NORDIC OIL AND GAS LTD

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2005

NORDIC OIL AND GAS LTD.

2005 MANAGEMENT'S DISCUSSION AND ANALYSIS

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 12 months of 2005. 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. This Management Discussion and Analysis was prepared on April 28, 2006. Additional information on the Company is available on the SEDAR website at www.sedar.com.

Corporate Overview

Nordic Oil and Gas Ltd. ("Nordic") is a 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 currently has an 85% interest in natural gas, natural gas liquids and CBM well production at Joffre, Alberta, approximately 30 kilometres east of Red Deer. As at December 31, 2005, the Company had five wells in production on its Joffre lands – four Belly River wells and one CBM well.

In addition, the Company also has an 80% interest in 137,780 acres of exploration permits located in the Preeceville area of east-central Saskatchewan, plus a 50% interest in 14,355 acres on the Cote First Nation land near Kamsack, Saskatchewan.

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 change. Stock-based compensation is considered to be one of these estimates.

Effective January 1, 2004, the Company retroactively adopted the CICA section 3110 "Asset Retirement Obligations". The new recommendations required that the recognition of the present value of obligations associated with the retirement of petroleum and natural gas properties be recorded in the period the asset is put into use, with a corresponding increase to the carrying amount of the related asset. The obligations recognized are statutory, contractual or legal obligations. The liability is adjusted over time for changes in the value of the obligation through accretion charges, which are included in accretion expense. The costs capitalized to the related assets are amortized to income in a manner consistent with the depletion and depreciation of the underlying asset.

Stock-Based Compensation

Effective January 1, 2004, The Company adopted the CICA section 3870 “Stock Based Compensation and Other Stock-Based Payments, retroactively with restatement of prior periods. The recommendation required the Company to record a compensation expense over the vesting period based on the fair value of options granted to employees and directors. The Company therefore follows accounting guidelines in determining the value of stock-based compensation, as disclosed in Note 8 of the 2005 financial statements. This calculated amount is not based on historical costs, but is based on subjective assumptions, which are inputted into an option pricing model. The model requires that management make several assumptions as to future events, including: 1. estimating the average future hold period of issued stock options before exercise, expiry or cancellation; 2. estimating future volatility of the Company’s share price in the expected hold period (using historical volatility as reference); 3. calculating an appropriate risk-free rate of interest. The resulting value is not necessarily the value which the holder of the option(s) could receive in an arm’s length transaction, given that there is no market for the options and that they are not transferable. It is management’s view that the value derived is highly subjective and dependent entirely on the input assumptions made. The Company recorded stock-based compensation expense of $77,752 for the year ended December 31, 2005, compared to $74,440 for 2004.

Selected Annual Financial Information

Revenue for the year ended December 31, 2005 totaled $1,093,807, a decrease of approximately $682,050 from the $1,775,857 reported for 2004. The 2005 total included $1,180,663 in natural gas revenue compared to $1,524,304 during 2004. The decrease in total revenue was a largely due to a negative total for liquid sales – ($130,205) as opposed to $190,352 in 2004. In the fourth quarter of 2005, the operator adjusted the gas analysis of the wells and made an adjustment for amounts paid for natural gas liquids and for the heat value of natural gas. This resulted in a reduction to the gross revenue in 2005 in the amount of $303,000.

Cash, including term deposits for 2005, was up from a year ago to $1,457,601 compared to $934,890 in 2004. In addition, net cash flow from operating activities (cash received from operators minus cash paid to suppliers and for royalties, plus interest earned) totaled $385,526 for the year ended December 31, 2005, a significant increase from the $74,269 reported in prior year.

Total assets as at December 31, 2005 were $4,695,849, compared to $3,403,501 in 2004, which represents an increase of approximately 40%. General and administration expenses for the year were up over 2004 - $139,404 versus $99,048. This was due primarily to an increase in the Company’s Investor Relations programs and initiatives and the one-time legal and other fees associated with the proposed $5.6 million financing, which did not close.

