



MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE YEAR ENDED

DECEMBER 31, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE 12 & THREE MONTHS ENDED DECEMBER 31, 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 year ended December 31, 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.

This Management Discussion & Analysis was prepared on April 30, 2010

Forward Looking Statements & Definitions

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", "the Corporation" 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, 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. In March 2009, the independent engineering and reserves report credited Nordic as follows:

- Natural Gas and Coal Bed Methane
 - Total proved plus probable reserves were up 32% in 2008 to 1,878 MMscf versus the 2007 total of 1,427 MMscf
 - Total proved reserves (developed producing plus developed non-producing plus undeveloped) increased 17% to 1,004 MMscf as compared to 857 MMscf last year
 - Total probable reserves increased 53% to 874 MMscf compared to 570 MMscf in 2007

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

In addition, as at December 31, 2009, the Company had a 100% interest in approximately 1,000 acres in the Lloydminster region of Alberta. At the end of December 2009, Nordic had nine heavy oil wells on production at Lloydminster. In October, the independent engineering and reserves report was updated and credited the Company as follows:

- Total proved plus probable reserves of heavy oil as at October 1, 2009, have increased to 888 MSTB, compared to 805 MSTB at the beginning of 2009 and 540 MSTB in the prior year. This is broken down as follows:
 - Total proved reserves: 447 MSTB (compared to 395 MSTB as at January 1, 2009)
 - Total probable reserves: 440 MSTB (compared to 410 MSTB as at January 1, 2009)

As a result, the revised reserves and engineering report also states that the net present value of Nordic's estimated future net revenue based on forecast prices and costs before income taxes at 10% has risen nearly 25% since the start of the year to \$17.473 million.

In April 2010, Nordic entered into an agreement to sell a 50% interest in its Lloydminster property to Western Plains Petroleum Ltd., who also assumed the role of operator on each of the aforementioned Nordic wells.

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. An independent consulting company has determined that the leases contain approximately 54,000,000 recoverable tonnes of coal. Preliminary evaluation of the mining potential of this property conducted by Norwest Resource Consulting Ltd. historically concluded the total calculated in place coal was 95,951,031 tonnes with 53,905,623 tonnes potentially recoverable.

As at December 31, 2009, Nordic had no production from either of these latter two 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.

In February 2008, the Accounting Standards Board confirmed that International Financial Reporting Standards (IFRS) will replace Canadian GAAP in 2011 for publicly traded companies. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies that must be evaluated.

The Company's IFRS conversion project commenced in 2009 with a philosophy to align with current accounting practices and policies where possible, and to minimize the impact of these changes to the business. 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 12 & THREE MONTHS
ENDED DECEMBER 31, 2009

Analysis of Revenue, Cash Flows and Assets – Three & 12 Months Ended 12/31/2009

Revenue from oil and natural gas sales (including liquids and transport revenue) during the fourth quarter of 2009 totaled \$259,711, compared to \$383,464 in Q3 2009 – a 32.2% decrease – and a 55.9% decrease over the \$589,571 recorded during Q4 last year. When adding interest earned, the Q4 revenue totaled \$256,041, down approximately \$130,000 from the Q3 2009 total of \$385,882, and down significantly from the Q4 2008 total of \$602,557.

For the 12 months ended December 31, 2009, oil and gas, liquids and transport revenue was down to \$1,259,969 versus \$1,487,971 – a decrease of 15.3% - for the year ended December 31, 2008. When adding interest revenue, the 2009 year-end total becomes \$1,269,144 compared to \$1,564,973 for 2008, a decrease of 18.9%. The revenue decrease in Q4 was due largely to the fact that a number of the heavy oil wells in Lloydminster were down for maintenance, while the yearly total was down from 2008 as a result of weak oil and gas prices throughout much of the first half of 2009 and a substantial decrease in interest revenue - \$65,000.

