



ASX Announcement / Media Release

31 January 2011

Fast Facts

ASX Code: SCR
SCRO

Capital Structure

Shares on issue: 63.35m
Options on issue: 67.47m (ex 20c – 75c)
Market cap: \$30.4m (undiluted)

Financial Position

Cash: \$3.43m (December 2010)
(includes remaining loan facility)

Board of Directors

Damian Hicks Chairman
Olof Forslund Technical Director
Ian Gregory Director &
Company Secretary
Paul Thomas Non-executive Director
Markus Bachmann Non-executive Director

Primary Projects

Sweden

Kiruna Iron
Swampy Mountain Iron-copper-gold & PGE

Norway

Lake Embrace Copper-lead-zinc

Project Pipeline

Commodities

Manganese
Gold
Copper
Copper-gold
Copper-lead-zinc

2nd Quarter Activities Report

Highlights

- Drill planning at Kiruna Iron Project well advanced
- Sámi landholder consultation initiated
- Final assay results from Famnvatnet
- Acquisition of 100% interest in major project from Anglo America and Rio Tinto (Rakkuri Project)
- Total convertible loan funding increases to \$3.75m

Scandinavian Resources Ltd (ASX:SCR) - currently one of the largest landholders around the biggest iron mine in Europe – has commenced diamond drilling at the wholly owned Kiruna Project after a busy Quarter of modelling and drill preparation.

More than 10,000m of diamond drilling has been planned at the Kiruna Iron Project as the Company advances towards its goal of establishing a significant JORC compliant iron ore inventory during 2011. The Kiruna Iron AB now has a resource base of 185Mt of iron and an exploration target of 150-185Mt of iron at 25%-37% Fe.

The global resource base increased significantly during the Quarter through the purchase of the Rakkuri Project from Anglo America and Rio Tinto. The Rakkuri Project is located less than 3km from the 2Bt Kiirunavaara mine owned by LKAB and contains a JORC compliant inferred resource of 87.7Mt @ 33.2% Fe and an exploration target of 25-35Mt of iron at 25%-36% Fe.

To assist with funding winter drilling activities at the Kiruna Iron Project the Company has entered into two separate funding arrangements during the Quarter and the company has convertible loan funding of \$3.75 million.

EXPLORING THE SCANDINAVIAN SHIELD

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Exploration Activities

Kiruna Iron Project (Northern Sweden)

During the Quarter a significant amount of data validation and data modelling has occurred on multiple Projects in the Kiruna district ahead of diamond drilling. Approximately 10,000m of diamond drilling has been planned for the Kiruna Projects as part of a first phase of drilling scheduled for January through to April/May when the snow begins to melt. A second phase of drilling is scheduled for the summer period of June-September; if required a third phase of drilling may occur during November-December.

The winter drilling program has been designed to achieve several goals:

- Validate historical drill intercepts with twin holes.
- Expand known deposit parameters.
- Confirm iron mineralisation in previously untested anomalies.
- Satisfy Joint Venture commitments.
- Satisfy permit renewal requirements.

Due to access and logistical reasons drilling has commenced (see ASX Announcement - Vieto Drilling dated 31st January 2011) at the Vieto Project where a current JORC inferred resource of 13.27Mt @ 34.3%Fe exists.

For more information on the proposed drilling and exploration at the Kiruna Iron Project please see ASX Announcement-Kiruna Iron AB Update dated 20th January 2011.

During the Quarter several key landowner meetings were held between the Company and local Sámi village representatives, summer house owners and County Board representatives; the Company is committed to working closely with all stakeholders.

Lake Embrace (Famnvatnet) Project (Norway)

- Final assay results from diamond drilling returned

Diamond drilling of VTEM targets at the 100% owned Famnvatnet Project commenced in early July 2010 and was halted in September due to the onset of winter snow; a total of twenty five boreholes were completed for 2335.3m.

