



NORDIC
OIL AND GAS LTD

MANAGEMENT'S DISCUSSION AND

ANALYSIS FOR THE YEAR ENDED

DECEMBER 31, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2007

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 ended December 31, 2007. 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.

This Management Discussion & Analysis was prepared on April 24, 2008.

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 December 31, 2007, Nordic had an 85% interest in 4,480 gross acres of land in Joffre, Alberta, Canada, approximately 30 kilometres east of Red Deer. As of 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.

The Company also has an 80% interest in 101,760 gross acres of exploration permits located in the Preeceville area of east-central Saskatchewan. In 2006, the Company's first special exploratory permit, issued in 2001, was converted into two five-year Petroleum and Natural Gas leases with rights from the surface to the basement covering 10.5 sections of land, or an additional 6,720 gross acres.

During the year under review, Nordic completed the acquisition of approximately 8,000 acres of Petroleum & Natural Gas leases in the Peace River Arch and Lloydminster regions of Alberta. With a 100% ownership position, these lands provide Nordic with new core areas for the

Corporation and represent a strategic fit with its current production and drilling activity at Joffre, Alberta.

Divestiture of Cote First Nations Property

In February 2005, Nordic signed an Agreement with Indian Oil and Gas Canada (IOGC) and the Cote First Nation of Kamsack, Saskatchewan, for development of oil and gas resources on land owned by Cote First Nation.

Under terms of the Agreement, Nordic was granted access to 6,525 hectares of Cote First Nation land directly north of Kamsack and received an Oil and Gas Permit to undertake exploration activities on the property. The Permit was owned jointly by Nordic Oil and Gas Ltd. and Western Warner Oils Ltd.

Nordic and its partner were unable to successfully negotiate a surface lease to drill an exploration well. Therefore, in May 2007, it was announced that Nordic and its industry partner had severed their relationship with the Cote First Nation with respect to the development of oil and gas resources on their land.

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.

Financial Instruments & Changes in Accounting Policies

On January 1, 2007, the Company adopted the following new accounting standards that were issued by The Canadian Institute of Chartered Accountants (“CICA”): CICA Handbook Section 1530, “Comprehensive Income”; Section 3855, “Financial Instruments – Recognition and Measurement”; Section 3861, “Financial Instruments – Disclosure and Presentation”; and Section 3865, “Hedges”. The adoption of these new standards resulted in changes in the accounting for financial instruments. The Company adopted these standards at the beginning of the year and, in accordance with the transitional provisions, the prior period balances have not been restated.

Section 1530 established standards for reporting and presenting comprehensive income. Comprehensive income comprises net income and other comprehensive income (“OCI”) and includes all changes in equity (net assets) of the Company during the year except those resulting from investment by and distribution to owners. On adoption of the new standards, the Company determined that there was no other comprehensive income required to be recorded. As a result, comprehensive income consists solely of net income.

Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Under Section 3855, financial instruments must be classified as held for trading (“HFT”), held to maturity (“HTM”), loans and receivables, available for sale (“AFS”) financial assets or other financial liabilities. All financial instruments, including derivatives, are measured on the balance sheet at fair value, except for those classified as loans and receivables, HTM investments and other financial liabilities, which are measured at amortized cost using the effective interest rate method. Changes in fair value of HFT financial instruments are recorded in net income. Changes in fair value of AFS financial assets are recorded in other OCI until the investment is sold or impaired; at which time, the realized gain or loss will be recorded in net income.

Section 3861 establishes standards for the presentation of financial instruments and non – financial derivatives and identifies the related information that should be disclosed.

Section 3865 describes when and how hedge accounting can be applied. The Company does not have any hedging relationships.

Recognition & Measurement

Internal Controls Over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer 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.

Selected Annual Financial Information

Revenue from oil and natural gas sales (including liquids and transport revenue) in 2007 totaled \$588,152 compared to \$667,136 in 2006. The decrease in total revenue was a largely due to lower natural gas prices for much of the year and a reduction in well production. In addition, revenue from operating activities (cash received from operators minus royalty expense) totaled \$390,853 for the year ended December 31, 2007, compared to the \$505,063 reported in prior year.

