

**ISSUER DETAILS**

| <b>NAME OF ISSUER</b>   | <b>FOR PERIOD ENDED</b> | <b>DATE OF REPORT</b> |
|-------------------------|-------------------------|-----------------------|
| NORDIC OIL AND GAS LTD. | June 30, 2008           | August 25, 2008       |

**ISSUER ADDRESS**

4727 ROBLIN BOULEVARD

| <b>CITY</b> | <b>PROVINCE</b> | <b>POSTAL CODE</b> | <b>ISSUER FAX NO.</b> | <b>ISSUER TELEPHONE NO.</b> |
|-------------|-----------------|--------------------|-----------------------|-----------------------------|
| WINNIPEG    | MANITOBA        | R3R 0G2            | (204) 897-7154        | (204) 956-5042              |

| <b>CONTACT NAME</b> | <b>CONTACT POSITION</b> | <b>CONTACT TELEPHONE NO.</b> |
|---------------------|-------------------------|------------------------------|
| DONALD P. BENSON    | PRESIDENT               | (204) 956-5042               |

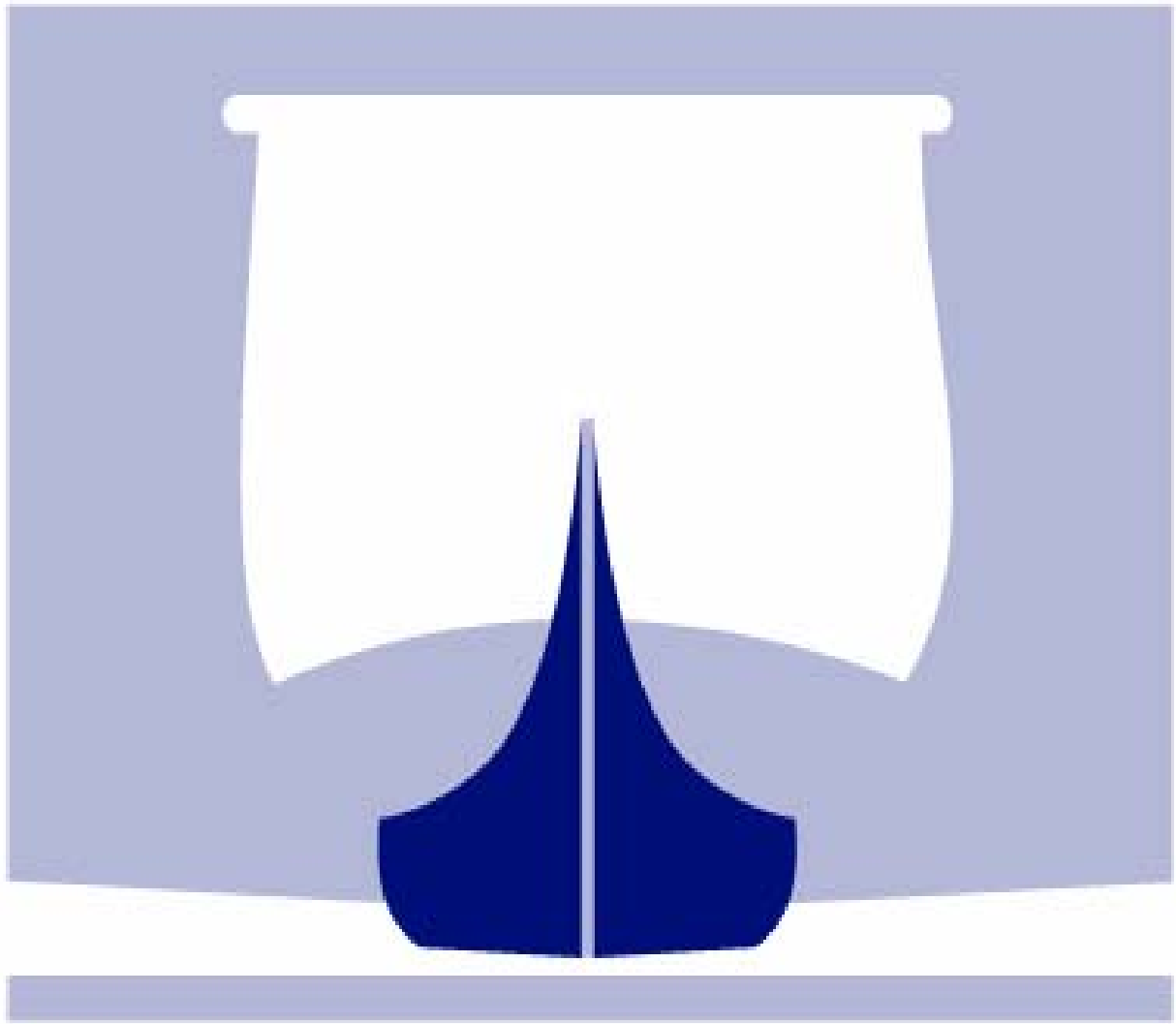
| <b>CONTACT E-MAIL ADDRESS</b>                            | <b>WEBSITE ADDRESS</b>                                       |
|--|--|
| <a href="mailto:dbenson57@shaw.ca">dbenson57@shaw.ca</a> | <a href="http://nordicoilandgas.com">nordicoilandgas.com</a> |