The boreholes were testing geophysical targets; namely early and late time EM anomalies generated through a heliborne VTEM survey flown in August 2009. The majority of holes intersected material to sufficiently explain the EM anomalies including massive barren pyrrhotite, graphitic schist and minor disseminated sulphides (pyrite, pyrrhotite, chalcopyrite and sphalerite).

Assay results from the final holes to be sampled were received during the Quarter and only returned weak base metal anomalism; FAM10010 returned 2.2m @ 0.9ppm Ag, 226ppm Pb and 790ppm Zn from 42.1m. A wider zone (6.3m) of zinc anomalism occurred from 38-44.3m at an average grade of 683ppm where minor visible sphalerite was logged.

No further exploration work has been completed at Famnvatnet or the other Caledonide Projects during the Quarter due to the winter weather.

Corporate

Rakkuri Project Acquisition

During the Quarter the company, through its wholly owned subsidiary Kiruna Iron AB, finalised a significant transaction between Anglo American Exploration BV (Anglo American) and Rio Tinto Mining & Exploration Ltd (Rio Tinto) to acquire 100% of the Rakkuri Project, located less than 3km from the 2Bt Kirunavaara iron mine owned by LKAB. The acquisition complements Kiruna Iron AB's strategy of striving to become a producer of premium quality iron products in the Kiruna District, northern Sweden. The transaction also included the purchase of an exclusive license to use Anglo America's Swedish database which will enable the company to rapidly incubate new projects at a low cost leveraging off high quality exploration completed by Anglo America.

The Rakkuri Project is located very close to the Kirunavaara iron mine (owned by LKAB) which has been producing iron continuously for 100 years, the Kiruna town, modern rail infrastructure and Kiruna Iron AB's Puoltsa iron prospect. The project contains an exploitation concession application for the mining of copper-gold which will be amended by Kiruna Iron AB to include iron upon completion of exploration drilling.

Kiruna Iron AB director Mr Olof Forslund said, "This is a major milestone for Kiruna Iron AB. The Rakkuri Project is well known in Sweden as a copper-gold project discovered by Anglo American and Rio Tinto. The mineralisation is hosted in magnetite; typical of an IOCG deposit and district such as Kiruna. We've now assessed the available data and we're quite confident that this iron project will increase in size with additional exploration drilling due to start soon. The project also has significant undeveloped copper-gold mineralisation. We're going to continue consultation with Kiruna stakeholder groups to explain our iron exploration, development and mining strategy and how our plans will be tailored to ensure positive outcomes are achieved for the Kiruna Community."

Mr Forslund continued, "We are also very excited about having the exclusive license to utilise Anglo American's exploration database for Sweden and to have an open line of communication with Anglo to make the most of the information. I am very aware of how active Anglo American has been in exploring Sweden for the last 10 years so there is a huge amount of highly valuable data to work through. They have always completed high quality work but they are also looking for world-class deposits. There may be deposits lying somewhere in the data that would represent significant value for shareholders of Scandinavian Resources."

Consideration for both Agreements

The combined purchase price for the two separate Agreements, the Rakkuri Project and the Anglo American Data Agreement is US\$7m with each Agreement having an NSR of 1.5%. US\$1 million has been paid (1st payment), US\$3 million (2nd payment) will be paid before the end of November 2010 and US\$3 million (3rd payment) will be paid within twelve months. The 3rd payment may at Scandinavian Resources Ltd's election be paid half in shares and half in cash or all in cash.

Funding Arrangements

Scandinavian Resources Ltd wholly owned subsidiary Kiruna Iron AB has entered into two separate convertible loan agreements to fund exploration activities and working capital.

The first loan agreement of AUD\$2.5 million can be drawn down by Kiruna Iron AB as and when required, interest is payable at the rate of 12.5% per annum. The loan and interest must be repaid on or before 15 December 2011 (thirteen months) and the lender has been provided with a first mortgage over 100% of the assets of Scandinavian Resources Ltd. The lender may at its election, at any time, convert the amount drawn down into fully paid ASX tradable shares in SCR at the rate of 3 shares for every one AUD drawn down. As a fee, the lender has been issued with 1 million options in SCR exercisable at AUD0.20 per option exercisable at any time on or before 31 October 2012. Each option will, if exercised, convert into a fully paid ASX tradable share in SCR.