The table below sets out the Company's relevant variables in revenue for the three and 12 months ended December 31, 2009 and 2008:

	REVENUE			
	3 Months Ended December 31		12 Months Ended December 31	
	2009	2008	2009	2008
	\$		\$	\$
Production revenue *	259,711	589,571	1,259,969	1,487,971
Interest revenue	(3,670)	12,986	9,175	77,002
Total Revenue	256,041	602,557	1,269,144	1,564,973

* Includes Liquids and Transportation revenue

Total assets, including cash, short-term investments, accounts receivable, property and equipment and other assets (deposits), at the end of the year under review totalled \$17,357,549. These compare to assets of \$13,463,968 as at the end of Q3 2010 – and are up 23.0% from the \$14,113,291 at the end of the year 2008.

The table on the subsequent page sets out the Company's Assets for the years ended December 31, 2009 and 2008:

ASSETS		
Current Assets	Year Ended December 31, 2009	Year Ended December 31, 2008
	\$	\$
Cash & deposits	162,216	161,172
Short term investments	242,332	2,554,938
Accounts receivable	684,121	374,205
Fixed Assets		
Property & equipment	16,168,787	10,857,791
Deferred costs	--	--
Other assets	100,093	165,185
Total Assets	17,357,549	14,113,291

Analysis of Expenses

Overall expenses for the year ended December 31, 2009 totaled \$3,079,810, of which \$1,349,576 was comprised of operating and royalty costs. This is up from the 2008 total of \$2,538,902. General and administration costs were up approximately \$170,000 on a year over year basis to \$1,028,860, while stock option expense decreased significantly to \$115,245 in 2009 versus \$441,695 in 2008. The big increase in overall costs came as a result of operating costs rising to \$1,293,414 as opposed to \$707,268 last year.

The table following outlines the changes in the major categories:

<u>Expense</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	Three months ended December 31		12 months ended December 31	
	<u>\$\$</u>	<u>\$\$</u>	<u>\$\$</u>	<u>\$\$</u>
Depletion & Amortization	266,842	273,177	642,291	529,196
General & Administration	785,495	446,644	1,028,860	860,743
Interest	(10,819)	78,044	21,605	114,428
Stock Options	39,039	(50,288)	115,245	441,695
Total These Categories	1,080,557	747,577	1,808,001	1,946,602

(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, 2009, stock options having an estimated value of \$115,245 were issued.

Royalties & Production Expenses

Royalties paid in the fourth quarter totaled (\$12,002), significantly less than the \$78,422 paid during the same period last year and down from the Q3 2009 total of \$14,950. For the year ended December 31, 2009, the Company paid \$56,162 in royalty costs, compared to \$307,900 last year. Royalty costs decreased this past year due to a change in crown royalty assessment values.

Total well expenses (operating costs) were higher during the quarter under review at \$374,064, versus \$346,711 during Q4 2008, and \$363,313 during Q3 this year. This was due to the increased maintenance costs during the entire year on a number of the heavy oil wells in Lloydminster.

For the year under review, operating costs totaled \$1,293,414, compared to \$707,268 during the year ended December 31, 2008.

Balance Sheet Analysis

Liabilities and shareholders' equity totalled \$17,357,549 for the year under review, up from the \$14,113,291 as at December 31, 2008.

The net loss for the three months ended December 31, was \$443,759, compared to \$426,402 recorded during the same period a year ago, and up from the \$277,111 loss recorded in Q3 this year. For the full year under review, the net loss was \$1,230,218, up only marginally from the \$995,869 a year ago. The increase in the 2009 loss can largely be attributed to the drop in the revenue. Net loss per share in Q4 2009 was \$0.007 compared to a net loss per share of \$0.005 in Q3 2009, and was \$0.02 for the year, versus \$0.02 last year.