**CERTIFICATE**

*THE THREE SCHEDULES REQUIRED TO COMPLETE THIS REPORT ARE ATTACHED AND THE DISCLOSURE CONTAINED THEREIN HAS BEEN APPROVED BY THE BOARD OF DIRECTORS. A COPY OF THIS REPORT WILL BE PROVIDED TO ANY SHAREHOLDER WHO REQUESTS IT.*

| <b>DIRECTOR'S SIGNATURE</b> | <b>PRINT FULL NAME</b> | <b>DATE SIGNED</b> |
|-----------------------------|------------------------|--------------------|
| "Donald Benson"             | DONALD P. BENSON       | 8/27/2008          |

| <b>DIRECTOR'S SIGNATURE</b> | <b>PRINT FULL NAME</b> | <b>DATE SIGNED</b> |
|-----------------------------|------------------------|--------------------|
| "Barry Palka"               | BARRY PALKA            | 8/27/2008          |



**NORDIC**  
OIL AND GAS LTD

## ***Notice of No Auditor Review***

**NORDIC OIL AND GAS LTD.**

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these consolidated financial statements in accordance with the established standards by the Canadian Institute of Chartered Accountants for a review of interim financial statements by the entity's auditors.

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**Nordic Oil and Gas Ltd.****Balance Sheet**

As at June 30, 2008

(Unaudited)

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| <b>ASSETS</b>                                   | <b>June 30,<br/>2008</b> | <b>December 31,<br/>2007</b> |
|---|--------------------------|------------------------------|
| <b>Current Assets</b>                           |                          |                              |
| Cash  | \$ 2,030,770             | 2,044,388                    |
| Short-Term Investments (note 2)                 | 3,774,097                | 204,191                      |
| Accounts Receivable                             | 515,394                  | 920,669                      |
| Deposits  | 182,155                  | -                            |
| Deferred Costs                                  | 17,215                   | -                            |
|   | <u>6,519,631</u>         | <u>3,169,248</u>             |
| <b>Capital Assets</b>                           |                          |                              |
| Property and Equipment (note 3)                 | 6,203,427                | 4,543,811                    |
| <b>Total Assets</b>                             | <u>\$ 12,723,058</u>     | <u>\$ 7,713,059</u>          |
| <br><b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> |                          |                              |
| <b>Current Liabilities</b>                      |                          |                              |
| Accounts Payable                                | 436,159                  | 247,416                      |
| Convertible Debenture (note 6)                  | 346,418                  | 665,937                      |
|   | <u>782,576</u>           | <u>913,353</u>               |
| <b>Long-Term Liabilities</b>                    |                          |                              |
| Asset Retirement Obligations                    | 293,626                  | 287,867                      |
| Future Tax Liability                            | 1,020,953                | 232,249                      |
| <b>Total Liabilities</b>                        | <u>2,097,156</u>         | <u>1,433,469</u>             |
| <br><b>Shareholders' Equity</b>                 |                          |                              |
| Equity Instruments (note 4)                     | 9,645,079                | 7,161,524                    |
| Equity portion of convertible debenture         | 25,962                   | 41,965                       |
| Contributed Surplus (note 5)                    | 3,782,931                | 1,631,847                    |
| Deficit   | (2,828,069)              | (2,555,746)                  |
| <b>Total Shareholders' Equity</b>               | <u>10,625,902</u>        | <u>6,279,590</u>             |
| <br><b>Total Liabilities &amp; Equity</b>       | <u>\$ 12,723,058</u>     | <u>\$ 7,713,059</u>          |