The Company recorded a net loss of $276,925 for the year, compared to the 2004 loss of $195,333. As was the case last year, the 2005 loss can be attributed to the costs related to stock options, Asset Retirement Obligation (ARO) and higher depletion costs which were recorded as expenses on the income statement.

The table below sets out the relevant variables in revenue for Nordic's oil and gas production on a 12-month comparative basis:

REVENUE	**12 Months Ended December 31, 2005**	**12 Months Ended December 31 2004**
Oil and Gas Revenue	$1,180,663	$1,524,305
Liquids Revenue	($130,205)	$ 190,352
Transport Revenue	$ 43,350	$ 61,200
Interest Revenue	$ 12,566	$ 5,283
Total Revenue	$1,106,374	$1,781,140

Summary of Quarterly Results

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

Three Months Ended:	**12/31/05**	**9/30/05**	**6/30/05**	**3/31/05**
Cash & Short-term investments	$1,457,601	$376,480	$457,504	$666,684
Revenue	$ 77,865	$322,723	$304,394	$401,392
Net Income (Loss)	($230,485)	$ 26,426	$ 1,948	($74,814)
Earnings (Loss) per share	($ 0.0192)	$ 0 .0002	$ 0.001	($0.0063)
Three Months Ended:	**12/31/04**	**9/30/04**	**6/30/04**	**3/31/04**
Cash & Short-term Investments	$ 934,890	$ 97,303	($ 3,448)	$ 69,031
Revenue	$ 440,886	$495,991	$423,655	$420,608
Net Income (Loss)	($113,358)	($56,795)	$ 30,658	($55,838)
Earnings (Loss) per share	($ 0.0116)	($0.0059)	$ 0.0032	($0.0058)

An analysis of the quarterly results over the last eight quarters shows continuous strong revenue and cash and short-term investment totals. This is due primarily to the growing commercial production at Nordic's sites at Joffre, Alberta. From time to time, net income was negatively impacted due to the costs related to stock options, Asset Retirement

Obligation (ARO) and higher depletion costs, which were recorded as expenses on the income statement. The stock options had an estimated cost of $152,192 over the past two years. In addition, fourth quarter income for the three months ended December 31, 2005 was impacted as a result of a one-time adjustment by the gas operator in the region who had an incorrect gas analysis on the Company's gas wells. This in turn had a downward effect on the Company's earnings for the quarter.

Royalties & Production Expenses

Royalties paid in 2005 net of Alberta royalty tax credits, totaled $209,357 as opposed to $547,577 in 2004. Total well expenses were slightly lower during the year as opposed to 2004, due to the lower costs associated with the producing wells that the Company had in operation last year. As such, production/well costs totaled $422,275 during the year under review versus $888,927 in prior year. As was the case in 2004, the majority of the production costs in 2005 were attributable to the royalties paid out, however operating costs decreased during the year under review to $212,918**,** as compared to $341,350 during 2004.

Average daily production for the year ended December 31, 2005 was 503MCF/day, or 84 BOE/day. The Company received $8.41/GJ as an average gas price.

Analysis of Expenses

Overall, expenses decreased to $1,353,661 during 2005 compared to $1,506,365 for 2004. The table below outlines the changes in the major categories:

EXPENSES	12 Months Ended December 31, 2005	12 Months Ended December 31, 2004
Depletion & Amortization Expense	$ 621,824	$ 757,040
Operating	$ 212,918	$ 341,350
General & Administration Expenses	$ 139,404	$ 99,048
Geological Services	$ 19,709	$ 24,457
Management Fees	$ 120,000	$ 120,000
Professional Fees	$ 135,775	$ 62,850
Regulatory Fees	$ 16,514	$ 16,585
Stock Based Compensation	$ 77,752	$ 74,440
Accretion of ARO	$ 9,765	$ 10,595
Total Expenses	**$1,353,661**	**$1,506,365**

(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 year ended December 31, 2005, stock options having an estimated cost of $77,752 were issued.

Liquidity and Capital Resources
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 2006 capital expenditure program using operating cash flow and equity funds raised in 2005.

The Company utilizes equity issues from time to time to finance an expansion of its capital program. In December 2005, the Company closed two private placement financings for a total of 3,424,175 shares at a price of $0.40 per share in the gross amount of $1,369,670.00.