Current assets, including cash, term deposits and accounts receivable at the end of the year were \$3,169,248, up significantly from the \$767,903 at the end of 2006. This was due to the various successful financings the Company undertook in the latter part of the year.

Total assets as at December 31, 2007 were \$7,713,059, up significantly from the 2006 total of \$4,309,480. This was due primarily to the substantial increase in cash and accounts receivable at year-end. Overall expenses for the year were up from the previous year at \$1,625,752 compared to \$1,302,337.

The net loss for the year was also higher than that recorded in 2006 - \$1,129,051 versus \$507,094. The increase in the 2007 loss can partially be attributed to the rise in the Company’s stock based compensation and the General & Administrative (G & A) expenses. Net loss per share in 2007 was \$0.06 compared to a net loss per share of \$0.03 in 2006.

Liabilities at the end of 2007 totaled \$1,433,469 compared to \$1,866,780 as at December 31, 2006. The decrease is due to the drop in future income taxes to \$232,249 from \$544,994 in prior year, and the decrease in accounts payable to \$247,416 from \$386,451 in 2006.

The tables below set 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, 2007	12 Months Ended December 31, 2006
	\$	\$
Oil and gas revenue	556,182	633,791
Liquids revenue	10,505	15,657
Transport revenue	21,465	17,688
Total revenue	588,152	667,136
Interest revenue	7,823	12,714

The table below sets out the Company's Assets for the year ended December 31, 2007:

ASSETS		
	12 Months Ended December 31, 2007	12 Months Ended December 31, 2006
Current Assets		
	\$	\$
Cash & cash equivalents	2,044,388	433,423
Short term investments	204,191	211,672
Accounts receivable	920,669	122,808
Fixed Assets		
Property & equipment	4,543,811	3,426,676
Deferred costs	--	114,901
Total Assets	7,713,059	4,309,480

Summary of Quarterly Results

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

Three Months Ended:	<u>12/31/07</u>	<u>09/30/07</u>	<u>06/30/07</u>	<u>3/31/07</u>
Cash & Short-term investments	\$2,248,579	\$ 6,624	\$ 9,876	\$ 130,297
Revenue	\$ 91,870	\$139,537	\$ 175,429	\$ 189,139
Net Income (Loss)	\$ (761,984)	\$(12,321)	\$ (239,056)	\$ (115,690)
Earnings (Loss) per share	\$ (0.0177)	\$(0.0191)	\$ (0.015)	\$ (0.0073)

Three Months Ended:	<u>12/31/06</u>	<u>9/30/06</u>	<u>6/30/06</u>	<u>3/31/06</u>
Cash & Short-term Investments	\$ 645,095	\$ 269,540	\$ 731,000	\$1,108,073
Revenue	\$ 156,541	\$ 133,499	\$ 160,742	\$ 226,476
Net Income (Loss)	\$(178,104)	\$(103,393)	\$ (84,798)	\$(140,799)
Earnings (Loss) per share	\$(0.0111)	\$(0.0067)	\$(0.0055)	\$(0.0091)

An analysis of the quarterly results over the last eight quarters shows some slight variables in revenue totals, with the exception of the three month periods ended September 30, 2006, which was substantially lower than most others. Revenue declined throughout 2006, and continued to do so at moderate levels in 2007, although both Q1 and Q2 2007 were relatively strong in comparison to the previous three quarters. The addition of the Company's sixth well on production at Joffre helped slow the decrease somewhat, during the second half of the year. Revenue should show improvement in Q1 2008 thanks in large part to the continued increase in gas prices throughout the winter months.

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. For 2007, ARO costs were slightly higher than those recorded in 2006, however depletion and amortization costs for 2007 were substantially lower than in prior year.

