



**NORDIC**  
OIL AND GAS LTD

**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**FOR THE THREE AND NINE MONTHS ENDED**  
**SEPTEMBER 30, 2009**

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE NINE & THREE MONTHS ENDED SEPTEMBER 30, 2009

### **General**

The following discussion of performance, financial condition and future prospects should be read in conjunction with the Company's financial statements and notes attached thereto for the three and nine months ended September 30, 2009. The Company's financial statements are prepared in accordance with Canadian General Accepted Accounting Principles (GAAP). All figures are in Canadian dollars, unless otherwise noted. Additional information on the Company is available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

This Management Discussion & Analysis was prepared on November 28, 2009

### **Forward Looking Statements**

*Certain statements contained in this Management Discussion & Analysis document constitute forward-looking statements. These forward-looking statements can generally be identified as such because of the context of the statements, including such words as "believes", "anticipates", "expects", "plans", "may", "estimates", or words of a similar nature. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company to be materially different from anticipated future results and/or achievements expressed or implied by such forward-looking statements, which speak only as of the date the statements were made. Readers are therefore advised to consider the risks associated with any such forward-looking statements.*

*In certain parts of this document, the term BOE is used. BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf: 1 barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.*

### **Corporate Overview**

Nordic Oil and Gas Ltd. ("Nordic", or "the Company") is an, oil, natural gas and Coal Bed Methane (CBM) exploration and development company headquartered in Winnipeg, Manitoba, Canada. The Company is listed on the TSX Venture Exchange under the symbol: NOG.

### **Nordic Properties**

As at September 30, 2009, Nordic had an 85% interest in 4,480 gross acres of land in Joffre, Alberta, Canada, approximately 30 kilometres east of Red Deer. As at this date, the Company had six wells on production on its Joffre lands – four Belly River wells, one Viking well and one CBM well. Furthermore, the Company also has three CBM wells drilled and cased, and another Belly River well awaiting tie-in.

Nordic also has an 80% interest in 31,999 gross acres of P & NG leases, with rights to the basement, at Preeceville, Saskatchewan. There is no production coming from Saskatchewan at present.

In addition, the Company has a 100% interest in approximately 1,000 acres in the Lloydminster region of Alberta. At the end of September 2009, Nordic had eight heavy oil wells on production at Lloydminster.

Further, Nordic also has a 100% ownership position in approximately 7,000 acres of Petroleum & Natural Gas leases in the Talbot Lake region of the Peace River Arch. In June 2009, the Company, in conjunction with its joint venture partner, Western Warner Oils Ltd., acquired 3,856 hectares (9,528 acres) of coal leases located at Drumheller, Alberta. Currently, there is no production from either of these locations.

### **Critical Accounting Estimates & Changes in Accounting Policies**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles (“Canadian GAAP”) requires the Company to select from possible alternative accounting policies and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date, and reported costs and expenditures during the reporting period. Management believes that the estimates and assumptions upon which the Company relies are reasonable based on information available at the time those estimates and assumptions were made. Estimates and assumptions may be revised as new information is acquired, and are therefore subject to change.

Nordic has begun examining its processes to meet the accounting regulatory changes in 2011. Over the next year the Company will begin adopting the new IFRS standards as required by the Canadian Securities Commission. The Company expects to have its 2010 filings meet the required standards for comparative purposes.

### **Financial Instruments**

#### **Capital disclosures**

On January 1, 2008, the Company prospectively adopted CICA Section 1535 Capital Disclosures. This Section establishes standards for disclosing information about an entity’s objectives, policies and processes for managing its capital structure.

#### **Financial instruments**

On January 1, 2008, the Company prospectively adopted the following two new CICA standards: Financial Instruments – Disclosures (Section 3862) and Financial Instruments – Presentation (Section 3863), which replace Financial Instruments – Disclosure and Presentation (Section 3861). The new disclosure standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standard carries forward former presentation requirements.

#### **General standards of financial statement presentation**

On January 1, 2008, the Company prospectively adopted CICA Section 1400 General Standards of Financial Statement Presentation. This amended Section provides additional guidance on the assessment and disclosure of an entity's ability to continue as a going concern.

