SCANDINAVIAN RESOURCES LTD

ABN 99 132 035 842

Financial report for the half year ended 31 December 2011

www.scandinavianresources.com

Contents

Corporate Directory

Board of Directors

Executive Chairman	Mr Damian Hicks
Technical Director	Mr Olof Forslund
Non-Executive Director	Mr Markus Bachmann
Non-Executive Director & Company Secretary	Mr Ian Gregory

Principal Office
6 Outram Street
West Perth, Western Australia 6005

Registered Office
6 Outram Street
West Perth, Western Australia 6005

Postal Address
PO Box 1668
West Perth, WA 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)
www.computershare.com.au

Auditors
KPMG
235 St Georges Terrace
Perth, Western Australia 6000

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

Directors' Report

The directors of Scandinavian Resources Ltd present the financial report of the group for the half year ended 31 December 2011.

Directors

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

Executive Chairman
Mr Damian Hicks
Technical Director
Mr Olof Forslund
Non-Executive Directors
Mr Paul Thomas (resigned 13 January 2012)
Mr Ian Gregory
Mr Markus Bachmann

All directors held their position throughout the entire financial interim period and up to the date of this report except for Mr Paul Thomas who resigned on 13 January 2012.

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 $6,605,756 (2010: $8,957,707)

Review of operations

Other than exploration and corporate activities as detailed in the reports released to the market, there have been no other significant operations by the Group during the six months to 31 December 2011.

Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 3.

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
15 March 2012

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

To: the directors of Scandinavian Resources Ltd

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2011 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
15 March 2012

Directors' declaration

In the opinion of the directors of Scandinavian Resources Ltd:

1. the financial statements and notes as set out on pages 10 to 17, 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 2011 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

15 March 2012

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

We have reviewed the accompanying half-year financial report of Scandinavian Resources Ltd, which comprises the condensed consolidated statement of financial position as at 31 December 2011, 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 2011 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 Ltd, 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*.

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 Ltd 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 2011 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*.

Emphasis of matter regarding going concern

Without qualification to the conclusion expressed above, we draw attention to note 4 in the half-year financial report. The Group incurred a net loss of $6,605,756 during the period ended 31 December 2011, and as of that date the Group's total liabilities exceeded its total assets by $4,838,193. These conditions, along with other matters set forth in note 4, 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 course of business.

KPMG.

KPMG

R Gambitta
Partner

Perth
15 March 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2011

	Note	31 Dec 2011 $	31 Dec 2010 $
Employee and contractors expense		(225,879)	(237,461)
Depreciation expense		(26,630)	(3,602)
Consultants expenses		(423,313)	(70,197)
Occupancy expenses		(36,281)	(32,333)
Marketing expenses		(79,064)	(14,962)
Travel expenses		(72,301)	(31,905)
Exploration and evaluation expenses	7	(3,919,384)	(8,496,919)
Provision against recoverability of loan		-	(14,108)
Other expenses		(117,474)	(56,449)
Loss from operating activities		(4,900,326)	(8,957,936))
Finance income		21,677	400,500
Finance costs	8	(1,727,107)	(400,271)
Loss before income tax expense/benefit		(6,605,756)	(8,957,707)
Income tax expense/benefit		-	-
Loss attributable to owners of the Company		**(6,605,756)**	**(8,957,707)**
Other comprehensive income for the period			
Foreign currency translation differences for foreign operations		308,324	183,091
Total comprehensive loss for the period attributable to owners of the Company		**(6,297,432)**	**(8,774,616)**
Loss per share:			
Basic (cents per share)		(7.51)	(14.17)