Summary of Quarterly Results

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

Three Months Ended:	<u>12/31/09</u>	<u>09/30/09</u>	<u>06/30/09</u>	<u>3/31/09</u>
Cash & Short-term investments	\$ 404,548	\$ 414,654	\$ 232,792	\$ 965,435
Revenue	\$ 256,041	\$ 385,882	\$ 366,001	\$ 261,220
Net Income (Loss)	\$(443,759)	\$(277,111)	\$(277,215)	\$(232,133)
Earnings (Loss) per share	\$ (0.007)	\$ (0.005)	\$ (0.006)	\$ (0.006)

Three Months Ended:	<u>12/31/08</u>	<u>09/30/08</u>	<u>06/30/08</u>	<u>3/31/08</u>
Cash & Short-term Investments	\$2,716,110	\$3,144,314	\$5,804,867	\$4,316,729
Revenue	\$ 602,557	\$ 437,693	\$ 375,622	\$ 149,101
Net Income (Loss)	\$(426,402)	\$ (309,292)	\$(135,730)	\$ (124,446)
Earnings (loss) per share	\$ (0.002)	\$ (0.0072)	\$ (0.003)	\$ (0.003)

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. Revenue in Q4 however was at its lowest for the year due mainly to several of the Company's heavy oil wells down for maintenance work. In addition, short-term investments are also down in 2009 as the Company's operating expenses have increased over the past year as the Company did not raise 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

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:

	December 31, 2009		December 31, 2008	
	Cost	Accumulated Depletion	Cost	Accumulated Depletion
Oil and gas	\$19,529,926	\$3,361,139	\$13,617,736	\$2,759,945

Net book value for oil and gas at December 31, 2009 was \$16,168,787, compared to \$10,857,791 as at December 31, 2008.

Product Prices and Production

As of the end of the year under review, the Company had nine 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.

During the first half of 2009, both oil and gas prices were significantly lower than they were 12 months prior and despite some improvement toward the end of the third quarter and in to the fourth quarter, average prices for oil and gas in 2009 were well below those recorded throughout much of 2008, when oil prices exceeded \$100 per barrel in February, hitting a high of \$147 in July. However, by the end of 2008 and well into 2009, prices fell sharply, reaching a low of \$34 per barrel at one point. Oil prices languished through much of 2009 before hitting \$70 in August.

Given these circumstances and the significant drop in the price of oil in 2009, these depressed prices had an adverse impact on Nordic's bottom line throughout much of the year.

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 for the Year ended December 31, 2009

	Q1	Q2	Q3	Q4	Yr. Avg.
Average daily gas volume GJ/day	401.47	264.28	160.59	71.19	224.38
Average daily gas production volume 10 ³ M ³ /day	10.79	7.36	4.35	2.84	6.33
Average BOE/day per quarter	67.87	46.31	27.37	17.86	39.85
Weighted average price received per GJ	\$4.65	\$3.86	\$3.58	\$3.64	\$3.93

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

Heavy Oil Production - Quarterly Comparisons for the Year ended December 31, 2009

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:

	Q1	Q2	Q3	Q4	Yr. Avg
Average daily Heavy Oil production volume - Barrels	37.04	53.57	62.63	52.99	51.56
Average net price received 10 ³ M ³ /day	\$232.30	\$357.06	\$375.20	\$310.15	\$318.68
Average price received \$/BBL	\$ 36.93	\$ 56.77	\$ 59.65	\$ 49.31	\$ 50.66
Average royalties paid \$/BBL	\$ 1.71	\$ 2.87	\$ 2.96	\$ 3.12	\$ 2.67
Average production costs \$/BBL	\$ 20.89	\$ 26.34	\$ 49.11	\$ 78.72	\$ 43.76
Average resulting netback \$/BBL	\$ 11.58	\$ 13.81	\$ 7.49	\$ 6.92	\$ 9.95

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 year ended December 31, 2009, the Company had an operating loss of \$1,230,218 compared to \$995,869 for the year ended December 31, 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, \$729,357 in Q3 and a further \$3,647,459 in Q4 for a total expenditure for the year of \$4,977,708 on qualifying expenses. As such, the Company has therefore fulfilled its flow-through obligations for the year under review.

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 2010 capital expenditure program using operating cash flow and funds raised in 2009, along with the potential for additional financings in 2010. 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 consisted 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 this previously announced private placement offering, issuing 6,338,500 flow-through units at a price of \$0.125 per unit for gross proceeds of \$798,563 to various subscribers. Furthermore, on August 31, 2009, the Company announced its second closing on the afore-mentioned 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 it was undertaking a private placement offering of up to \$3,000,000 principal amount of 3-year, 10% secured convertible redeemable debentures. 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. On November 6, the Company had its first closing of this offering by issuing \$497,000 principal amount of debentures.