Royalties & Production Expenses

Royalties paid in 2007 totaled \$197,299 as opposed to \$162,073 in 2006. Total well expenses were slightly lower during the year as opposed to 2006, due to a reduction in costs associated with producing wells that the Company had in operation last year. As was the case in 2006, the majority of the production costs in 2007 were attributable to the operating costs, which increased during the year under review to \$258,913, as compared to \$192,926 during 2006.

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:

	2007		2006	
	<u>Cost</u>	<u>Ac. Depletion</u>	<u>Cost</u>	<u>Ac. Depletion</u>
Oil and gas	\$6,776,423	\$2,246,945	\$5,419,726	\$2,007,057

Net book value for 2007 was \$4,529,478, compared to \$3,412,669 in 2006.

The remaining value of the oil and gas asset is comprised of costs that were unrealized at statement date. During the year, the Company completed drilling three new wells in the Joffre area of Alberta. Drilling in the Preeceville, Saskatchewan region was completed during the previous year and is yet to be realized.

Production Levels From Existing Wells

The Company had six wells on production in Joffre as of December 31, 2007 – four Belly River, one Viking well and one CBM well. The table on the following page shows the production levels of each well during December 2007, the year under review and cumulative to date:

<u>Location</u>	<u>Co. Interest</u>	<u>Dec/07</u>	<u>Jan/07 – Dec/07</u>	<u>Cumulative to Dec/07</u>
		<u>Raw Gas</u>	<u>Raw Gas</u>	<u>Raw Gas</u>
		<u>Mcf</u>	<u>Mcf</u>	<u>Mcf</u>
00/03-18-038-24 W4	85.00%	2,538	35,133	521,557
00/05-20-038-24 W4	42.50%	886	11,393	41,144
02/06-20-038-24 W4	85.00%	2,100	17,538	100,994
00/03-24-038-25 W4	85.00%	1,748	17,800	226,631
02/03-24-038-25 W4	85.00%	862	9,925	22,490
00/16-20-038-24 W4	85.00%	969	18,891	18,891
00/15-12-038-25 W4	85.00%	--	175	175
TOTALS		9,103	110,855	931,882

Product Prices and Production

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 with respect to 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 production in 2007 came from its Coal Bed Methane well, with the remaining 89% coming from conventional natural gas wells.

1. Average daily Natural Gas production volume (before deduction of royalties):
 - Q1 2007: 287.30GJ/Day
 - Q2 2007: 286.03GJ/Day
 - Q3 2007: 244.25GJ/Day
 - Q4 2007: 278.51GJ/Day

2. Average per GJ of Natural Gas volume – prices received
 - Q1 2007: \$7.02/GJ
 - Q2 2007: \$6.70/GJ
 - Q3 2007: \$4.91/GJ
 - Q4 2007: \$5.82/GJ

3. Average per unit of Natural Gas volume – royalties paid:
 - Q1 2007: \$1.15/unit
 - Q2 2007: \$1.86/unit
 - Q3 2007: \$0.83/unit
 - Q4 2007: \$4.04/unit

4. Average per unit of Natural Gas volume – production costs:
 - Q1 2007: \$2.28/unit
 - Q2 2007: \$2.05/unit
 - Q3 2007: \$1.95/unit
 - Q4 2007: \$4.14/unit

5. Average per unit of Natural Gas volume – resulting netback:
 - Q1 2007: \$3.52/unit
 - Q2 2007: \$2.94/unit
 - Q3 2007: \$2.02/unit
 - Q4 2007: (\$2.58)/unit

6. Production volumes of Natural Gas for the year ended December 31, 2007
 - Average daily gas production volume GJ/day – 269.43
 - Average daily gas production volume 103M3/day – 8.39
 - Average BOE/day for the year – 46.72
 - Weighted average price received per GJ - \$6.11

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

Analysis of Expenses

Overall expenses, not including production costs, increased by approximately \$320,000 on a comparative basis to \$1,625,752 for the year ended December 31, 2007 compared to \$1,302,337 for the year prior. The primary reason for the increase in total expenses was the sharp rise in stock option expenses to \$530,211 from \$179,710, and the increase in professional fees to \$150,060 from \$30,925. G & A expenses also rose in 2007 by about \$170,000 to \$576,742 versus \$408,601.