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 2011

	Note	31 Dec 2011 $	30 June 2011 $
Current assets			
Cash and cash equivalents		1,459,264	128,430
Trade and other receivables		568,569	821,538
Total current assets		**2,027,833**	**949,968**
Non-current assets			
Trade and other receivables		7,291	7,504
Property, plant and equipment		74,842	79,775
Other financial assets		1	1
Total non-current assets		**82,134**	**87,280**
TOTAL ASSETS		**2,109,967**	**1,037,248**
Current liabilities			
Trade and other payables		1,290,214	1,860,000
Employee benefits		5,172	5,172
Deferred consideration	**9**	-	3,734,944
Other financial liabilities	**10**	5,652,774	3,540,590
Total current liabilities		**6,948,160**	**9,140,706**
TOTAL LIABILITIES		**6,948,160**	**9,140,706**
NET LIABILITIES		**(4,838,193)**	**(8,103,458)**
Equity			
Issued capital	**11**	21,691,064	12,195,148
Reserves		1,383,609	1,008,504
Accumulated losses		(27,912,866)	(21,307,110)
TOTAL DEFICIENCY		**(4,838,193)**	**(8,103,458)**

The accompanying notes form part of the consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2011

For the half year ended 31 December 2011	Ordinary Shares $	Reserves $	Accumulated Losses $	Total Equity $
	Attributable to equity holders of the Company			
Balance as at 1 July 2011	12,195,148	1,008,504	(21,307,110)	(8,103,458)
Total comprehensive income for the period				
Loss for the half year	-	-	(6,605,756)	(6,605,756)
Foreign exchange translation	-	308,324	-	308,324
	-	308,324	(6,605,756)	(6,297,432)
Transactions with owners, recorded directly in equity				
Issue of shares	9,714,200	-	-	9,714,200
Shares issue expenses	(218,284)	-	-	(218,284)
Share based payments	-	42,199	-	42,199
Equity component of convertible notes	-	24,582	-	24,582
	9,495,916	66,781	-	9,562,697
Balance as at 31 December 2011	21,691,064	1,383,609	(27,912,866)	(4,838,193)

For the half year ended 31 December 2010	Ordinary Shares $	Reserves $	Accumulated Losses $	Total Equity $
	Attributable to equity holders of the Company			
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)

The accompanying notes form part of the consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2011

	31 Dec 2011 $	31 Dec 2010 $
Cash flows from operating activities		
Payments for exploration and evaluation	(7,459,309)	(5,664,744)
Payments to suppliers and employees	(739,236)	(416,247)
Interest received	21,677	72,938
Interest paid	(313,006)	-
Net cash used in operating activities	**(8,489,874)**	**(6,008,053)**
Cash flows from investing activities		
Amounts advanced to associate	-	(14,109)
Payment for property, plant and equipment	(24,275)	(58,173)
Net cash used in investing activities	**(24,275)**	**(72,282)**
Cash flows from financing activities		
Proceeds from issues of equity securities	8,214,200	-
Payment for share issue costs	(218,284)	(1,537)
Proceeds from borrowings	2,100,000	645,000
Repayment of borrowings	(250,000)	-
Net cash provided by financing activities	**9,845,916**	**643,463**
Net increase/(decrease) in cash and cash equivalents	1,331,767	(5,436,872)
Cash and cash equivalents at the beginning of the half year	128,430	5,754,683
Effects of exchange rate fluctuations on cash held	(933)	4,184
Cash and cash equivalents at the end of the half year	**1,459,264**	**321,995**

The accompanying notes form part of the consolidated financial statements.

Condensed Notes to the Consolidated Financial Statements for the half year ended 31 December 2011

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 2011 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 2011 is available upon request from the Company's registered office at 6 Outram 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 2011.

This condensed consolidated interim financial report was approved by the Board of Directors on 15 March 2012.

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 2011.

4. Basis of preparation

The consolidated interim 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 2011 the Company incurred a loss of $6,605,756 (2010: loss $8,957,707) and had a net equity deficiency of $4,838,193 (30 June 2011: $8,103,458 deficiency). The loss includes exploration activities of $3,919,384, while the equity deficiency includes the convertible note liabilities of $5,494,164.

To fund its strategy and meet its day-to-day obligations as and when they fall due the Group has entered into six separate convertible notes as at 31 December 2011 that total $11,000,000 (being the total facility amount) and one loan of $150,000. The amount drawn down as at 15 March 2012 is $5,545,000. The first repayment date was 30 November 2011 ($150,000), the second repayment date was 15 December 2011 ($3,750,000), the third repayment date was 1 February 2012 ($1,145,000) and the fourth repayment date was 31 March 2012 ($750,000).