#### **Internal controls over financial reporting**

The Chief Executive Officer and the Treasurer of Nordic Oil and Gas Ltd. are responsible for designating internal controls over financial reporting, or causing them to be designed under their supervision in order to provide reasonable assurance regarding their reliability and the preparation of financial statements for external purposes in accordance with GAAP.

**FINANCIAL HIGHLIGHTS FOR THE THREE & NINE MONTHS ENDED  
SEPTEMBER 30, 2009**

**Analysis of Revenue, Cash Flows and Assets – Three & Nine Months Ended 9/30/2009**

Revenue from oil and natural gas sales (including liquids and transport revenue) during the third quarter of 2009 totaled \$383,464, compared to \$358,127 in Q2 2009 – a 7% increase – and a 6% decrease over the \$408,281 recorded during Q3 last year. When adding interest earned, the Q3 second quarter revenue totaled \$385,882, up approximately \$20,000 over the Q2 2009 total of \$366,001, but down slightly from the Q3 2008 of \$437,693. The increase from the second quarter is due to stronger oil and gas revenue (a result of higher oil prices during Q3), while the slight decrease from last year was due to the higher than normal interest revenue accrued during Q3 2008.

For the nine months ended June 30, 2009, oil and gas, liquids and transport revenue was up substantially to \$1,000,258 versus \$898,402 – an increase of 11% - for the same period in 2008. When adding interest revenue, the 2009 total to date becomes \$1,013,103 compared to \$962,418 for the first nine months last year, an increase of 5%

The table below sets out the Company's relevant variables in revenue for the three and nine months ended September 30, 2009 and 2008:

	<b>REVENUE</b>			
	<b>3 Months Ended September 30</b>		<b>9 Months Ended September 30</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>		<b>\$</b>	
Oil and gas revenue	379,391	396,752.	987,649	870,128
Liquids revenue	1,092	5,674	3,885	13,750
Transport revenue	2,980	5,855	8,724	14,524
<b>Production revenue</b>	<b>383,464</b>	<b>408,281</b>	<b>1,000,258</b>	<b>898,402</b>
Interest revenue	2,418	29,412	12,845	64,016
<b>Total Revenue</b>	<b>385,882</b>	<b>437,693</b>	<b>1,013,103</b>	<b>962,418</b>

Total assets, including cash, short-term investments, deposits and accounts receivable at the end of the third quarter 2009 were \$13,463,968, up approximately \$1 million when compared with those recorded in the second quarter - \$12,410,364 – and down slightly from the \$14,113,291 at the end of the year 2008.

The table below sets out the Company's Assets for the three months ended September 30, 2009, June 30, 2009 and the year ended December 31, 2008:

<b>ASSETS</b>			
<b>Current Assets</b>	<b>9 Months Ended Sept. 30, 2009</b>	<b>6 Months Ended June 30, 2009</b>	<b>Year Ended December 31, 2008</b>
	\$	\$	\$
Cash & deposits	624,658	218,219	326,357
Short term investments	184,025	383,897	2,554,938
Accounts receivable	333,756	264,744	374,205
<b>Fixed Assets</b>			
Property & equipment	12,321,529	11,543,505	10,857,791
Deferred costs	--	--	--
<b>Total Assets</b>	<b>13,463,968</b>	<b>12,410,364</b>	<b>14,113,291</b>

### Analysis of Expenses

Overall expenses, not including production costs for the quarter under review decreased considerably to \$348,772 from the \$509,371 for the same period last year, and decreased by \$47,227 from the \$395,999 reported in the second quarter of this year. The decrease in expenses for the third quarter was due primarily to a sharp drop in General & Administration expense to \$101,243 compared to \$196,019 for the same period a year ago.

For the nine months ended September 30, 2009, overall expenses (not including production costs) also decreased significantly to \$1,030,594 compared to \$1,438,895 during the same period a year ago. General & Administration expenses for the nine months are down substantially to \$243,365, versus \$414,099 for the first nine months in 2008. In addition, stock options to date decreased to \$98,052 as compared to \$491,983 for the first nine months last year.