The table on the following page outlines the changes in the major categories:

	EXPENSES	
	12 months Ended <u>Dec. 31, 2007</u>	12 Months Ended <u>Dec 31, 2006</u>
Depletion & Amortization Expense	\$259,886	\$521,100
Operating Costs	\$258,913	\$192,926
General & Administrative Expenses	\$576,742	\$408,601
Stock Based Compensation	\$530,211	\$179,710
Total Expenses	\$1,625,752	\$1,302,337

(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, 2007 stock options having an estimated value of \$530,211 were issued.

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. At December 31, 2007 the Company had an operating loss before income tax recovery of \$1,370,566, and used \$582,397 of cash in its 2007 operations. As described in Note 10(a) of the Financial Statements, the Company has an unexpended flow through obligation of \$4,095,253 to be incurred by December 31, 2008. 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 2008 capital expenditure program using operating cash flow and equity funds raised in 2007, along with additional financings in 2008. The Company utilizes both equity and Flow-Through issues from time to time to finance its capital program.

During the year under review, the Company closed several Private Placement offerings. The first occurred in August with the sale of 1 million Units of Nordic Oil and Gas at a price of \$0.20 per Unit for gross proceeds of \$200,000 to certain funds in a major institutional investor. Each Unit consisted of one Class A common share of the Corporation issued as a "flow-through share" within the meaning of the Income Tax Act (Canada) and one-half of a Class A common share purchase warrant. Each Warrant entitles the holder thereof to purchase one regular Class A common share of the Corporation at a price of \$0.30 per share for a period of two years from the date of issuance.

In September, the Company announced the closing of another private placement offering, this one totaling 752,500 units at a price of \$0.20 per Unit for gross proceeds of \$150,500 to various subscribers. Each Unit consisted of one Class A common share of the Corporation issued as a "flow-through share" within the meaning of the Income Tax Act (Canada) and one-half of a Class A common share purchase warrant. Each whole share purchase warrant entitles the holder to

purchase one regular Class A common share of the Company at \$0.30. The purchase warrants expire in September 2009.

Furthermore, during the final quarter of the year, the Company announced the closing of four additional Private Placement financings, two in October, one during November and the final one in late December. On October 1, 2007, Nordic closed a private placement offering of Units of the Corporation at a price of \$0.17 per Unit. The Corporation issued 600,000 Units to a member of a major institutional group for aggregate gross proceeds of \$102,000. And, on October 24, the Company issued 1,375,000 units at a price of \$0.20 per Unit for gross proceeds of \$275,000 to various subscribers. Each Unit consisted of one Class A common share of the Corporation 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.

On November 20, the Company announced the second closing of its previously announced private placement offering of units of the Corporation at a price of \$0.20 per Unit by issuing 3,600,000 Units for aggregate gross proceeds of \$720,000 to various subscribers. Each Unit consisted of one Class A common share of the Corporation 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 major capital group was paid a finder's fee of \$30,000 and was issued 200,000 Warrants as partial compensation for their services.

Finally, in December, the Company had two separate closing of its final financing of the year, totaling just under 10,000,000 Units at a price of \$0.30 per unit, for gross proceeds of \$2,997,299. Each Unit consisted of one Class A common share of the Corporation 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.

In conjunction with share issuance during the year ended December 31, 2007 9,110,565 warrants were issued, along with 916,277 agent warrants. The fair value of the warrants estimated using the Black-Scholes option pricing model with the following assumptions:

- Risk-free interest rate 3.95% - 4.34%
- Expected life (years) 2
- Expected volatility 34.00%
- Expected dividend yield 0%

Gross Profit From Operating Activities and Net Earnings (Loss)

Gross Profit from operating activities (production revenue minus production costs, not including royalties paid) totaled \$390,853 for the year ended December 31, 2007, compared to \$505,063 for the same period in 2006.