The second loan agreement of AUD\$1.25 million can be drawn down as and when required with interest payable at the rate of 12.5% per annum. Principal and interest must be repaid on or before 15 December 2011. The lender may at its election, at any time, convert the amount drawn down into fully paid ASX tradable shares at the rate of 3 shares for every one \$1 drawn down. As a fee, the lender has been issued with 500,000 options exercisable at \$0.20 per option any time on or before 31 October 2012. Each option will, if exercised, convert into a fully paid ASX tradable share in SCR.

Scandinavian Resources Ltd and Kiruna Iron AB will use this bridging finance to introduce the rapidly progressing Kiruna Iron Project to the global iron investment community prior to assessing future funding options.

Of the \$3.75m total available loan funds, approximately \$0.845 million has been drawn down to date.

For further information please see ASX Announcement-Funding and Iron Exploration dated 29th December 2010.

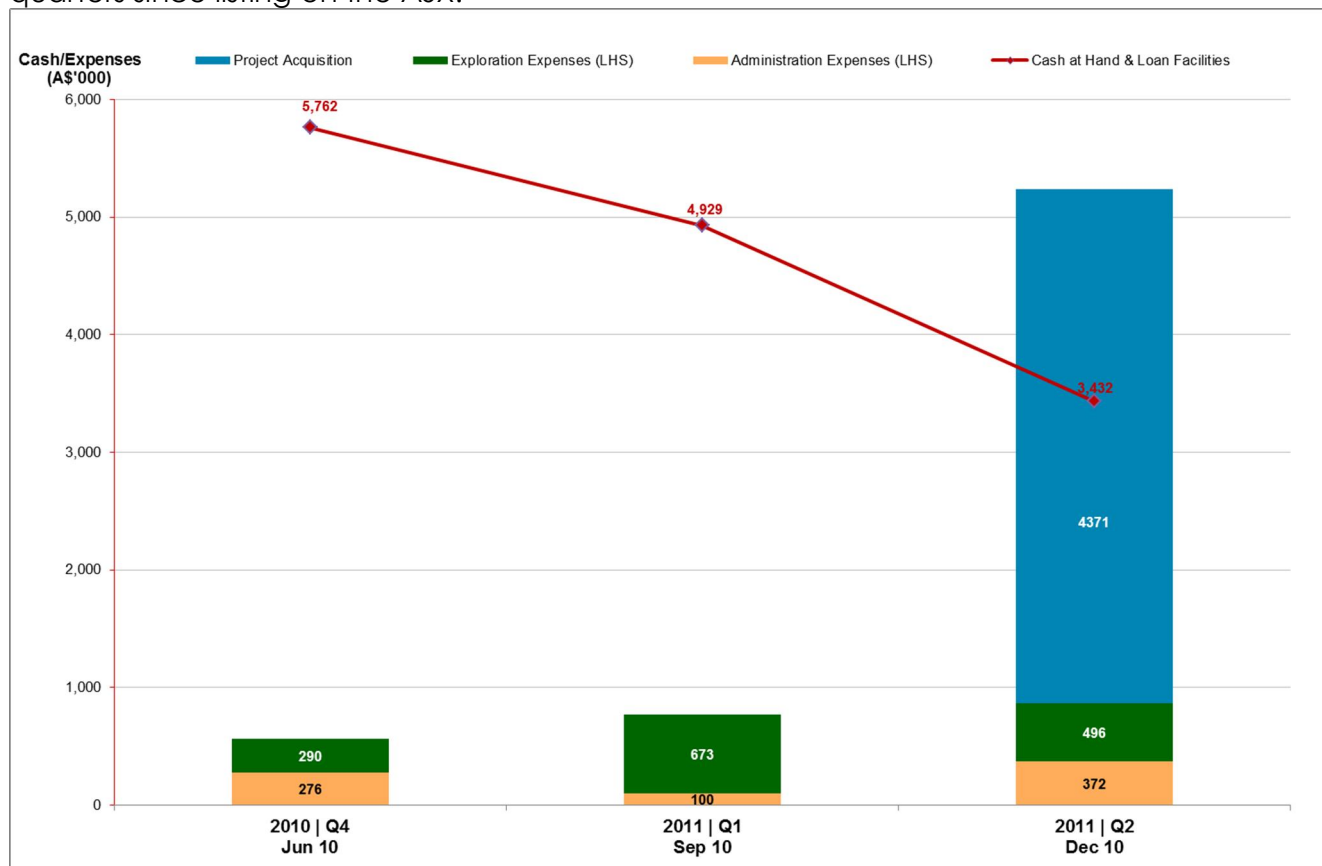
Corporate Strategy

The Kiruna Iron AB strategy is to aggregate sufficient iron projects through acquisition and joint venture to consider iron mining scenarios. The majority of the Company's iron portfolio has had minimal exploration since the 1970's

Kiruna Iron AB's projects are located within 30km of the modern town of Kiruna and an open access railway that leads to a deep water port at Narvik. Company management recently visited the Port of Narvik and were welcomed by the Port Captain, Mr Rune Arnoy and the Mayor of Narvik, Ms Karen Kuvaas. Following completion of proposed capital works, the Port will have the capacity to handle substantial additional throughput. Management also met recently with the Swedish Rail Authority at which time it was confirmed that the rail infrastructure is 'open' access; unlike the rail infrastructure in the Pilbara region of Western Australia. Options are being assessed to increase the capacity of the railway network to allow for multi-user access (i.e. LKAB, Northland Resources and potentially Kiruna Iron AB).