The table following outlines the changes in the major categories:

	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	<b>Three Months Ended Sept. 30</b>		<b>Nine Months Ended Sept. 30</b>	
	\$	\$	\$	\$
Depletion and Amortization Expense	125,409	34,101	339,449	256,019
General and Administration Expenses	101,243	196,019	243,365	414,099
Interest expense	34	7,977	32,424	36,384
Geological Services	(46,605)	(5,617)	12,558	26,098
Management Fees	40,000	37,500	118,333	107,500
Professional Fees	38,640	19,178	117,320	63,705
Regulatory Fees	4,714	12,703	33,756	43,107
Stock Option Expense (1)	85,337	207,510	133,389	491,895
<b>TOTAL EXPENSES</b>	<b>348,772</b>	<b>509,371</b>	<b>1,030,594</b>	<b>1,438,895</b>

(1) Under accounting reporting requirements, Nordic Oil and Gas has to prepare an estimate of the cost related to stock options issued as an expense on its income statements. Options issued by the Company in 2004 and in subsequent years were accounted for in accordance with the fair value method of accounting for stock-based compensation, and as such, the cost of the options is

charged to income with an offsetting amount recorded to contributed surplus, based on an estimate of the fair value. During the nine ended September 30, 2009, stock options having an estimated value of \$133,389 were issued.

#### **Royalties & Production Expenses**

Royalties paid in the third quarter totaled \$14,950, significantly less than the \$99,109 paid during the same period last year and down some \$8,000 over the Q2 2009 total of \$22,779. For the first nine months of 2009, the Company has paid \$68,164 in royalty costs, compared to \$229,478 last year. Total well expenses (operating costs) were substantially higher during the quarter under review at \$363,313, versus \$174,691 during Q3 2008, and \$316,888 during Q2 this year. This was due to the increased maintenance costs during the third quarter on a number of the heavy oil wells in Lloydminster.

For the nine months, operating costs totaled \$919,350, compared to \$360,557 during the same period in 2008.

#### **Balance Sheet Analysis**

Liabilities and shareholders' equity totalled \$13,463,968 for the nine months ended September 30, 2009, up from the \$12,410,364 in the first six months of 2009, and down from the \$14,113,291 as at December 31, 2008.

The net loss for the three months ended September 30, was \$277,111, down from the \$309,292 recorded during the same period a year ago, and comparable to the \$277,215 loss recorded in Q2 this year. For the nine months under review, the net loss was \$787,403, up from the \$581,525 a year ago. The increase in the 2009 loss can largely be attributed to the sharp drop in the future income tax recovery to \$217,603 compared to \$487,627 during the first nine months last year. Net loss per share in Q3 2009 was \$0.0050 compared to a net loss per share of \$0.0072 in Q3 2008, and was \$0.0140 for the nine months, versus \$0.0135 last year.

#### **Summary of Quarterly Results**

The table below sets out selected quarterly financial results for the past eight quarters:

<b>Three Months Ended:</b>	<b><u>09/30/09</u></b>	<b><u>06/30/09</u></b>	<b><u>3/31/09</u></b>	<b><u>12/31/08</u></b>
Cash & Short-term investments	\$ 414,654	\$ 232,792	\$ 965,435	\$2,716,110
Revenue	\$ 385,882	\$ 366,001	\$ 261,220	\$ 525,554
Net Income (Loss)	\$(277,111)	\$(277,215)	\$(232,133)	\$( 358,939)
Earnings (Loss) per share	\$ (0.005)	\$ (0.006)	\$ (0.006)	\$ (0.002)

<b>Three Months Ended:</b>	<b><u>09/30/08</u></b>	<b><u>06/30/08</u></b>	<b><u>3/31/08</u></b>	<b><u>12/31/07</u></b>
Cash & Short-term Investments	\$3,144,314	\$5,804,867	\$4,316,729	\$2,248,579
Revenue	\$ 437,694	\$ 375,622	\$ 149,101	\$ 91,870
Net Income (Loss)	\$ (309,292)	\$(135,730)	\$(124,445)	\$(761,984)
Earnings (loss) per share	\$ (0.0072)	\$ (0.003)	\$ (0.003)	\$ (0.0177)