**Nordic Oil and Gas Ltd.**  
**Statement of Operations and Loss**  
For the period ended June 30, 2008  
(Unaudited)

|   | Three months ended |                    | Six months ended   |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | June 30            |                    | June 30            |                    |
| <b>REVENUE</b>                          | <u>2008</u>        | <u>2007</u>        | <u>2008</u>        | <u>2007</u>        |
| Oil and Gas Revenue                     | 335,275            | 167,439            | 473,376            | 348,541            |
| Liquids Revenue                         | 5,007              | 2,220              | 8,668              | 4,810              |
| Transport Revenue                       | 3,984              | 3,947              | 8,075              | 7,591              |
| Interest Revenue                        | <u>31,356</u>      | <u>1,823</u>       | <u>34,604</u>      | <u>3,626</u>       |
| <b>Total Revenue</b>                    | <b>375,622</b>     | <b>175,430</b>     | <b>524,724</b>     | <b>364,568</b>     |
| <b>PRODUCTION COSTS</b>                 |                    |                    |                    |                    |
| Operating Costs                         | 128,368            | 61,559             | 185,866            | 102,968            |
| Royalties Costs                         | <u>105,605</u>     | <u>45,468</u>      | <u>130,368</u>     | <u>75,097</u>      |
| <b>Total Production Costs</b>           | <b>233,974</b>     | <b>107,028</b>     | <b>316,234</b>     | <b>178,065</b>     |
| <b>EXPENSES</b>                         |                    |                    |                    |                    |
| Depletion and Amortization Expense      | 136,331            | 124,698            | 221,918            | 220,897            |
| General and Administration Expenses     | 108,744            | 68,081             | 218,080            | 108,584            |
| Interest expense                        | 13,402             | 27,158             | 28,406             | 50,818             |
| Geological Services                     | 14,306             | 18,434             | 31,716             | 43,501             |
| Management Fees                         | 37,500             | 30,000             | 70,000             | 60,000             |
| Professional Fees                       | 19,912             | 33,652             | 44,528             | 41,152             |
| Regulatory Fees                         | 12,007             | 5,434              | 30,403             | 16,297             |
| Stock Option Expense                    | <u>-</u>           | <u>-</u>           | <u>284,473</u>     | <u>-</u>           |
| <b>Total Expenses</b>                   | <b>342,201</b>     | <b>307,457</b>     | <b>929,524</b>     | <b>541,248</b>     |
| <b>Total Product Costs and Expenses</b> | <b>576,175</b>     | <b>414,484</b>     | <b>1,245,758</b>   | <b>719,313</b>     |
| Unrealized gain (loss) on investments   | - 2,640            | - -                | 2,640              | -                  |
| <b>Net loss before taxes</b>            | <u>(203,193)</u>   | <u>(239,055)</u>   | <u>(723,674)</u>   | <u>(354,745)</u>   |
| Future income tax recovery              | (67,463)           | -                  | (451,441)          | -                  |
| <b>Net loss for the period</b>          | <u>(135,730)</u>   | <u>(239,055)</u>   | <u>(272,233)</u>   | <u>(354,745)</u>   |
| Deficit, beginning                      | (2,692,340)        | (1,539,005)        | (2,555,836)        | (1,423,315)        |
| <b>Deficit, ending</b>                  | <u>(2,828,069)</u> | <u>(1,778,060)</u> | <u>(2,828,069)</u> | <u>(1,778,060)</u> |
| <b>Loss per share for the period</b>    | \$ (0.003)         | \$ (0.007)         | \$ (0.006)         | \$ (0.022)         |