Net loss for the year ended December 31, 2007 was \$1,129,051, compared to \$507,094 for the same period a year ago, while the net loss for the three-month period was \$761,984, compared to a net loss of \$178,104 during the same period in 2006.

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 December 31, 2007, 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 December 31, 2007, 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. The costs for the three wells drilled under the joint operating agreement will be incurred 100% by the Company. As at December 31, 2007, the three wells have been drilled. The Company, 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 December 31, 2007 only two of the five wells have been drilled. The Company, 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. Nordic Management Ltd. receives \$10,000 per month for management services, \$2,500 per month for accounting services and \$2,000 per month for investor relations services. The contract expires November 14, 2012. Certain of the Company's directors and officers control Nordic Management Ltd. Effective March 1, 2008 the fee for management services was increased to \$12,500 per month.

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).

At the end of the year, the amounts due from (to) related parties are as follows:

	2007	2006
Amounts included in accounts receivable	\$ 6,210	\$ -
Amounts included in accounts payable and accrued liabilities	\$ -	\$ 209,949

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.

During the year, the Company issued on a private placement basis, 17,318,464 units of the Company at prices ranging from \$0.17 to \$0.30 per share for gross proceeds of \$4,444,789. Included in the private placement, was 232,500 units for gross proceeds of \$64,500 issued to directors and officers of the Company.

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. Management has evaluated the effectiveness of the Company's disclosure controls and procedures, as at the date of this MD&A, and as a result of that review, the Company's President and its Chief Financial Officer believe them to be effective in providing such reasonable assurance, as per Multilateral Instrument 52-109 Certification of Disclosure.

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 on the following page:

	Year ended December 31, 2007		Year ended December 31, 2006	
	Number of shares	Amount	Number of shares	Amount
Common shares				
Balance, beginning of year	15,993,874	\$ 2,691,778	15,418,147	\$ 3,114,766
Issued in consideration for oil and Issued as flow-through units (Note 7 (d))	1,500,000	247,500	-	-
Issued as non-flow-through units (Note 7 (d))	16,718,464	3,626,640	406,665	92,488
Issued from treasury (Note 7 (e))	600,000	99,803	-	-
Stock options exercised	-	-	169,062	31,276
Share issue costs (net of future taxes in the amount of \$110,416 (2006 - \$1,169))	-	(340,676)	-	(3,214)
Tax effect of flow-through shares	-	(39,186)	-	(472,262)
Warrant revaluation (Note 7 (l))	-	-	-	(40,000)
Amounts due for issued shares (Note 7 (e))	-	-	-	(31,276)
Shares cancelled (Note 7 (e))	(169,062)	-	-	-
Conversion of debentures	80,000	20,477	-	-
Balance, end of year	34,723,276	\$ 6,306,336	15,993,874	\$ 2,691,778
	Number of warrants	Amount	Number of warrants	Amount
Warrants				
Balance, beginning of year	2,249,355	\$ 289,052	2,046,022	\$ 219,540
Issued as flow-through units (Note 7 (d))	8,359,233	716,453	203,333	29,512
Issued as non-flow-through units (Note 7 (d))	300,000	1,894	-	-
Issued as agent warrants (Note 7 (d))	1,164,277	107,329	-	-
Warrant revaluation (Note 7 (l))	-	-	-	40,000
Warrants expired	(2,046,022)	(259,540)	-	-
Balance, end of year	10,026,843	\$ 855,188	2,249,355	\$ 289,052
Total equity instruments		\$ 7,161,524		\$ 2,980,830

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 \$4,342,789 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, 2008.