An analysis of the quarterly results over the last eight quarters shows some variability in revenue totals. Revenue increased steadily throughout 2008, culminating in the year's highest total in the fourth quarter. This was due to the addition of the new oil wells in Lloydminster and the strong commodity prices in the first part of the quarter. 2009 commenced with first quarter revenue down sharply from the previous three quarters, however both Q2 and Q3 revenue was up due mainly to improved oil prices. Cash and short-term investments are also down in 2009 as the Company's operating expenses have increased over the past year and it has not raised as much capital this year as in 2008, resulting in reduced interest income.

From time to time, net income is negatively impacted due to the costs related to stock options, Asset Retirement Obligation (ARO), or Site Reclamation, and higher depletion and amortization costs are recorded as expenses on the income statement.

### **PRODUCTION HIGHLIGHTS FROM THE NINE MONTHS ENDED 09/30/2009**

#### **Oil and Gas Interests**

Following is a summary of the oil and gas interests owned by the Company, their depletion using the units-of-production method, their cost, accumulated depletion and resulting net book value:

	<b><u>September 30, 2009</u></b>		<b><u>December 31, 2008</u></b>	
	Cost	Accumulated Depletion	Cost	Accumulated Depletion
Oil and gas	\$15,297,069	\$3,050,049	\$13,574,432	\$2,748,169

Net book value for oil and gas at the end of September 2009 was \$12,247,021, compared to \$10,826,263 as at December 31, 2008.

#### **Product Prices and Production**

As of the end of the third quarter 2009, the Company had eight heavy oil wells on production at Lloydminster, plus five natural gas wells and one Coal Bed Methane well on production at Joffre.

Results from operations and the Company's overall financial condition are significantly affected by natural gas commodity prices, which can fluctuate dramatically. These commodity prices are beyond the control of the Company and are difficult to predict. Gas volumes and realization comparisons for the indicated periods are set forth below. It should be noted that the Company does not hedge any of its production:

The following data summarizes certain information in respect of production, product prices received, royalties paid, production costs and resulting netback for each quarter of Nordic's most recently completed financial period. It should also be noted that approximately 11% of the Company's natural gas production came from its Coal Bed Methane well, with the remaining 89% coming from conventional natural gas wells.

**Natural Gas Production - Quarterly Comparisons**

	<b><u>Q2 2009</u></b>	<b><u>Q3 2009</u></b>	<b><u>AVG. YTD</u></b>
Average daily gas volume GJ/day	264.28	160.59	254.71
Average daily gas production volume 10 <sup>3</sup> M <sup>3</sup> /day	7.36	4.35	6.67
Average BOE/day for the quarter	46.31	27.37	47.18
Weighted average price received per GJ	\$3.86	\$3.58	\$4.03

NOTE: To convert GigaJoules (GJ) to Mcf, divide the number of GJ by 1.05

**Heavy Oil Production - Quarterly Comparisons**

The Company commenced production of heavy oil from its Lloydminster wells in August 2008, therefore there are no quarterly comparisons for last year. Comparisons are drawn on a quarter-over-quarter basis for 2009:

	<b><u>Q2 2009</u></b>	<b><u>Q3 2009</u></b>	<b><u>AVG. YTD</u></b>
Average daily Heavy Oil production volume Barrels	53.57	62.63	51.08
Average net price received 10 <sup>3</sup> M <sup>3</sup> /day	\$357.06	\$375.20	\$321.52
Average price received \$/BBL	\$ 33.28	\$ 48.33	\$ 33.88
Average royalties paid \$/BBL	\$ 2.87	\$ 2.96	\$ 2.51
Average production costs \$/BBL	\$26.34	\$ 49.11	\$ 32.11
Average resulting netback \$/BBL	\$13.81	\$ 7.49	\$10.96*