**Nordic Oil and Gas Ltd.**  
**Statement of Cash Flow**  
For the period ended June 30, 2008  
(Unaudited)

| Cash Flow from  | Three months ended  |                  | Six months ended    |                  |
|---|---------------------|------------------|---------------------|------------------|
|   | June 30,            |                  | June 30,            |                  |
| Operating Activities  | <u>2008</u>         | <u>2007</u>      | <u>2008</u>         | <u>2007</u>      |
| Net Loss for the period   | (135,730)           | (239,055)        | (272,233)           | (354,746)        |
| Adjustments for   |                     |                  |                     |                  |
| Depletion and Amortization  | 136,331             | 124,698          | 221,918             | 220,897          |
| Stock Based Compensation  | -                   | -                | 284,473             | -                |
| Asset Retirement expense  | -                   | 27,158           | -                   | 50,818           |
| Future income tax recovery  | (67,463)            | -                | (451,441)           | -                |
| Total   | (66,862)            | (87,199)         | (217,284)           | (83,031)         |
| Changes in non-cash working capital                                 |                     |                  |                     |                  |
| Accounts Receivable   | (797,963)           | (47,938)         | (405,275)           | (4,722)          |
| Accounts Payable  | 438,136             | 1,793            | (188,743)           | (179,679)        |
| Prepaid Expenses & Deposits   | 17,800              | -                | (199,370)           | -                |
| Total cash from (used in) operations                                | (408,889)           | (133,344)        | (1,010,671)         | (267,432)        |
| <b>Investing Activities</b>   |                     |                  |                     |                  |
| Property and equipment acquisitions                                 | (1,408,903)         | (79,366)         | (1,827,032)         | (156,115)        |
| <b>Financing Activities</b>   |                     |                  |                     |                  |
| Shares issued net of issue costs                                    | 3,019,230           | -                | 5,977,774           | -                |
| Shares issued on warrants & options                                 | 286,700             | -                | 416,216             | -                |
| Total   | 3,305,930           | 0                | 6,393,990           | 0                |
| <b>Increase (Decrease) in cash and equivalents, during the year</b> | <b>1,488,138</b>    | <b>(212,710)</b> | <b>3,556,287</b>    | <b>(423,547)</b> |
| Cash and cash equivalents, beginning                                | 4,316,729           | 222,586          | 2,248,579           | 433,423          |
| Cash and cash equivalents, ending                                   | <u>\$ 5,804,867</u> | <u>\$ 9,876</u>  | <u>\$ 5,804,866</u> | <u>\$ 9,876</u>  |
| <b>Cash and cash equivalents:</b>                                   |                     |                  |                     |                  |
| Cash  | 2,030,770           | (190,124)        | 2,030,770           | (190,124)        |
| GICs and term deposits  | 3,774,097           | 200,000          | 3,774,097           | 200,000          |
|   | <u>\$ 5,804,867</u> | <u>\$ 9,876</u>  | <u>\$ 5,804,867</u> | <u>\$ 9,876</u>  |
|   | 0                   | -                | (0)                 | -                |

## NOTES TO THE FINANCIAL STATEMENTS

### 1. SIGNIFICANT ACCOUNTING POLICIES:

#### a) Incorporation

Nordic Oil and Gas Ltd., (the "Company") was incorporated under The Corporations Acts (Manitoba). The Company was originally classified as a venture capital pool corporation under the rules of the TSX Venture Exchange ("TSX", formerly the Canadian Venture Exchange). Under such rules, to meet the initial listings requirements of a publicly traded company, the Company was required to complete a Qualifying Transaction. The Company completed a Qualifying Transaction on November 14, 2002, and is now listed on the TSX (see note 2).