On November 11, 2009, the Company announced it was undertaking 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. This was followed by a second close of the offering on December 23, 2009, with the issuance of 2,930,000 flow-through units at \$0.10 per unit, for gross proceeds of \$293,000, and a third close on December 31, 2009, with the issuance of 3,600,000 flow-through units for gross proceeds of \$360,000.

In total, the Company raised \$1,928,812 in flow-through funds in 2009, plus an additional \$497,000 as part of the convertible debentures.

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, 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 December 31, 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 December 31, 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 December 31, 2009, 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. As at December 31, 2009, Nordic Management Ltd. received \$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, 2009 and December 31, 2008, the amounts due from (to) related parties are as follows:

	Dec. 31, 2009	Dec. 31, 2008
Amounts included in accounts receivable	\$ 196,491	\$ 42,176
Amounts included in accounts payable and accrued liabilities	\$ 28,358	\$ 152,332

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 on the following page:

	<u>12 Months ended Dec 31/09</u>		<u>12 Months ended Dec 31/08</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>
Common Shares	Number	\$\$	Number	\$\$
Balance, beginning of year	48,140,126	9,277,763	34,723,276	6,306,336
Issued as Flow-through Units	17,251,500	1,524,587	10,046,934	3,651,010
Issued as non-Flow-through Units			606,750	151,712
Stock Options exercised			287,500	211,325
Share issue costs		(191,658)		(573,661)
Tax effect of FT shares		(1,508,693)		(1,352,727)
Warrants exercised			909,666	479,408
Conversion of Debentures			1,566,000	404,360
BALANCE, END OF YEAR	65,391,626	9,101,999	48,140,126	9,277,763
	Warrants	Amount	Warrants	Amount
Warrants	Number	\$\$	Number	\$\$
Balance, beginning of year	15,097,863	2,368,247	10,026,843	855,188
Issued as Flow-through Units	8,625,750	404,226	5,023,467	1,348,104
Issued as non-Flow-through Units			303,375	90,988
Issued as Agent Warrants	895,480	43,952	813,845	237,431
Warrants exercised			(909,666)	(140,241)
Warrants expired	(8,955,176)	(691,724)	(160,001)	(23,223)
BALANCE, END OF YEAR	15,661,917	2,124,701	15,097,863	2,368,247
TOTAL EQUITY INSTRUMENTS		11,226,700		11,646,010

In accordance with the terms of the offerings and certain provisions of the Income Tax Act (Canada), during the year under review, the Company had to renounce, for income tax purposes, eligible exploration expenditures of \$4,977,708 to subscribers of the flow through common shares in 2009 private placements. During the year ended December 31, 2009, the Company renounced \$4,977,708 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	1.8% - 2.6%	3.4% - 3.7%
• Expected life (years)	5	5
• Expected volatility	95% - 101%	79% - 89%
• 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 December 31, 2009, there were 5,626,400 stock options outstanding as per the following table:

Options	Option	Weighted Average Excursive Price	Remaining Life	Options Exercisable	Weighted Average Exercise Price of Options Exercisable
Outstanding	Price	Price	Life	Exercisable	Exercisable
180,000	0.45	0.45	0.08	180,000	0.45
280,000	0.40	0.40	1.06	280,000	0.40
115,000	0.25	0.25	1.95	115,000	0.25
1,495,000	0.60	0.60	3.00	1,495,000	0.60
657,500	0.32	0.32	3.07	657,500	0.32
1,035,000	0.20	0.20	3.64	1,035,000	0.20
1,078,900	0.10	0.10	4.24	1,078,900	0.10
785,000	0.13	0.13	4.73	785,000	0.13
5,626,400	0.31	0.31	-	5,626,400	0.31

Convertible Debentures

During the first quarter, on January 29, 2009, the Company paid the balance owing on outstanding convertible debentures, which matured on November 30, 2008. The total amount paid was \$373,672.