\* Weighted average for the year to date

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company's financial statements are prepared on a going concern basis that contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. For the nine months ended September 30, 2009, the Company had an operating loss of \$787,403 compared to \$581,525 in the same period in 2008, and had a deficit of \$4,339,978 for the first nine months of operations compared to a deficit of \$3,137,361 for the same period in 2008. At the beginning of 2009, the Company had an unexpended flow through obligation of \$4,977,708 to be incurred by December 31, 2009. During the first quarter of 2009, the Company expended \$217,792 with regard to its flow-through requirements, spent \$383,100 in Q2, plus a further \$729,357 Q3 for a total expenditure to date of \$1,330,249 on qualifying expenses. This leaves a balance of \$3,647,460 to be expended during the remainder of the year. The Company has entered into an extensive drilling program during the fourth quarter to meet its obligations.

The Company's ability to continue as a going concern is dependent upon it achieving and maintaining profitable results, receiving support from its lenders and attracting sufficient resources to explore and develop oil and natural gas properties. There is no certainty that management will be able to resolve these matters.

Nordic settles sales receivables and trade payables in accordance with normal industry standards while maintaining working capital liquidity by drawing from and repaying its bank overdraft facility as needed. The Company expects to be able to fund its 2009 capital expenditure program using operating cash flow and equity funds raised in 2008, along with the potential for additional financings in 2009. The Company utilizes both equity and Flow-Through issues from time to time to finance its capital program.

On July 13, 2009, the Company announced plans to undertake a new non-brokered private placement offering for up to 10,000,000 units at a price of \$0.125 per Unit for gross proceeds of \$1,250,000 to various subscribers. Each Unit will consist of one Class A common share of the Company issued as a "Flow-Through share" within the meaning of the Income Tax Act (Canada) and one-half of one Class A common share purchase Warrant ("a Warrant"). Each whole Warrant would entitle the holder thereof to purchase one regular Class A common share of the Company at a price of \$0.13 for a period of one year from the date of issuance. On August 18, 2009, the Company announced the first closing of its previously announced private placement offering of flow-through units. The Corporation issued 6,338,500 flow-through units at a price of \$0.125 per Unit for gross proceeds of \$798,562.50 to various subscribers. Furthermore, on August 31, 2009, the Company announced its second closing on the afore-mentioned Flow-Through Offering, issuing an additional 1,758,000 flow-through units at a price of \$0.125 per Unit for gross proceeds of \$219,750.

On September 24, 2009, the Company announced plans to undertake a private placement offering of up to \$3,000,000 principal amount of 3 year 10% secured convertible redeemable debentures. The Debentures will have a term of three years and shall bear interest at a rate of 10% per annum. The Debentures may be converted at the option of the Debenture holders into Class A common shares of the Corporation at a price of \$0.15 per share at any time after the issuance of the Debentures. The Debentures shall also be redeemable at the option of the Corporation at a price equal to 105% of the face value of the Debentures plus all accrued and unpaid interest thereon, subject to the right of the holders of Debentures to convert such Debentures to Common Shares prior to the date of redemption. On November 6, it announced the first closing of this Offering by issuing \$497,000 principal amount of Debentures.

Furthermore, subsequent to the end of the quarter under review, the Company announced plans to undertake a new non-brokered private placement offering for up to 20,000,000 units at a price of \$0.10 per Unit for gross proceeds of \$2,000,000 to various subscribers. Each Unit will consist of one Class A common share of the Company issued as a “Flow-Through share” within the meaning of the Income Tax Act (Canada) and one-half of one Class A common share purchase Warrant (“a Warrant”). Each whole Warrant would entitle the holder thereof to purchase one regular Class A common share of the Company at a price of \$0.11 for a period of one year from the date of issuance. On November 26, 2009, the Company announced its first closing of this Offering with the issuance of 2,575,000 flow-through units for gross proceeds of \$257,500.

### **Financial Instruments**

As discussed in the Significant Accounting Policies, the Company holds various forms of financial instruments. The nature of these instruments and the Company’s operations expose the Company to commodity price, credit and interest rate risk. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical. The Company does not engage in hedging programs.