#### b) Financial Instruments

Financial instruments included cash and term deposits, accounts and GST receivable, accounts payable and accrued liabilities. The estimated fair value of such financial instruments approximates their carrying values. A \$200,000 bank line is secured with a term deposit.

#### c) Future Income Taxes

The company follows the liability method of accounting for income taxes. Under this method, income taxes are recognized for the future income tax consequences attributable to differences between the carrying value and the tax bases of assets and liabilities.

#### d) Oil & Gas Interest and Depletion

The company follows the full cost method of accounting for oil and gas properties whereby all costs relating to acquisition, exploration and development of oil and gas reserves are capitalized. Such costs include land acquisitions costs, geological and geophysical costs, drilling and other costs related to exploration and development activities. Proceeds from the disposal of oil and gas properties are applied against the capitalized costs of the related property.

The Company annually applies a ceiling test to capitalized costs, net of accumulated depletion and depreciation, to ensure they do not exceed the estimated undiscounted value of future net revenues from proven oil and gas reserves, based on year-end prices and costs, adjusted for estimated future general and administrative expenses, abandonment and site restoration costs, financing costs, and income taxes. Upon commencement of production, capitalized costs are depleted using the unit-of-production method, based on estimated provable oil and gas reserves determined by independent engineering.

At present, a substantial portion of the company's activities are conducted with others. These financial statements reflect only the Company's proportionate interest in joint ventures.

#### e) Stock Based Compensation

The Company has a stock option plan for its directors, officers and employees. Any compensation paid by option holders on the exercise of stock options is credited to share capital.

Commencing November 1, 2002, the company adopted the new Canadian accounting standard for stock based compensation and other stock-based payments which requires that all stock-

based awards granted to non-employees be accounted for at fair market value.

**f) Use of Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles require management to make estimates and assumptions that affect the reporting amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**g) Measurement Uncertainty**

The amounts recorded for depletion, depreciation and amortization of oil and gas interests and property and equipment are based on estimates. The ceiling test is based on estimates of proven reserves, production rates, oil price, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

**h) Statement Format**

The company will now present the Statement of Cash Flows using the indirect method. This will allow users a straightforward means to compare the company's financial statements.

**2. CHANGES IN ACCOUNTING POLICIES**

**a) Accounting changes**

Voluntary changes in accounting policies are permitted only if they result in financial statements which provide more reliable and relevant information. Accounting policy changes are applied retrospectively unless it is impracticable to determine the period or cumulative impact of the change. Corrections of prior period errors are applied retrospectively and change in accounting estimates are applied prospectively by including the effect of the change in earnings.

**b) Financial instruments—recognition and measurement**

This new standard requires all financial instruments within its scope, including all derivatives, to be recognized on the balance sheet initially at fair value. Subsequent measurement of all financial assets and liabilities except those held-for-trading and available for sale are measured at amortized cost determined using the effective interest rate method. Held-for-trading financial assets and liabilities are measured at fair value with changes in fair value recognized in earnings. Loans and receivable financial assets and other financial liabilities are measured at cost or amortized cost if interest-bearing. Available-for-sale financial assets are measured at fair value with changes in fair value recognized in comprehensive income and reclassified to earnings when derecognized or impaired. Changes to the measurement of existing financial assets and liabilities at the date of adoption were adjusted to either opening deficit or opening accumulated other comprehensive income as noted above.

**c) Comprehensive income**

Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources and includes unrealized gains and losses on financial assets classified as held available-for-sale. When related amounts are recorded in accordance with this new standard, the Company will report a consolidated statement of comprehensive income combined with the consolidated

statement of operations and a new category, accumulated other comprehensive income, in the shareholders' equity section of the consolidated balance sheet.