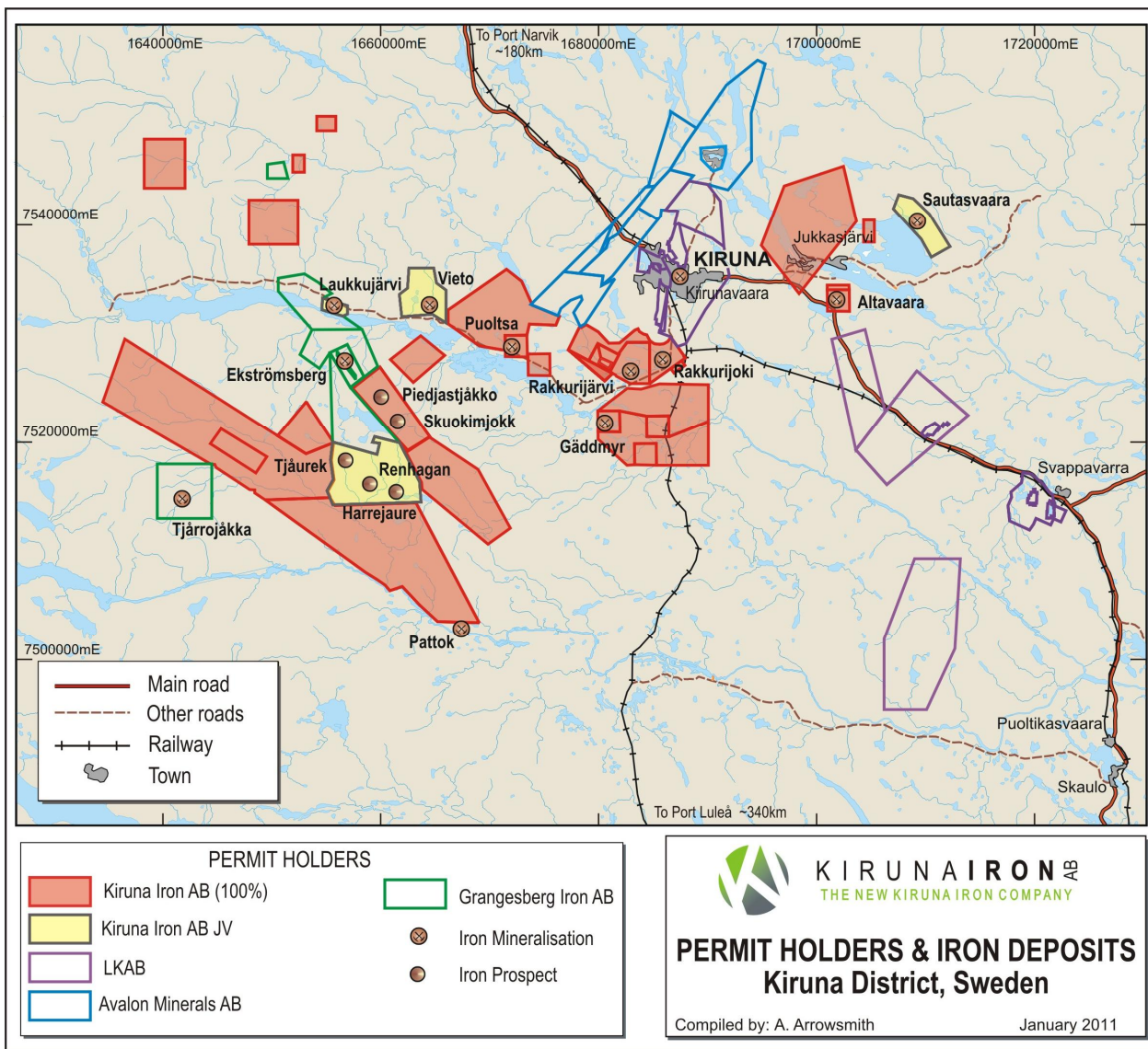
Quarterly Expenditure Summary

The chart below shows the historical cash expenditure and cash on hand over the three quarters since listing on the ASX.



Second Quarter ASX Announcements

Date	Announcement Title
31/12/2010	ScanRes - Securities Trading Policy
29/12/2010	ScanRes - Funding and Iron Exploration
22/11/2010	ScanRes - 2010 AGM Results
22/11/2010	ScanRes - 2010 AGM Presentation
15/11/2010	ScanRes - Anglo American and Rio Tinto
15/11/2010	Reinstatement to Official Quotation
05/11/2010	Update on Transactions
01/11/2010	ScanRes - 1st Quarter Activities Report
29/10/2010	ScanRes - 1st Quarter Cashflow Report
29/10/2010	Continuation of Voluntary Suspension
22/10/2010	Suspension from Official Quotation
20/10/2010	Trading Halt
13/10/2010	ScanRes - Notice of Meeting 2010 AGM
11/10/2010	ScanRes - High Grade Gold
11/10/2010	ScanRes - Kiruna Iron Project Update
08/10/2010	ScanRes - Kiruna Iron Project Update
01/10/2010	ScanRes - Annual Report 2010





Scandinavian Resources Ltd Summary

By way of introduction Scandinavian Resources':

- strategy is to 'incubate' a highly prospective portfolio of iron, manganese, gold, PGE and base metals projects in Scandinavia (primarily Sweden and Norway).
- cornerstone investor is S&P/ASX Top 200 company, OM Holdings Ltd (ASX:OMH).
- Technical Director Mr. Olof Forslund was previously Regional Manager of the Geological Survey of Sweden's Mineral Resources Information Office in Malå, Sweden.
- is one of the largest landholders (by area) of minerals exploration projects in Sweden and one of the largest landholders in the world class Kiruna IOCG District.
- exploration projects are the Kiruna iron Project (Kiruna District, Sweden), Lake Embrace copper-lead-zinc-silver Project (Nordland District, Norway) and Swampy Mountain iron-copper-gold plus PGE Project (Skellefte District, Sweden).
- flagship Kiruna iron Project is 30km from the 2Bt Kiruna iron mine (owned by LKAB) – the world's largest and most modern underground iron mine.
- 'pipeline' of projects cover manganese, gold, copper-gold and lead-zinc prospects in Sweden and Norway.
- Raised AUD6.7 million through an Initial Public Offering and was granted admission to the ASX in April 2010

Please visit www.scandinavianresources.com for a detailed summary of the Company's projects.