#### A) Commodity Price Risk

The Company will be subject to price risk for the delivery of natural gas and crude oil. The Company may manage and minimize the risk by entering into various joint operating agreements. As at June 30, 2009, the Company has not entered into any commodity contracts.

#### B) Credit Risk

A significant portion of the Company’s cash is currently held with the same financial institution and, as such, the Company is exposed to concentration of credit risk. As at June 30, 2009, substantially all of the Company’s trade accounts receivable are from working interest partners and joint operating partners in the oil and gas industry and are subject to all the risks associated with the industry.

### **Off Balance Sheet Arrangements**

The Company has no off balance sheet arrangements.

### **Oil and Gas Interest and Depletion**

The Company follows the full cost method of accounting for all oil and gas properties whereby all costs relating to acquisition, exploration and development of oil and gas reserves are capitalized. Such costs include land acquisition 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 an impairment test (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, determined by independent engineers, based on third-party quoted forward prices adjusted for transportation and quality, less estimated operating and abandonment costs. Should it be determined that impairment has occurred, the amount of the impairment is measured and recorded as the amount by which the carrying amount of the property and equipment exceeds the fair value of proved and probable reserves plus the cost net of impairment of unproved properties. Fair value is determined based on the present value of future cash flows, after deducting abandonment and site restoration costs, discounted at a risk free interest rate, adjusted for prevailing market conditions. Any reduction of

value, as a result of the impairment test (ceiling test), will be included in depletion, amortization and accretion.

### **Related Party Transactions**

The Company has a joint operating agreement with Desoto Resources Limited whereby it has an 85% interest in certain assets including crown leases, gas line, oil and gas leases, and certain property and equipment. As at September 30, 2009, the three wells have been drilled. Certain directors and officers have an interest in Desoto Resources Limited.

The Company has a joint operating agreement with Western Warner Oils Ltd. whereby it has an 80% interest in certain assets including crown leases, gas lines, oil and gas leases, and certain property and equipment. The costs for the first five wells drilled in the joint operating agreement will be incurred 100% by the Company. As at September 30, 2009 only two of the five wells have been drilled. Certain directors and officers have an interest in Western Warner Oils Ltd.

As described above, substantially all of the Company's activities are undertaken jointly with related parties by joint operating agreements. The Company has a services agreement established with Nordic Management Ltd. for various services. Currently, Nordic Management Ltd. receives \$13,333 per month for management services, \$1,875 per month for landman services, \$7,500 per month for corporate development initiatives, and \$7,500 per month for investor relations and corporate secretary services. The contract expires November 14, 2012. Certain of the Company's directors and officers control Nordic Management Ltd.

These transactions are in the normal course of operations and are measured at the exchange amount (the amount of consideration established and agreed to by the related parties).

As at December 31, 2008 and September 30, 2009, the amounts due from (to) related parties are as follows:

	<b>Dec. 31, 2008</b>	<b>Sept. 30, 2009</b>
Amounts included in accounts receivable	\$ 42,176	\$ 211,338
Amounts included in accounts payable and accrued liabilities	\$ 152,332	\$ 22,253

The balances included in accounts receivable and accounts payable and accrued liabilities are non-interest bearing, payable on demand and have arisen from the sales of product and provision of services referred to above.

### **Disclosure Controls and Procedures**

Management has established and maintained disclosure controls and procedures for the Company in order to provide reasonable assurance that material information relating to the Company is made known to management in a timely manner and that information required to be disclosed by the Company is reported within time periods prescribed by applicable securities legislation.