**d) Derivative instruments**

The Company may use various types of derivative financial instruments to manage risks associated with crude oil and natural gas price fluctuations. These instruments are not used for trading or speculative purposes. Proceeds and costs realized from holding the related contracts are recognized in petroleum and natural gas revenues at the time that each transaction under a contract is settled. For the unrealized portion of such contracts, the Company utilizes the fair value method of accounting.

The fair value is based on an estimate of the amounts that would have been paid to or received from counterparts to settle these instruments given future market prices and other relevant factors. The method requires the fair value of the derivative financial instruments to be recorded at each balance sheet date with the unrealized gains or losses on these contracts recorded through the consolidated statement of operations.

The Company has elected to account for its commodity sales and other non-financial contracts, which were entered into and continue to be held for the purpose of receipt or delivery of non-financial items in accordance with its expected purchase, sale or usage requirements as executory contracts on an accrual basis rather than as non-financial derivatives. Prior to adoption of the new standards, physical receipt and delivery contracts did not fall within the scope of the definition of a financial instrument and were also accounted for as executory contracts.

**e) Transaction costs**

Transaction costs attributable to financial instruments classified as other than held-for-trading are expensed in the consolidated statement of loss as incurred. Prior to January 1, 2007, transaction costs were recorded as deferred costs and recognized in the consolidated statement of operations on a straight-line basis over the term of the financial instrument. On adoption, previously deferred transaction costs were recognized as if they had been expensed in the year incurred through an adjustment to the Company's opening retained earnings (deficit).

**f) Effective interest rate method**

Financing fees and transaction costs attributable to financial instruments classified as other than held-for-trading such as convertible debentures are included in the recognized amount of the related financial instrument and recognized over the term of the financial instrument. Prior to January 1, 2007, financing fees and transaction costs were recorded as a deferred charge and recognized in the consolidated statement of operations on a straight-line basis over the life of the financial instrument. On adoption, financing fees and transaction costs are recognized as if the effective interest rate method had always been applied whereby the amount recognized varies over the life of the financial instrument based on the principal outstanding.

### 3. Property and Equipment

| June 30, 2008                      | Cost      | Accumulated              |                |
|------------------------------------|-----------|--------------------------|----------------|
|                                    |           | Depletion & Amortization | Net Book Value |
| Oil and Gas Property and Equipment | 8,597,698 | 2,406,851                | 6,190,847      |
| Computers and Equipment            | 21,178    | 8,598                    | 12,581         |
|                                    |           |                          | 6,203,427      |

| June 30, 2007                      | Cost      | Accumulated              |                |
|------------------------------------|-----------|--------------------------|----------------|
|                                    |           | Depletion & Amortization | Net Book Value |
| Oil and Gas Property and Equipment | 3,079,436 | 2,226,763                | 852,673        |
| Computers and Equipment            | 19,649    | 14,095                   | 5,554          |
|                                    |           |                          | 858,227        |

Depletion of oil and gas properties is determined using the unit of production method based upon proven reserves. No administrative expenses were capitalized to property and equipment in 2008 or 2007. As at June 30, 2008, costs amounting to \$3,021,716 that were incurred on unproven properties have been excluded from costs subject to depletion. The company amortizes computers and equipment using the declining balance method at 30%.

### 4. Equity Instruments

The authorized capital of the Company is an unlimited number of Class A common shares.

| Common shares issued                    | 2008       |              |
|---|------------|--------------|
|   | Shares     | Amounts      |
| Balance, March 31, 2008                 | 42,606,959 | 7,168,986    |
| Private placement of flow-through units | 4,166,667  | 2,500,000    |
| Share issue costs, net of taxes         |            | 310,058      |
| Stock Options exercised                 | 142,500    | 96,662       |
| Warrants exercised                      | 597,000    | 347,147      |
| Debentures converted                    | 580,000    | 152,216      |
| Received from prior share issuances     | -          | 648,592      |
| Future income taxes                     | -          | 99,591       |
| Value of warrants issued                | -          | 380,990      |
| Balance, June 30, 2008                  | 48,093,126 | \$ 9,645,079 |

