during the Offer Period (defined below) as a result of the exercise of Scandinavian Resources options or conversion of convertible notes on issue before the Offer opens. Hannans Reward also intends to enter into private treaty arrangements with Scandinavian Resources option holders to acquire their options.

Full details of Hannans Reward's Offer will be set out in its bidder's statement which it anticipates will be lodged on or about 16 March 2012 (Offer Period).

Indicative Timetable

An indicative timetable for the transaction is set out below. This timetable is subject to change, however the key dates are likely to be broadly as follows:

Event	Date
Lodgement of Bidder's Statement	16 March 2012
Bidder's Statement mailed to Scandinavian Resources' shareholders	2 April 2012
Offer opens	2 April 2012
Offer closes (unless extended)	4 May 2012

Advisors

Gresham Advisory Partners are acting as financial advisors, Steinepreis Paganin as legal advisors and Corporate Board Services as transaction support to Hannans Reward.

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About Hannans Reward

Hannans Reward has developed a suite of prospective exploration projects within Australia covering nickel and gold, whilst the flagship exploration is the Forrestania nickel project. Hannans Reward's shareholders are exposed to share price appreciation through exploration success at the following projects:

- Forrestania – a nickel & gold project 7km north of Western Area's Flying Fox nickel mine, a portion of the Stormbreaker Prospect includes a Joint Venture with Cullen Resources Ltd (Hannans Reward – 80%, Cullen – 20% free carry). Lake Johnston – a nickel & gold project located 25km south east of Norilsk's Maggie Hays nickel mine and 100kms west of Norseman.
- Queen Victoria Rocks – a nickel and gold project located 30km south-west of Coolgardie, WA.
- East Pilbara – base metal exploration.

About Scandinavian Resources

Scandinavian Resources':

- is one of the largest landholders (by area) of mineral exploration projects in Sweden and one of the largest landholders in the world class Kiruna IOCG District.
- owns the flagship Kiruna Iron Project which is located 30km from the 2Bt Kiruna iron mine (owned by LKAB) – the world's largest and most modern underground iron mine.
- owns a 'pipeline' of projects cover gold, copper-gold and lead-zinc prospects in Sweden and Norway.

ANNEXURE A - OFFER CONDITIONS**(a) Minimum acceptance**

At or before the end of the Offer Period, Hannans Reward has a Relevant Interest (as defined in the Corporations Act) in such number of Scandinavian Resources shares which represents at least 90% of the aggregate of all the Scandinavian Resources shares on issue and becomes entitled to compulsorily acquire all outstanding Scandinavian Resources shares under Part 6A.1 of the Corporations Act.

(b) No spin out of Scandinavian Resources Iron Assets

During the period from Announcement Date to the end of the Offer Period, neither Scandinavian Resources nor any Subsidiary of Scandinavian Resources (Scandinavian Resources Subsidiary) proceeds with its proposed capital raising as contemplated by Scandinavian Resources' announcement to ASX dated 13 October 2011, or a similar transaction or arrangement which would result in a similar effect.

(c) No prescribed occurrences

During the period from Announcement Date to the day that is 3 Business Days after the end of the Offer Period (each inclusive), none of the following occurrences (being the prescribed occurrences listed in section 652C of the Corporations Act) happens:

- (i) Scandinavian Resources converts all or any of its shares into a larger or smaller number of shares under section 254H of the Corporations Act;
- (ii) Scandinavian Resources or a Subsidiary of Scandinavian Resources resolves to reduce its share capital in any way;
- (iii) Scandinavian Resources or a Subsidiary of Scandinavian Resources enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (iv) Scandinavian Resources or a Subsidiary of Scandinavian Resources issues shares (other than as a result of the exercise of any Scandinavian Resources options to acquire Shares (Scandinavian Resources Options)) or grants an option over its shares, or agrees to make such an issue or grant such an option;
- (v) Scandinavian Resources or a Subsidiary of Scandinavian Resources issues, or agrees to issue, convertible notes;
- (vi) Scandinavian Resources or a Subsidiary of Scandinavian Resources disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (vii) Scandinavian Resources or a Subsidiary of Scandinavian Resources charges, or agrees to charge, the whole, or a substantial part, of its business or property;
- (viii) Scandinavian Resources or a Subsidiary of Scandinavian Resources resolves to be wound up;

- (ix) a liquidator or provisional liquidator of Scandinavian Resources or of a Subsidiary of Scandinavian Resources is appointed;
 - (x) a court makes an order for the winding up of Scandinavian Resources or of a Subsidiary of Scandinavian Resources;
 - (xi) an administrator of Scandinavian Resources or of a Subsidiary of Scandinavian Resources is appointed under sections 436A, 436B or 436C of the Corporations Act;
 - (xii) Scandinavian Resources or a Subsidiary of Scandinavian Resources executes a deed of company arrangement; or
 - (xiii) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Scandinavian Resources or a Subsidiary of Scandinavian Resources.
- (d) No action by Government Agency adversely affecting the Offer

During the period from Announcement Date to the end of the Offer Period:

- (i) there is not in effect any preliminary or final decision, order or decree issued by a Government Agency;
- (ii) no action or investigation is instituted, or threatened by any Government Agency with respect to Scandinavian Resources or any Subsidiary of Scandinavian Resources; or
- (iii) no application is made to any Government Agency (other than an application by Hannans Reward or any company within the Hannans Reward Group, an application under section 657G of the Corporations Act, or an application commenced by a person specified in section 659B(1) of the Corporations Act in relation to the Offer),

in consequence of, or in connection with, the Offer, which restrains or prohibits or threatens to restrain or prohibit, or may otherwise materially adversely impact upon, the making of the Offer or the completion of any transaction contemplated by the Bidder's Statements (including implementing the intentions expressed therein) or seeks to require the divestiture by Hannans Reward of any Scandinavian Resources Shares, or the divestiture of any assets by Scandinavian Resources or by any Subsidiary of Scandinavian Resources or by any company within the Hannans Reward Group.

- (e) Conduct of business

Except for any proposed transaction publicly announced by Scandinavian Resources before the Announcement Date, none of the following events occur during the period from Announcement Date to the end of the Offer Period:

- (i) Scandinavian Resources, or any Subsidiary of Scandinavian Resources, acquires, offers to acquire or agrees to acquire one or more companies, businesses, trusts or assets (or an interest in one or more companies, businesses, trusts or assets) for an amount in aggregate greater than \$250,000 or makes an announcement about such an acquisition;
- (ii) Scandinavian Resources, or any Subsidiary of Scandinavian Resources, disposes, offers to dispose or agrees to dispose of, or creates, or offers to

- create an equity interest in one or more companies, trusts or assets (or an interest in one or more companies, trusts or assets) for an amount in aggregate greater than \$250,000 or makes an announcement about such a disposal;
- (iii) Scandinavian Resources, or any Subsidiary of Scandinavian Resources, enters into, offers to enter into or announces that it proposes to enter into any joint venture or partnership involving a commitment of (or foregoing of revenue of) greater than \$250,000 or dual listed company structure, or makes an announcement about such a commitment;
 - (iv) Scandinavian Resources, or any Subsidiary of Scandinavian Resources, incurs or commits to, or grants to another person a right the exercise of which would involve Scandinavian Resources or any Subsidiary of Scandinavian Resources incurring or committing to any capital expenditure or liability for one or more related items of greater than \$250,000 or makes an announcement about such a commitment; or
 - (v) Scandinavian Resources, or any Subsidiary of Scandinavian Resources, declares, pays or distributes any dividend, bonus or other share of its profits or assets.
- (f) No force majeure event

During the Offer Period:

- (i) no outbreak of hostilities (whether war is declared or not) or terrorism, mobilisation of armed forces, civil or political unrest or labour disturbance, fire or natural disaster, material increase in the intensity of any of the above events or other event beyond the control of Scandinavian Resources or the relevant Subsidiary occurs which affects or is likely to affect the assets, liabilities, financial position, performance, profitability or prospects of Scandinavian Resources or any of its subsidiaries; and
 - (ii) there is no amendment made (or proposed to be made) to any law, regulation or similar applying to Scandinavian Resources or any of its subsidiaries that is reasonably likely to have an adverse affect on the assets, liabilities, financial position, performance, profitability or prospects of the Scandinavian Resources Group; and
 - (iii) there is no widespread disruption to global financial markets, or the financial markets of Australia, Sweden or Norway.
- (g) No material adverse change to Scandinavian Resources

Between the Announcement Date and the end of the Offer Period, no matter, event, change, condition, circumstance, information or thing (Change(s)) occurs, is announced, becomes likely to occur or becomes known to Hannans Reward (in any such case, individually or when aggregated with all such Change(s) and whether or not becoming public) that discloses (or could reasonably be inferred from the disclosure that), would result in and/or would reasonably be likely to result in:

- (i) the value of the consolidated net assets of the Scandinavian Resources Group being reduced by at least A\$2 million against what they would reasonably have been expected to have been but for the Change(s) (as the case may be); or

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- (ii) a material adverse effect on the business, assets, liabilities, financial position or performance, profitability or prospects of the Scandinavian Resources Group taken as a whole, or the status or terms of any of the exploration or mining tenements owned by the Scandinavian Resources Group.

Definitions

ASX means ASX Limited, or the Australian Securities Exchange, as the context requires.

Announcement Date means the date of this announcement.

Corporations Act means the Corporations Act 2001 (Cth).

Government Agency means a government or government department, a governmental or semi-governmental or judicial person (whether autonomous or not) charged with the administration of any applicable law.

Hannans Reward Group means Hannans Reward Ltd and its related entities.

IOCG means Iron Oxide Copper Gold.

Kiruna means the Kiruna Iron Project.

Kiruna Raising means funds Scandinavian Resources is seeking to raise in a pre IPO.

LKAB means Luossavaara Kiirunavaara AB (Publ); Corp. ID No: 556001-5835.

Offer means a proposal by Hannans Reward to acquire all of the outstanding fully paid ordinary shares in Scandinavian Resources by way of an off-market takeover bid.

Scandinavian Resources Group means Scandinavian Resources Ltd and its related entities.

Subsidiary means a subsidiary as that term is defined in the Corporations Act.