Competent Persons Statement

The information in this document that relates to exploration results is based on information compiled by Mrs. Amanda Arrowsmith, Exploration Manager, Scandinavian Resources Ltd, who is a Member of the Australian Institute of Mining and Metallurgy. Mrs. Arrowsmith is a full-time employee of Scandinavian Resources Ltd. Mrs. Arrowsmith has sufficient experience, which is relevant to the style of mineralisation and types of deposits under consideration and to the activity which has been undertaken to qualify as a Competent Person as defined by the 2004 edition of the "Australian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mrs. Arrowsmith consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

The mineral resource estimate for Rakkuri (Rakkurijoki and Rakkurijärvi) is effective from 1st October, 2010 and has been prepared by Mr Thomas Lindholm, MSc of GeoVista AB, Luleå, Sweden acting as an independent "Competent Person". Mr. Lindholm is a fellow member of the Australasian Institute of Mining and Metallurgy (Member #230476). Mineral resources of the Rakkuri iron deposits have been prepared and categorised for reporting purposes by Mr. Lindholm, following the guidelines of the JORC Code. Mr Lindholm is qualified to be a Competent Person as defined by the JORC Code on the basis of training and experience in the exploration, mining and estimation of mineral resources of gold, base metal and iron deposits.

The Rakkuri database includes 121 diamond drillholes totalling 21,672 metres drilled between 1960's and 2006. The database includes 3,241 Fe assays. Drill core sample lengths vary between 0.18 and 15.65 metres with 87% of the sections being 2m or shorter (average 1.58 metres). All assays were composited to 5m for use in the interpolation. Approximately 50 of the above mentioned drillholes have been assayed with a method (ALS Chemex ME-ICP61a) that tops out at 30% Fe, intended instead to optimize base metal and gold assays. Of the total inferred resource reported below, a portion of 13 Mton, averaging 26.4% Fe, are largely defined by those holes. Judging by analyses available from other holes in the same zone it is considered likely that re-assaying those holes would yield an average grade considerably higher as well as a higher tonnage since the specific gravity is highly grade dependent.

The mineralisations were divided into five zones. A wireframe model was constructed based on a 20% Fe cut-off. The mineral resource was calculated using block modelling to a maximum vertical depth of 50-100m below deepest drill intercepts except where otherwise indicated from holes in adjacent sections. The block model is made up of 20m x 20m x 5m blocks (length:height:width) constrained by the modelled wireframe, to better allow for geometrical variations, sub-blocking down to ¼ sides was allowed.

Block grades were interpolated using 3 concentric search ellipses using inverse distance squared with a minimum of 3 and a maximum of 15 samples. The second search ellipse was double the first one and the final bigger ellipse was used to estimate the remaining un-estimated blocks left after the second search. The dimensions of the search ellipses were as follows:

Interpolation pass	X	Y	Z
First pass	10m	50m	50m
Second pass	20m	100m	100m
Third pass	40m	200m	200m

The search ellipses were oriented parallel to the strike and dip of the mineralisations. Inferred mineral resources are defined as those portions of the deposits estimated with a drill spacing mostly defined by 50m x 50m up to 200m x 100m drill spacing. Exploration target mineral resources are defined as those portions of the deposit outside of the inferred, generally drilled on a grid of 200m x 200m.

The bulk density of the mineralisation was based on a set of 605 specific gravity determinations collected during exploration. A regression formula was generated expressing the specific gravity as a function of the grade of iron as follows:

$$SG = 0.0000001366*Fe^3 + 0.0001838969*Fe^2 + 0.0171715825*Fe + 2.821 \quad (R^2=0.95)$$

The mineral resources at Rakkuri, as of October 1st, 2010 are:

	Grade Fe [%]	Tonnage [Mton]
Inferred resources	33.2	87.7
Exploration target	25-36	25-35

For further information please contact:

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