The company is authorized to issue an unlimited number of common shares without par value. Each unit of the Company sold this quarter entitled the purchaser to one half share warrant, which can be purchased for \$.85. In conjunction with shares issued this quarter, 2,416,667 warrants were issued. The fair value of the warrants was estimated using the Black-Scholes option pricing model with the following assumptions:

|                         |        |
|-------------------------|--------|
| Risk-free interest rate | 3.15%  |
| Expected life (years)   | 2      |
| Expected volatility     | 58.36% |
| Expected dividend yield | 0%     |

## Warrants

|                           | <u>Warrants</u> | <u>Amounts</u> |
|---------------------------|-----------------|----------------|
| Balance March 31, 2008    | 13,485,196      | 1,646,073      |
| Issued with Common Shares | 2,083,334       | 308,008        |
| Issued as Agent Warrants  | 333,333         | 72,982         |
| Warrants exercised        | (597,000)       | (62,255)       |
| Balance June 30, 2008     | 15,304,863      | 1,964,808      |

## Options

The Company has established a stock option plan for its directors, officers, key employees, agents, and consultants. The total number of authorized and unissued common shares allocated to, and made available to, such participants under the plan, shall not exceed 10% of the issued and outstanding Class A Common Shares at the time of the grant. At the balance sheet date there were 3,047,500 options outstanding. The fair value of the options granted is estimated using the Black-Scholes option-pricing model. No options were issued in the quarter.

| <u>Issued</u>    | <u>Option Price</u> | <u>Expire</u> |
|------------------|---------------------|---------------|
| 135,000          | \$ 0.40             | 2/12/2009     |
| 210,000          | \$ 0.45             | 1/31/2010     |
| 290,000          | \$ 0.40             | 1/22/2011     |
| 85,000           | \$ 0.25             | 12/13/2011    |
| 1,570,000        | \$ 0.60             | 12/30/2012    |
| 757,500          | \$ 0.32             | 1/24/2013     |
| <u>3,047,500</u> |                     |               |

## 5. CONTRIBUTED SURPLUS

|                              | <u>2008</u>  |
|------------------------------|--------------|
| Balance, March 31, 2008      | 3,554,539    |
| Additions during the quarter | 228,391      |
| Balance, June 30, 2008       | \$ 3,782,931 |

## 6. CONVERTIBLE DEBENTURE

On November 30, 2006, the company issued convertible debentures in the amount of \$766,000 maturing on November 30, 2008 and bearing interest at an annual rate of 8%, payable semi-annually on each of the six and twelve month anniversary of the initial closing date. The debenture is collateralized by all the present and future property and assets of the company. The debentures are convertible, at the option of the holder at any time, into Class A common shares of the Company at a conversion price of \$0.25. The maximum aggregate principal amount of convertibles debentures authorized under the Company's Trust Indenture is \$1,000,000. At the close of the quarter there were convertible debentures outstanding in the amount of \$354,500.

## **8. CORPORATE OFFICERS AND BOARD OF DIRECTORS**

Donald P Benson (1)  
Chairman & Chief Executive Officer

Keith Peterson  
Treasurer & Director

Kevin Strong, CGA  
Chief Financial Officer

Michael Mann, Geologist (1)  
Director

Barry Palka (1)  
Director

Brahm Silverstone, Geophysicist  
Director

Donald Bain  
Corporate Secretary

(1) is a member of audit committee

## **9. CORPORATE INFORMATION**

HEAD OFFICE:  
4727 Roblin Boulevard  
Winnipeg, Manitoba, Canada R3R 0G2  
Telephone: 204-956-5042  
Fax: 204-897-7154

GENERAL INFORMATION:  
Stock Exchange Listing: TSXV:NOG  
Fiscal Year-End: December 31  
Transfer Agent: CIBC Mellon Trust, Winnipeg  
Auditor: Meyers Norris Penny  
Reporting Jurisdictions: Alberta; Manitoba; Saskatchewan; British Columbia