

SCANDINAVIAN RESOURCES LIMITED
CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement sets out the Company's current compliance with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (**Best Practice Recommendations**). The Best Practice Recommendations are not mandatory. However, the Company will be required to provide a statement in its future annual reports disclosing the extent to which the Company has followed the Best Practice Recommendations.

	BEST PRACTICE RECOMMENDATION	COMMENT
1.	<i>Lay solid foundations for management and oversight</i>	
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	The Directors monitor the business affairs of the Company on behalf of Shareholders and have adopted a corporate governance policy which is designed to encourage Directors to focus their attention on accountability, risk management and ethical conduct. The Company's main corporate governance policies and practices are outlined at section 10.2 of the Company's Replacement Prospectus dated 6 November 2009.
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Evaluation of the Board is carried out on a continuing and informal basis. The Company will put a formal process in place as and when the level of operations justifies it.
1.3	Companies should provide the information indicated in the <i>Guide to reporting on Principle 1</i> .	The Company will explain any departures from Best Practice Recommendations 1.1 and 1.2 in its future annual reports, including whether a performance evaluation for senior executives has taken place in the reporting period and whether it was in accordance with the process disclosed.

2.	<i>Structure the board to add value</i>	
2.1	A majority of the board should be independent directors.	The Board has three Directors, however, they are not independent as they do not satisfy the definition of an independent director under the Best Practices Recommendations. The Board considers that the scope and size of the existing Board is appropriate given the size of the Groups operations and the skills matrix of the existing Board members.
2.2	The chair should be an independent director.	The chairman, Damian Hicks, is not independent as noted in 2.1 above.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	The roles of chief executive officer and chairman are not held by the same person.
2.4	The board should establish a nomination committee.	The Board has not established a nomination committee. The Board as a whole will identify candidates and assess their skills in deciding whether an individual has potential to add value to the Company. The Board may also seek independent advice to assist with the identification process.
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Evaluation of the Board is carried out on a continuing and informal basis. The Company will put a formal process in place as and when the level of operations justifies it.
2.6	Companies should provide the information indicated in the <i>Guide to reporting on Principle 2</i> .	The Company will provide details of each director, such as their skills, experience and expertise relevant to their position, together with an explanation of any departures from Best Practice Recommendations 2.1, 2.2, 2.3, 2.4 and 2.5 in its future annual reports.

3.	Promote ethical and responsible decision-making	
3.1	<p>Companies should establish a code of conduct and disclose the code or a summary of the code as to:</p> <ul style="list-style-type: none"> • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	<p>The Board considers that due to the size of the Board and Management that a separate code of conduct is not warranted. The Board and Management understand the obligations for ethical and responsible decision making.</p>
3.2	<p>Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.</p>	<p>Directors are aware of the restrictions in trading in the company securities. While no formal policy has been adopted, there is an understanding of the relevant issues.</p>
3.3	<p>Companies should provide the information indicated in the <i>Guide to reporting on Principle 3</i>.</p>	<p>The Company will explain any departures from Best Practice Recommendations 3.1, 3.2 and 3.3 in its future annual reports.</p>
4.	Safeguard integrity in financial reporting	
4.1	<p>The board should establish an audit committee.</p>	<p>The Board considers that due to the size and complexity of the Groups affairs it does not merit the establishment of a separate audit committee. Until the situation changes the Board will carry out any necessary audit committee functions.</p>

4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> • consists only of non-executive directors • consists of a majority of independent directors • is chaired by an independent chair, who is not chair of the board • has at least three members. 	Refer to 4.1
4.3	The audit committee should have a formal charter.	Refer to 4.1
4.4	Companies should provide the information indicated in the <i>Guide to reporting on Principle 4</i> .	The Company will explain any departures from the Best Practice Recommendations 4.1, 4.2 and 4.3 in its future annual reports.
5.	<i>Make timely and balanced disclosure</i>	
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The Company has a continuous disclosure program in place designed to ensure the compliance with ASX Listing Rule disclosure and to ensure accountability at a senior executive level for compliance and factual presentation of the Company's financial position.
5.2	Companies should provide the information indicated in <i>Guide to Reporting on Principle 5</i> .	The Company will provide an explanation of any departures from Best Practice Recommendation 5.1 in its future annual reports.
6.	<i>Respect the rights of shareholders</i>	
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	The Company considers investor communication at all Board Meetings. The Company seeks to ensure appropriate and frequent communication with shareholders.

6.2	Companies should provide the information indicated in the <i>Guide to reporting on Principle 6</i> .	The Company will provide an explanation of any departures from Best Practice Recommendation 6.1 in its future annual reports.
7.	<i>Recognise and manage risk</i>	
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	The Board determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board Meetings.
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	The Board will consider whether it is appropriate to require the Chief Executive Officer and Chief Financial Officer (or their equivalents) to provide such a statement at the relevant time.
7.4	Companies should provide the information indicated in <i>Guide to Reporting on Principle 7</i> .	The Company will provide an explanation of any departures from Best Practice Recommendations 7.1, 7.2 and 7.3 (if any) in its future annual reports.

8.	Remunerate fairly and responsibly	
8.1	The board should establish a remuneration committee.	The Board considers that due to the size and complexity of the Groups affairs it does not merit the establishment of a separate remuneration committee. Until the situation changes the Board will carry out any necessary remuneration committee functions.
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	<p>Executive Directors remuneration packages may comprise of:</p> <ul style="list-style-type: none"> (a) salary and associated superannuation; (b) fixed directors fees; and (c) performance based bonuses. <p>Non-Executive Directors receive fixed directors fees only, and do not participate in any performance-based remuneration. Fixed directors fees may be paid in the form of cash, share options or a combination of both. Share options are issued on similar terms to previous issues by the entity and are considered to be in lieu of cash, not based on performance of the entity.</p> <p>Full remuneration disclosure, including superannuation entitlements will be provided by the Company in its annual report.</p>
8.3	Companies should provide the information indicated in the <i>Guide to reporting on Principle 8</i> .	The company will provide an explanation of any departures from Best Practice Recommendations 8.1 and 8.2 (if any) in its future annual reports.