### **Equity Instruments**

The authorized capital of the Company is an unlimited number of Class A common shares and an unlimited number of convertible preferred shares. The issued capital is shown in the table below:

	Three months ended June 30, 2009		Twelve Months Ended Dec 31, 2008	
	Shares	Amount	Shares	Amount
<b>Common shares</b>				
Balance, beginning of year	48,140,126	9,277,763	34,723,276	6,306,336
Issued as flow-through units	8,146,500	1,018,313	10,046,934	3,651,010
Issued as non flow-through units			606,750	151,712
Issued from treasury			-	-
Stock Options exercised			287,500	211,325
Share issue costs		(106,023)	-	(573,661)
Tax effect of flow-through shares		332,560	-	(1,352,727)
Warrant revaluation		(295,033)	-	-
Warrants exercised			909,666	479,408
Shares cancelled			-	-
Conversion of debentures			1,566,000	404,360
Balance, end of year	<b>56,286,626</b>	<b>10,227,580</b>	<b>48,140,126</b>	<b>9,277,763</b>
	<u>Warrants</u>	<u>Amount</u>	<u>Warrants</u>	<u>Amount</u>
Balance, beginning of year	15,097,863	2,368,247	10,026,843	855,188
Issued as flow-through units	4,073,250	258,110	5,023,467	1,348,104
Issued as non flow-through units	-	-	303,375	90,988
Issued as agent warrants	582,680	36,923	813,845	237,431
Warrant revaluation	-	-	(909,666)	(140,241)
Warrants expired	-	-	(160,001)	(23,223)
Balance, end of year	<b>19,753,793</b>	<b>2,663,280</b>	<b>15,097,863</b>	<b>2,368,247</b>
<b>Total equity instruments</b>		<b>12,890,860</b>		<b>11,646,010</b>

*In accordance with the terms of the offerings and certain provisions of the Income Tax Act (Canada), the Company will renounce for income tax purposes, exploration expenditures of \$4,977,708 to subscribers of the flow through common shares in the current year private placement, for which the Company will have to incur eligible expenditures by December 31, 2009. During the first nine months of 2009, the Company renounced \$1,330,249 with respect to its FT expenditure requirements.*

### **Stock Option Plan**

The Company has established a stock option plan for its directors, officers, key employees, agents, and consultants. The total number of authorized and un-issued 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 granting of the option. The fair value of the options was estimated using the Black Scholes option-pricing model with the following assumptions:

	<u>2009</u>	<u>2008</u>
• Risk-free interest rate	0.51%	3.1% - 3.27%
• Expected volatility	1.05%	91% - 100%
• Expected dividend yield	0%	0%

The key provisions of the Plan are as follows:

1. On the recommendation of the Directors, options may be granted to Directors, Officers, Employees, Consultants and other key personnel of the Corporation and its subsidiaries. The Plan reserves for the issue of options, a rolling maximum of 10% of the issued shares of the Corporation at the time of a stock option grant.
2. Not more than 5% of the Common Shares outstanding at the time of the grant may be reserved for issuance to any one individual.
3. The minimum exercise price of an option cannot be less than the fair market value of the Common Shares at the time the Option is granted, less any discount permitted by the Policies of the Exchange.
4. Options may have a maximum exercise precise period of five years and the Directors may establish vesting provisions.
5. Options are non-assignable and non-transferable.

In addition, the Plan is subject to all the provisions of the TSX Venture Exchange Policy 4.4. A copy of the Corporation's Stock Option Plan is available upon request from the Corporation.

At the Balance Sheet date, there were 5,626,400 stock options outstanding as per the following table:

<b>Options Outstanding</b>	<b>Option Price</b>	<b>Weighed Average Excursive Price</b>	<b>Remaining Life</b>	<b>Options Exercisable</b>	<b>Weighted Average Exercise Price of Options Exercisable</b>
180,000	0.45	0.45	0.33	180,000	0.45
280,000	0.40	0.40	1.31	280,000	0.40
85,000	0.25	0.25	2.20	85,000	0.25
1,525,000	0.60	0.60	3.25	1,495,000	0.60
657,500	0.32	0.32	3.32	697,500	0.32
1,035,000	0.20	0.20	3.98	1,035,000	0.20
1,078,900	0.10	0.10	4.47	1,108,900	0.10
785,000	0.125	0.125	4.90	785,000	0.125
<b>5,626,400</b>		<b>0.31</b>	<b>-</b>	<b>5,666,400</b>	<b>0.31</b>

### **OPERATIONAL OUTLOOK FOR BALANCE OF 2009**

The Company has targeted a Capital Expenditure budget of \$3.5 million for the remainder of 2009 as follows:

PREECEVILLE:	Geochem	\$ 50,000
	2 new wells	\$ 500,000
LLOYDMINSTER:	10 new well sites	\$2,300,000

In addition to the above, the Company also intends to have its compressor station in Joffre operational this year, whereby Desoto Resources, which is the operator in the area will transport the Company's gas via a major pipeline transporter. This will result in a significant reduction in the costs of the Company's natural gas production in the region.