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:

- Risk-free interest rate 3.80%
- Expected life (years) 5
- Expected volatility 34.00%
- Expected dividend yield 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 beginning of the year, there were 1,510,000 options outstanding. At the closing of the year and the date of this balance sheet – December 31, 2007 – there were 3,080,000 stock options outstanding as per the following table:

Issued	Option Price		Weighted Average Remaining Contractual Life – in years		Number of Options Currently Exercisable	Weighted Avg. Exercise Price of Options Currently Exercisable
650,000	\$0.40		0.13		650,000	\$0.40
160,000	\$0.40		1.07		160,000	\$0.40
210,000	\$0.45		2.08		210,000	\$0.45
300,000	\$0.40		3.06		300,000	\$0.40
190,000	\$0.25		3.95		190,000	\$0.25
1,570,000	\$0.60		5.00		1,570,000	\$0.60
3,080,000	\$0.51		—		3,080,000	\$0.51

During the fourth quarter of 2007, the Nordic Oil and Gas Board of Directors approved the granting of 1,570,000 stock options to various officers, directors and consultants of the Company at an exercise price of \$0.60 per common share, as follows:

- Donald Benson Chairman & CEO – 450,000
- Keith Peterson, Secretary-Treasurer - 225,000
- Michael Mann, Director - 225,000
- Barry Palka, Director - 225,000

- Brahm Silverstone, Director - 225,000
- Don Bain, Consultant – 125,000
- Donald F. Benson, Consultant – 75,000
- Earl French, Consultant – 20,000

Further to the above, in January 2008, 650,000 stock options at a price of \$0.40 expired without any having been exercised. On January 25, the granting of 900,000 stock options, at a price of \$0.32 was approved by the Board of Directors to various officers, directors and consultants of the Company. These options, which will run for a period a five years from the date of issuance, were as follows:

- Donald Benson Chairman & CEO - 200,000
- Keith Peterson, Secretary-Treasurer - 130,000
- Michael Mann, Director - 130,000
- Barry Palka, Director - 130,000
- Brahm Silverstone, Director - 130,000
- Kevin Strong, Chief Financial Officer – 50,000
- Donald F. Benson, Consultant – 50,000
- Don Bain, Consultant – 50,000
- Earl French, Consultant – 30,000

Highlights of Operations for the Year Ended December 31, 2007

JANUARY

- New well drilled at 01-03-58-07 W4

MARCH

- Company receives approval from shareholders at Annual and Special Meeting for issuance of new class of Preferred Shares
- Two new wells licensed – 6-24-38-25 W4 (Viking well) and 5-18-38-24 W4 (Belly River well) in Joffre
- 16-20-38-24 W4 Belly River well placed on production

APRIL

- Company receives 2006 Engineering Report - total proved reserves up significantly; number of new drillable locations total 56

MAY

- Company announces its intention to merge with two of its Joint Operating partners, Desoto Resources Limited (“Desoto”) and Western Warner Oils Ltd. (“Western Warner”), creating a larger, stronger and more efficient Company. Due to economics, which affected the viability of the proposed merger, the merger was cancelled. Management reserves the right to explore this in the future

JUNE

- Company enters into an agreement to acquire approximately 8,000 acres of Petroleum & Natural Gas leases in the Peace River Arch and Lloydminster regions of Alberta.

JULY

- Company drills its 11th well, and it believes the second to encounter gas, in the Basal Belly River zone in Joffre, Alberta, Canada. Both the gas detector and the open hole well logs indicate the presence of gas in the Edmonton Group (Coal Bed Methane), the middle to upper Belly River zone and, most importantly, in the Basal Belly River zone
- The Company announces an offering of up to 1 million Units of Nordic at a price of \$0.20 per Unit, with each Unit consisting one Class A common share of the Corporation issued as a “flow-through share” within the meaning of the *Income Tax Act* (Canada) and one-half of a Class A common share purchase warrant. Each Warrant will entitle the holder thereof to purchase one regular Class A common share of the Corporation at a price of \$0.30 per share for a period of two years from the date of issuance.