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.

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. Substantially all of the Company's accounts receivable are with customers and joint venture partners in the oil and gas industry and are subject to normal industry credit risks.

Off Balance Sheet Arrangements
The Company has no off balance sheet arrangements.

Related Party Transactions
Substantially all of the Company's activities are undertaken jointly with related parties by Joint Venture agreements.

In addition, Nordic Oil and Gas Ltd. paid $10,000 in monthly management fees, a $4,000 monthly fee for Investor Relations services, and $1,850 per month for accounting services, to Nordic Management Ltd., a company that certain of Nordic Oil and Gas Ltd.'s Directors and officers control.

Summary of Securities Issued During the Year Ended December 31, 2005
3,610,286 Common Shares

Share Capital and Stock Options
Authorized: Unlimited Number of Class A Common Shares Issued:

2005: 15,418,480 Class A Common Shares
2004: 11,808,194 Class A Common Shares

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. At the balance sheet date – December 31, 2005 - there were 1,070,000 options outstanding.

Issued			Option Price			Expire
525,000			$ 0.40			1/7/2008
50,000			$ 0.40			5/21/2008
50,000			$ 0.40			9/22/2008
25,000			$ 0.40			10/9/2008
160,000			$ 0.40			2/12/2009
260,000			$ 0.45			1/31/2010

During the year, stock options were extended to the following corporate officers and Directors:

- Donald Benson Chairman & CEO 30,000
- Keith Peterson, Secretary-Treasurer & Director 30,000
- Michael Mann, Geologist & Director 30,000
- Barry Palka, Director 30,000
- Brahm Silverstone, Geophysicist & Director 30,000

In addition to the above-noted options, a further 110,000 stock options were granted to three Nordic Oil and Gas consultants, for an overall total of 260,000 options. The options were effective January 31, 2005 and will run for a period of five years at a price of $0.45 per share.

Subsequent to year-end, in January 2006, the Nordic Oil and Gas Board of Directors approved the granting of 350,000 stock options to various officers, directors and consultants of the Company at an exercise price of $0.40 per common share, as follows:

Donald Benson Chairman & CEO 80,000

Keith Peterson, Secretary-Treasurer 50,000

Michael Mann, Director 50,000

Barry Palka, Director 50,000

Brahm Silverstone, Director 50,000

In addition to the above, a further 70,000 stock options have been granted to three Nordic Oil and Gas consultants, bringing the overall total to 350,000. The options are effective January 23, 2006 and will run for a period of five years.

As at the date of preparation of the Nordic Oil and Gas Management Discussion & Analysis, the Company had 15,418,480 issued and outstanding Class A Common Shares.

Highlights of Operations for the Year Ended December 31, 2005

- In February, Nordic reached an agreement with Trident Exploration Corp. (an industry leader in the field of Coal Bed Methane exploration and development) for the pooling of each company's interests in section 20-38-24 W4 in Joffre with the intent to drill a Coal Bed Methane well in the Spring. This well subsequently was drilled, perforated and put on production at year-end.

- Later that same month, Nordic Oil and Gas and its JV partner, Western Warner Oils, signed an agreement with Indian Oil & Gas Canada and the Cote First Nation of Kamsack, Saskatchewan to develop oil and gas reserves on 14,355 gross acres of Cote land north of Kamsack.

- March saw the successful completion of the processing of 37 kilometres of 2-D seismic data in Preeceville, and preliminary analysis of the data confirmed the structural trends that had previously been mapped in the southern four townships of Nordic’s six-township property are seen to extend into the two most recently acquired townships.

- During the summer, AJM Petroleum Consultants, a leading reservoir engineering company, was hired to evaluate the potential of Nordic’s Coal Bed Methane (CBM) interests in Joffre. The report subsequently suggested that Nordic’s possible recoverable CBM reserves on its Joffre property exceed 10 Billion Cubic Feet (BCF)

- In September, the Company commenced shooting a total of four lines of seismic over a 28.2 kilometre area on its Cote First Nation land. The shooting of the seismic was completed in early October and the data is currently being processed and analyzed. The seismic data will help Nordic identify any deeper prospective formations.