In time, the Company believes that it will be able to bring other producers into its system and turn the compressor station into a net earner, as opposed to an expense."

As part of the transport deal, the pipeline company will also build a new metering station, approximately 3 kilometres south of the Nordic property. The station will be paid for jointly by the pipeline company, which will pay 73% of the costs, and Nordic and Desoto.

### **BUSINESS RISKS & UNCERTAINTIES**

The Company operates on a going concern basis that contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company's ability to continue as a going concern is dependent upon it achieving and maintaining profitable results, receiving support from its lenders and attracting sufficient resources to explore and develop oil and natural gas properties. There is no certainty that management will be able to resolve these matters.

The business of exploring, developing, acquiring and producing Oil and Natural Gas reserves is subject to a variety of operational, financial and regulatory risks, including:

- Operational Risks – Oil and Natural Gas operations are subject to all the risks and hazards typically associated with such operations, including fire, explosions, blowouts, formation damages and oil spills, all or any of which could have a negative impact on oil and gas wells, production facilities, related property, the environment, or in personal injury. Operational risks also include finding and developing Natural Gas reserves on an economically viable basis, reservoir production performance, marketing, and assessing contract services on a cost-effective basis.
- Financial Risks – Financial risks including commodity and market fluctuations, interest rates and any rates of applicable currency exchange. Nordic Oil and Gas's results of operations and financial considerations are dependent on the prices received for oil and Natural Gas production from reserves in which it has a working interest. Oil and Natural Gas prices have fluctuated widely in the past, with oil in particular subject to national and international supply and demand ratios, along with political development and instability in the Middle East. In addition, the marketability of the Company's products also will depend upon the availability and capacity of gathering systems and pipelines, the effect of federal and provincial legislation on such production, and the general economic conditions of the marketplace.

- Price Volatility of Publicly Traded Securities – In recent years, the Securities Markets in Canada and the United States have experienced a high level of price and volume volatility, with the market price of securities of many companies undergoing wide fluctuations in price, which have not necessarily been related to operating performance, underlying asset value or prospects.
- Development of Additional Reserves – The future success of Nordic Oil and Gas may also depend on the Company’s ability to find or acquire additional oil and gas reserves that are economically recoverable.
- Competition – The Oil and Natural Gas industries are extremely competitive, and, as such, Nordic Oil and Gas will continue to seek out potential joint venture partners, capital, and undeveloped land with a variety of other companies.
- Regulatory Risks – Regulatory risks include environmental regulation, royalties and taxation, all of which are beyond the control of the Company.

### **CORPORATE INFORMATION**

Stock Exchange	TSX Venture Exchange
Trading Symbol	NOG
Officers	Donald P. Benson, President & CEO; Chairman of the Board Keith Peterson, Treasurer & Director Don Bain, Corporate Secretary
Independent Directors	Michael Mann Barry Palka Brahm Silverstone
Auditors	Meyers Norris Penny LLP, Winnipeg, Manitoba
Transfer Agent	CIBC Mellon Trust Company, Calgary, Alberta
Head Office	4727 Roblin Boulevard Winnipeg, Manitoba R3R 0G2 Tel. 204-956-5042 Fax: 204-897-7154
Alberta Office	213, 110 – 11 <sup>th</sup> Avenue SW Calgary, Alberta T2R 0B8 Tel. 403-264-7891 Fax: 403-264-7773
Accounting Office	1856 Portage Avenue Winnipeg, MB R3J 0G9 Tel. 204-832-7717 Fax. 204-897-8414
Web site	<a href="http://www.nordicoilandgas.com">www.nordicoilandgas.com</a>