AUGUST

- The Company announces the closing of its previously announced private placement offering with the issuance of 1,000,000 units at a price of \$0.20 per Unit for gross proceeds of \$200,000 to certain funds
- The Company perforates its new well in Joffre. Field measurement results from the two-day flow test showed that the middle Belly River zone had gas rates of 660MCF/d during a one hour flow test. The Belly River formation where the measurement was taken was perforated at between 649.5 metres and 651 metres, while the gas rate level at the 699.5-metre to 702-metre interval tested at 820MCF/d.
- The Company announces a further offering of up to 1 million Units of Nordic at a price of \$0.20 per Unit, with each Unit consisting one Class A common share of the Corporation issued as a “flow-through share” within the meaning of the *Income Tax Act* (Canada) and one-half of a Class A common share purchase warrant. Each Warrant will entitle the holder thereof to purchase one regular Class A common share of the Corporation at a price of \$0.30 per share for a period of two years from the date of issuance.

SEPTEMBER

- The Company closes its previously announced private placement offering of units by issuing 752,500 units at a price of \$0.20 per Unit for gross proceeds of \$150,500 to various subscribers.

OCTOBER

- The Company closes its previously announced acquisition of approximately 8,000 acres of Petroleum & Natural Gas leases in the Lloydminster and Peace River Arch regions of Alberta for cash considerations of \$200,000, plus 1.5 million Class A Common Shares of the Corporation at a price of \$0.30 per share, for a total acquisition price of \$247,500
- Corporation engages the services of a major geochem company. to undertake hydrocarbon soil gas surveys in its two most northerly townships in Preeceville, Saskatchewan
- The Corporation issues 1,375,000 units (the "Units") at a price of \$0.20 per Unit for gross proceeds of \$275,000 to various subscribers. Each Unit consisted of one Class A common share of the Corporation issued as a "flow-through share" within the meaning of the *Income Tax Act* (Canada) (a "Flow-through Share") and one half of one Class A common share purchase warrant (a "Warrant"). Each whole Warrant entitles the holder thereof to purchase

one regular Class A common share of the Corporation at a price of \$0.30 for a period of two years from the date of issuance

NOVEMBER

- The Company announces it had discovered a series of oil seeps in its most northerly permit in Township 40, Ranges 4 and 5 W2 Preeceville, Saskatchewan. Various samples were sent to a laboratory in Calgary, and the analysis revealed the presence of oil. All together, evidence of 34 seeps was found on the property, of which three were very extensive. The oil seeps were discovered as a result of hydrocarbon soil gas surveys undertaken by the geochem company
- The Company closes its previously announced private placement offering of units of the Corporation at a price of \$0.20 per Unit by issuing 3,600,000 Units for aggregate gross proceeds of \$720,000 to various subscribers. Each Unit consisted of one Class A common share of the Corporation and one half of one Class A common share purchase warrant. A major capital company was paid a finder's fee of \$30,000 and was issued 200,000 Warrants as partial compensation for their services.

DECEMBER

- The Company closes another non-brokered Private Placement of Flow-Through shares for gross proceeds of just under \$3 million. Approximately 10 million shares were issued at a price of \$0.30 per share.

Events Subsequent to the end of the Year

JANUARY

- Company selects two initial well locations to commence its drilling program in Preeceville, Saskatchewan, where it previously announced the discovery of numerous oil seeps
- Company hires Kevin Strong, CGA, CAE, CIM former Manager of the Winnipeg Office of the TSX Venture Exchange as a consultant, undertaking the duties of Chief Financial Officer of Nordic Oil and Gas Ltd

FEBRUARY

- Company acquires an 85% interest in a compressor station in Joffre, Alberta, Canada, owned by Desoto Resources Limited, a related company. In conjunction with this, Desoto, which is the operator in the area, has signed a contract with a major pipeline company to transport the Company's gas. This will result in a significant reduction in the costs of the Company's natural gas production in the region.
- Both an Environmental Report and Land Surveys for surface leases are completed in Preeceville, Saskatchewan on the land where the Company will be drilling its first two exploration wells
- Company announces the first closing of its previously announced private placement offering of flow-through units. 2,416,094 flow-through units are issued at a price of \$0.425 per Unit for gross proceeds of \$1,026,840 to various subscribers. Each Unit consisted of one Class A common share of the Corporation 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. Each whole Warrant entitles the holder thereof to purchase one regular Class A common share of the Corporation at a price of \$0.65 for a period of two years from the date of issuance.