On November 6, 2009, the Company issued convertible debentures in the amount of \$497,000 maturing on November 6, 2012 and bearing interest at an annual rate of 10%, payable semi-annually on each of the six and twelve month anniversary of the initial date of closing. The debenture is collateralized by all the present and future property and assets of the Company.

The debentures are convertible, at the option of the holder at any time into Class A common shares of the Company at the conversion price of \$0.15.

The debentures are 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.

The Company reviews the terms of its convertible debentures to determine whether there are embedded derivatives, including the embedded conversion option, that are required to be separated and accounted for as individual derivative financial instruments. In circumstances where the convertible debentures contain embedded derivatives that are to be separated from the debenture host contracts, the total proceeds received are first allocated to the fair value of the derivative financial instruments determined using the Black-Scholes model. The remaining proceeds are then allocated to the debenture host contracts, resulting in those instruments being recorded at a discount from their principal amount. This discount is accreted over the expected life of the instruments to net income using the effective interest method. Costs incurred related to the convertible debentures have been allocated to the debt and equity component on a pro rata basis.

The debenture host contracts are subsequently recorded at amortized cost at each reporting date, using the effective interest method.

On conversion, the carrying amount of the equity component and the carrying amount of the debenture component, including any accrued interest, are reclassified to common shares. In the event that the debentures are not converted and the conversion option expires at maturity, the Company accounts for the settlement of the debentures at the redemption value, which is equal to the stated principal amount of the debentures. The debt component is derecognized, and the carrying amount of the equity component is reclassified to contributed surplus.

Total proceeds of convertible debenture	\$ 497,000
Value of equity component	(230,547)
Financing costs of liability component	(45,714)
Initial value of liability component	\$220,739

OPERATIONAL HIGHLIGHTS – Key Events during 2009

March

- Received 2008 independent reserves and engineering report:
 - Heavy Oil
 - Total proved plus probable reserves increased by 49% in 2009 to 805 MSTB, compared to 540 MSTB in 2008
 - Natural Gas and Coal Bed Methane
 - Total proved plus probable reserves were up 32% in 2009 to 1,878 MMscf versus the 2008 total of 1,427 MMscf

June

- In conjunction with its joint venture partner, Western Warner Oils Ltd. the Company acquired 3,856 hectares (9,528 acres) of coal leases located at Drumheller, Alberta. An independent consulting company has determined that the leases contain approximately 54,000,000 recoverable tonnes of coal. Preliminary evaluation of the mining potential of this property historically concluded the total calculated in place coal was 95,951,031 tonnes with 53,905,623 tonnes potentially recoverable.

July

- Begins examining the possibility of using Underground Coal Gasification (“UCG”) as a means to convert the coal into product gas at its recently acquired Drumheller, Alberta property.
- Entered into a strategic development agreement with Hunt Oil Company whereby Nordic has the opportunity to earn an interest in the Hunt-owned land in Preeceville, Saskatchewan. The ensuing exploration work on the lands will result in Hunt having the option to participate on a 50-50 go forward basis with Nordic, or allow Nordic to retain a 100% interest in the land with Hunt earning a gross overriding royalty.

August

- Issued 6,388,500 flow-through units at a price of \$0.125 per unit for gross proceeds of \$798,563 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.
- Issued a further 1,758,000 flow-through units at a price of \$0.125 per unit for gross proceeds of \$219,750 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.

October

- Acquired the petroleum and natural gas (P & NG) rights on one-half section of its land in Drumheller, Alberta. The rights are from the surface to the base of the Belly River zone.
- Updated engineering report credits Nordic Oil and Gas with higher reserves, 25% increase in valuation at Lloydminster:
 - Total proved plus probable reserves of heavy oil as at October 1, 2009, have increased to 888 MSTB, compared to 805 MSTB at the beginning of 2009 and 540 MSTB in the prior year.