4. Basis of preparation (cont'd)

An amount of $250,000 was repaid on 15 December 2011. All repayment dates were extended subsequent to 31 December 2011 following agreement with the lenders. Following this agreement, the outstanding principal balances owing to Hannans Reward Ltd ($3,645,000) are now repayable on 15 September 2012. All other notes and loans outstanding are to be rolled forward on a monthly basis, with principal amounts callable with 14 days advance notice and interest to be paid monthly, with the exception of the OM Holdings Ltd loan which is to be repaid in full on 1 April 2012. In addition and as part of this extension, the facility with Hannans Reward Ltd was increased by $500,000 under the same terms and conditions as the original facility.

As at 14 March 2012, the Group has $153,000 of cash, undrawn convertible note facilities available of $1,355,000 and trade payables outstanding are $614,000.

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

(a) Exploration drilling at the Group's Kiruna Iron Project is aimed at increasing JORC compliant 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 received an independent valuation of mineral properties from SRK Consulting (Sweden) in September 2011, valuing the Company's portfolio in the range of US$77m to US$143m with the preferred value of US$125m;

(b) The convertible notes drawn down, refer note 10, are convertible into ordinary shares at the discretion of the lender at 33 cents and 66 cents (the Group's share price as at 14 March 2012 is 24 cents);

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

(d) On 23 January 2012 the Company announced to the ASX that it is seeking to secure US$12.5 million in pre-IPO funds for its Kiruna Iron Project; and

(e) On 29 February 2012 the Company received a notice of intention to acquire all of the outstanding fully paid ordinary shares in the Company by way of an off-market takeover bid from Hannans Reward Ltd. Hannans Reward Ltd considers that when its $11.2 million of net liquid investments is combined with its approximately 17% interest in Scandinavian Resources, it is best placed to provide the additional funding Scandinavian Resources requires to advance exploration and development activities. The Company will consider the merits of the offer after it receives the Bidders Statement.

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.

4. Basis of preparation (cont'd)

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 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 is 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.

5. Financial risk management

The Group's financial risk management objective and policies are consistent with those disclosed in the financial report as at and for the year ended 30 June 2011.

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 2011 $	Dec 2010 $
Project acquisition (i)	-	6,100,774
Data acquisition (ii)	-	1,019,680
Exploration	3,919,384	1,376,465
	3,919,384	8,496,919

(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 was made in November 2011 (note 9).

(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. Finance costs

	Dec 2011 $	Dec 2010 $
Interest on loan	13,086	-
Effective interest on deferred consideration	206,539	64,478
Effective interest on convertible notes	432,932	7,470
Establishment costs for convertible notes	268,796	9,566
Exchange rate losses	799,063	318,757
Other	6,691	-
	1,727,107	400,271

9. Deferred consideration

The outstanding deferred consideration due to Anglo American Exploration B.V. and Rio Tinto Mining & Exploration Ltd was settled during the period by way of a payment of US$1.5 million in cash made on 30 November 2011 and the issue of 6,157,635 fully paid ordinary shares in Scandinavian Resources Ltd on 2 December 2011.

The remainder of the outstanding deferred consideration, which was payable to Grängesberg Iron AB, was settled by way of payment of US$750,000 on 15 August 2011 and of US$750,000 on 15 November 2011.

10. Other financial liabilities

	Dec 2011 $	June 2011 $
Convertible notes		
Amounts outstanding - beginning of financial year	3,695,000	-
Proceeds from the issue of convertible notes	1,950,000	3,695,000
Transaction costs	(50,065)	(215,053)
Net proceeds	5,594,935	3,479,947
Amounts repaid	(562,294)	-
Amount classified as equity	(138,481)	(113,899)
Accrued and imputed interest	600,004	174,542
Carrying amount of liability	5,494,164	3,540,590
Other borrowings		
Loan and accrued interest	158,610	-
	5,652,774	3,540,590