MARCH

- Company acquires four well bores located on leases on its lands in Lloydminster, Alberta. The well bores were about to be abandoned as the vendor had lost the mineral rights to the properties. The Company plans to install pumps and tanks at each well bore location and will do everything in its power to have these wells on production over the next 30 to 60 days.
- Company announces subsequent closings of its previously announced private placement offering of flow-through units, by issuing 2,131,055 flow-through units at \$0.425 for gross proceeds of \$905,698 to various subscribers, and 340,000 non flow-through units at a price of \$0.40 per Unit for gross proceeds of \$136,000 to various subscribers, and by issuing a further 1,333,118 flow-through units at a price of \$0.425 per Flow-Through Unit for gross proceeds of \$566,575.15 to various subscribers, plus 266,750 non flow-through units at a price of \$0.40 per Unit for gross proceeds of \$106,700, also to various subscribers.

Operational Outlook for 2008

The Company has targeted a Capital Expenditure budget of \$5,250,000 for 2008 as follows:

PREECEVILLE:

- | | |
|-------------------------------|-------------|
| • Seismic | \$ 250,000 |
| • Geochem | \$ 50,000 |
| • 2 new wells @ \$750,000 ea. | \$1,500,000 |

LLOYDMINSTER

- | | |
|------------------------------------|-------------|
| • Seismic | \$ 50,000 |
| • 4 new wells @ \$450,000 ea. | \$1,800,000 |
| • 4 existing wells @ \$200,000 ea. | \$ 800,000 |

JOFFRE

- | | |
|-------------------------------|------------|
| • 2 new wells @ \$350,000 ea. | \$ 700,000 |
|-------------------------------|------------|

PEACE RIVER ARCH

- | | |
|-----------|-----------|
| • Seismic | \$ 50,000 |
|-----------|-----------|

MISCELLANEOUS (Mapping)

	\$ 50,000
--	-----------

Furthermore, when these wells are drilled and placed on production (along with the aforementioned new Belly River well in Joffre and the three CBM wells, also in Joffre), the Company's production, by the end of the year, is anticipated to be as follows:

CURRENT PRODUCTION:

	Approx. 500 MCF/D
--	-------------------

Wells Waiting to be Tied-in:

- | | |
|--------------------------------|-----------|
| • 9-24-38-25 W4 - CBM | 100 MCF/D |
| • 14-18-38-24 W4 - CBM | 100 MCF/D |
| • 10-18-38-24 W4 - CBM | 100 MCF/D |
| • 11-13-38-25 W4 - Belly River | 600 MCF/D |

ANTICIPATED PRODUCTION

	1,400 MCF/D
=	233 BOE/D

Wells to be Drilled:

- | | |
|--------------------|----------------------|
| • Joffre - 2 | 400 MCF/D = 66 BOE/D |
| • Lloydminster – 8 | 240 BOE/D |

TOTAL ANTICIPATED PRODUCTION FOR 2008 539 BOE/D**

*** Does not include Preeceville Potential*

In addition to the above, the Company also intends to have its recently acquired compressor station in Joffre operational by June of 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.

Currently, the Company pays \$0.70 per 1,000 cubic feet of gas transported via the existing pipeline system, however with the signing of this deal with the pipeline transporter, it is estimated that our costs will drop by 50%.

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
Management Team	Donald P. Benson, President & CEO; Chairman Keith Peterson, Secretary-Treasurer & Director Kevin Strong, CGA, Chief Financial Officer
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 Web site: www.nordicoilandgas.com
Alberta Office	213, 110 – 11 th Avenue SW Calgary, Alberta T2R 0B8 Tel. 403-264-7891 Fax: 403-264-7773