- Also in September, Desoto Resources Ltd., another of Nordic’s Joint Venture Partners, applied for down spacing on three sections of land in Joffre – 18-38-24 W4, 20-38-24 W4 and 24-38-25 W4. The down spacing will allow the companies to drill four wells per pool, per section in the Edmonton and Belly River zones.

- In early October, the Company licensed its 14-14-39-5 W2 well in Preeceville, and began preparing to have the well drilled in November. The well was spud at the end of November and was drilled and cased at a depth of 400 metres. This well may be re-entered in the Spring and drilled to 1,200 metres.

- In November, Nordic signed an agreement with a major Calgary-based exploration company specializing in Coal Bed Methane exploration and development, to farm-out certain interests on two sections of land in the Joffre area. The agreement calls for two new CBM wells to be drilled on sections 18-38-24 W4 and 24-38-25 W4, at no cost to Nordic.

- In early December, the Company's 102-3-24-38-25 W4 Belly River well at Joffre, which was drilled during the fourth quarter of 2004, was tied-in and placed on production.

- In mid-December, the Company announced the successful closing of the first of two private placement offerings. This Offering consisted of the sale of 3,000,000 units at a price of $0.40 per Unit for aggregate gross proceeds to the Corporation of $1,200,000.

- Later the same month, the Company successfully closed a second Private Placement Offering of 424,175 units of the Corporation at a price of $0.40 per Unit for gross proceeds of $169,670.

- The year closed out with the Company tying-in its first Coal Bed Methane (CBM) well in Joffre on section 5-20-38-24 W4 and bringing the well on production. This new CBM well brought to five the total number of wells Nordic Oil and Gas had on production in the Joffre area at year-end.

Events Subsequent to the End of 2005
The Company has begun 2006 with several significant announcements regarding the drilling of new Coal Bed Methane wells in Joffre and other key initiatives:

JANUARY
- The Company and its industry partner completed drilling a new Coal Bed Methane (CBM) well at 10-18-38-24 W4 in Joffre. This well will be paid for 100% by Nordic's 50/50 partner.
- With the completion of this first well, the rig moved to a second site at 14-18-38-24.

FEBRUARY
- The Company and its industry partner completed drilling the second of three new Coal Bed Methane (CBM) wells on its Joffre property, located at 14-18-38-24.

MARCH
- The Company and its Joint Venture industry partner completed drilling of their third new Coal Bed Methane (CBM) well located at 7-24-38-25 W4 on Nordic's Joffre property. The well was drilled and paid for 100% by Nordic's JV partner, with the JV partner earning a 50% interest in the Edmonton sands and coals in the section. The completion of this new CBM well brings to eight the number of wells in which Nordic Oil and Gas has an interest in the Joffre area. Furthermore, an additional two wells are scheduled to be drilled on the section following break-up.

Outlook

Regarding Nordic's drilling initiatives in Preeceville, Saskatchewan, the Company plans to re-enter the 14-14-39-5 W2 well that was drilled and cased at a depth of 400 metres in late November 2005. In addition, the Company also expects to drill a new exploration well on the land owned by the Cote First Nation near Kamsack, Saskatchewan. It is anticipated that both of these initiatives will be undertaken during the 2nd quarter of 2006.

Looking ahead to the remainder of 2006, Nordic Oil and Gas will continue focusing its activities and initiatives in its key operating areas, maintaining a high working interest at all its properties, thereby ensuring that the Company will competently manage all aspects of its operations. The Company plans to drill up to 15 new wells in the Joffre region during 2006.

Currently, Nordic Oil and Gas has an interest in a total of five wells on production in Joffre.

Business Risks & Uncertainties

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	Toronto Venture Exchange
Trading Symbol	NOG
Management Team	Donald P. Benson, President & CEO; Chairman Keith Peterson, Secretary-Treasurer & Director
Independent Directors	Michael Mann Barry Palka Brahm Silverstone
Auditors	BDO Dunwoody 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 Web site: www.nordicoilandgas.com