November

- Closed private placement offering of up to \$3,000,000 principal amount of 3 year 10% secured convertible redeemable debentures (the “Debentures”) with the issuance of \$497,000 principal amount of Debentures.
- Entered into an agreement with a Vancouver-based firm whereby said firm will conduct geological strat tests at Preeceville, Saskatchewan. Upon expenditure of \$300,000 in a 12-month period, the firm will then earn a 50% interest in 4.25 sections of land in Preeceville held by Nordic and its joint venture partner, Western Warner Oils Ltd. The firm, along with its assignees, will then be entitled to enter into a joint venture with Nordic and Western Warner to further explore the said lands. In addition, the firm shall have the right to spend a further \$1.2 million over a three-year period on the remaining leases held by Nordic/Western Warner within a 15-mile radius of mutual interest to earn a 50% interest in these lands.
- Issued 2,575,000 flow-through units at a price of \$0.10 per unit for gross proceeds of \$257,500 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 one Class A common share purchase warrant.

December

- Seven wells successfully drilled at Lloydminster property
- Issued 2,930,000 flow-through units at a price of \$0.10 per unit for gross proceeds of \$293,000 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.
- First of seven new wells placed on production at Lloydminster
- Issued 3,600,000 flow-through units at a price of \$0.10 per unit for gross proceeds of \$360,000 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.

EVENTS SUBSEQUENT TO THE END OF THE YEAR

(a) Stock Options

In January 2010, 180,000 stock options previously issued at \$0.45, expired.

(b) Private Placements

In February 2010, the Company issued on a private placement basis, 1,825,000 units of the Company at \$0.12 per share for the gross proceeds of \$219,000 to various subscribers. Each Unit consisted of one Class A common share of the Corporation (a “Common Share”) and one half of one Common Share purchase warrant (a “Warrant”). Each whole Warrant entitles the holder thereof to purchase one Common Share at a price of \$0.14 for a period of two years from the date of issuance. The purchase warrants expire in February 2012.

In March 2010, the Company issued on a private placement basis, 2,525,000 units of the Company at \$0.10 per share for the gross proceeds of \$252,500. Each unit consists of one Class A flow-through common share and one-half share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one regular Class A common share of the Company at \$0.11. The purchase warrants expire in September 2011.

(c) Sale of Lloydminster interests

In April 2010, the Company entered into a sale agreement to sell a 50% interest in the Company's land holdings and heavy oil wells in Lloydminster, Alberta for total consideration of \$2,500,000 to Western Plains Petroleum Ltd ("Western"). The consideration is to be comprised of \$2,100,000 cash, and \$400,000 in Class A common shares of Western. These land holdings and heavy oil wells had a carrying value of approximately \$3,028,000.

OPERATIONAL OUTLOOK FOR 2010

The Company has targeted a Capital Expenditure budget of \$3.55 million for 2010 as follows:

PREECEVILLE:	Geochem	\$ 50,000
	2 new wells	\$ 500,000
LLOYDMINSTER:	7 new well sites	\$1,400,000
	Equip 5 recently drilled wells	\$ 600,000
TALBOT LAKE	1 new deep well	\$1,000,000

BUSINESS STRATEGIES, RISK & UNCERTAINTIES

At Nordic Oil and Gas, the goal is to remain committed to the strategy of building a quality company and looking for ways to enhance shareholder value. The Company is committed to exploration and drilling activities that will result in growth and value for its shareholders. Nordic Oil and Gas maintains operatorship control with high working interests in Joffre and Preeceville regions, through its "sister" companies, Western Warner Oils Ltd. and Desoto Resources Limited and is the sole owner of the property in Lloydminster and Talbot Lake.

The Company's strategy is to focus on properties that will provide long-term reserves, which, in turn, will generate revenue and cash flow in both the near- and long-term. Since inception, Nordic has focused on low-risk development drilling aimed at increasing production and reserves in core areas. Nordic Oil and Gas will continue to increase its reserves and production base through land acquisitions, exploratory and development drilling, along with corporate mergers and acquisitions that will contribute to the overall growth and development of the Company and enhance shareholder value.

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

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