On 25 July 2011 a convertible note was entered in to with a director related person of Hannans Reward Ltd, which allowed $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 was originally required to be repaid on or before 1 February 2012 but has since been extended; the loan was unsecured. Subsequent to entering into the loan the Board approved the rollover of the loan into a convertible note subject to shareholder approval. Shareholder approval was thereafter obtained at a general meeting which provided for the grant of 50,000 unlisted options in Scandinavian Resources Ltd exercisable at A$0.40 each on or before 1 February 2013 as a fee and the issuance of convertible notes with an extended repayment date of 31 March 2012. The convertible notes provided for each note to convert to 1.5 ordinary fully paid shares in Scandinavian Resources Ltd. At the date of this report the notes to the value of $250,000 have been drawn down.

On 12 August 2011 the Company entered in to a convertible note with HR Equities Pty Ltd (Lender) - a wholly owned subsidiary of Hannans Reward Ltd, of which Mr Damian Hicks is the Managing Director - which allows $750,000 to be drawn down as and when required with interest payable at a rate of 21.3% per annum. The loan and interest was originally required to be repaid on or before 31 March 2012 but has since been extended. 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 1.5 shares for every dollar drawn down. As a fee the Lender has been issued with 150,000 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 $750,000 has been drawn down at 31 December 2011 in respect of the loan.

Repayment terms for a number of the loans have subsequently been extended, with additional options issued as fees for the extension of the convertible notes as referred to in note 13.

10. Other financial liabilities (cont'd)

On 20 July 2011 a director related party of Scandinavian Resources Ltd provided a loan facility to Scandinavian Resources Ltd which allowed $150,000 to be drawn down as and when required by Scandinavian Resources Ltd with interest payable at the rate of 12.5% per annum. The loan and interest were originally required to be repaid on or before 30 November 2011, however repayment of the loan has been extended to 15 April 2012. The director related party of Scandinavian Resources Ltd has a second priority security over the assets of Scandinavian Resources Ltd. As a fee the lender was paid an amount of $500. At the date of this report the full amount of the loan has been drawn down.

11. Issued capital

Fully paid ordinary shares	**31 December 2011**	**30 June 2011**
114,363,266 fully paid ordinary shares (30 June 2011: 74,779,496)	21,691,064	12,195,148
	21,691,064	12,195,148

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

	31 December 2011		**30 June 2011**	
	No.	**$**	**No.**	**$**
Balance at beginning of financial year	74,779,496	12,195,148	63,059,878	7,255,888
Issue of shares – 2 December 2011 (i)	6,157,635	1,500,000	-	-
Issue of shares – 22 September 2010	-	-	294,118	50,000
Issue of shares – 7 June 2011	-	-	8,200,000	4,100,000
Exercise of listed options (ii)	33,426,135	8,214,200	3,225,500	806,375
Share issue costs	-	(218,284)	-	(17,115)
Balance at end of financial year	114,363,266	21,691,064	74,779,496	12,195,148

(i) US$1.5 million of the deferred consideration of US$3 million due to Anglo American Exploration B.V. and Rio Tinto Mining & Exploration Ltd (refer note 9) was settled by the issue of fully paid ordinary shares in Scandinavian Resources Ltd in accordance with the terms of the agreement.

(ii) During the period the Group entered into an agreement with HR Equities Pty Ltd to partially underwrite the Company's listed 25c options that expired on 31 October 2011. HR Equities Pty Ltd is a wholly owned subsidiary of Hannans Reward Ltd, of which Mr Damian Hicks is the Managing Director. In total 17,462,734 ordinary shares at 25 cents each were issued to HR Equities Pty Ltd, amounting to proceeds of $4,365,683 to the Group. Furthermore, HR Equities Pty Ltd was paid an underwriting fee of 5% of the shortfall shares.

11. Issued capital (cont'd)

Options

As at 31 December 2011, the Company has issued the following options:

Date Options Issued	Vesting Date	Expiry Date	Exercise Price (cents)	Number of Options	Notes
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	8,186,673	-
22 September 2010	22 September 2010	30 June 2013	25	400,000	-
22 September 2010	22 September 2010	30 June 2013	50	300,000	-
22 September 2010	22 September 2010	30 June 2013	75	300,000	-
4 November 2010	4 November 2010	31 October 2012	20	1,000,000	-
23 December 2010	23 December 2010	31 October 2012	20	500,000	-
2 February 2011	2 February 2011	15 December 2012	40	500,000	-
8 February 2011	8 February 2011	1 February 2013	40	1,000,000	-
25 July 2011	25 July 2011	1 February 2013	40	50,000	(i)
12 August 2011	12 August 2011	1 February 2013	40	150,000	(i)
		Total Number of Options		**32,520,007**	

Each option issued converts into one ordinary share of Scandinavian Resources Ltd 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 as a fee to the providers of the convertible notes.

12. 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 Ltd 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.

No share-based payments were issued to Directors or employees during the period.

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 Ltd 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.

12. Share-based payments (cont'd)

The following share-based payment transactions took place during the current period:

Options series	Number	Grant date	Expiry date	Exercise price $
Convertible Notes				
1 February 2013	50,000	25 July 2011	1 February 2013	0.40
1 February 2013	150,000	12 August 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:

Inputs into the model	Option series – Convertible notes (at expiry date)	
	1 Feb 2013	1 Feb 2013
Grant date share price (cents)	39	46
Exercise price (cents)	40	40
Expected volatility	92%	94%
Option life (Months)	18	18
Dividend yield	Nil	Nil
Risk-free interest rate %	4.34	3.67
Fair value (cents)	17.20	22.40

Based on these inputs, the grant date fair value of the share-based payments has been determined as $42,199 (2010: $216,056).

13. Subsequent events

The following matters or circumstances have arisen since 31 December 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) During January 2012 the Company determined that it would not draw down further on the remaining balance of convertible loan facility provided by OM Holdings Ltd. The full amount available under the loan facility was $5,000,000 and the amount drawn down is currently $500,000 which is due for repayment on 1 April 2012 (refer note 13(b)).

b) During January 2012 the repayment dates of the convertible notes were extended with the first repayment date being 15 March 2012 ($1,000,000), the second repayment date being 31 March 2012 ($4,045,000) and the third repayment date being 1 April 2012 ($500,000), based on amounts drawn to date (refer note 10).

   On 13 March 2012 HR Equities Pty Ltd extended the repayment dates for its outstanding loan portfolio and the interest payment date to 15 September 2012. The total loan facility (i.e. the funds available to be drawn down by Scandinavian Resources Ltd) was increased by $500,000. Excluding interest, a total of $3,645,000 was drawn down at 31 December 2011 in respect of the convertible loans from HR Equities Pty Ltd.

13. Subsequent events (cont'd)

On 13 March 2012, the terms of the convertible notes with a third party lender, a director related person of Hannans Reward and a director related person of Scandinavian Resources Ltd were extended. The loans will be rolled over on a monthly basis, with the earliest repayment date being 15 April 2012, and outstanding amounts being payable within 14 days receipt by the Company of written notice for payment by the lenders. Interest is payable on a monthly basis from 31 March 2012. Excluding interest, a total of $1,400,000 was drawn down at 31 December 2011 in respect of the convertible notes and loans with the third party lender, director related person of Hannans Reward and director related person of Scandinavian Resources Ltd.

There are no fees payable for the second extensions of the convertible notes and loan above.

c) On 31 January 2012, the Company issued 604,162 unlisted options exercisable at 20c each on or before 15 September 2013 as fees for the first extension of the convertible notes.

d) On 29 February 2012, the Company released to the ASX an announcement that it had received a notice of intention to acquire all of the outstanding fully paid ordinary shares in the Company by way of an off-market takeover bid from Hannans Reward Ltd ("Hannans Reward"). Hannans Reward currently holds approximately 17% of the Company's ordinary shares. Under the offer Scandinavian Resources shareholders are to receive 3 Hannans Reward shares for every 1 Scandinavian Resources share. 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.

e) Since 31 December 2011 200,000 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 $40,000.