



NORDIC
OIL AND GAS LTD

MANAGEMENT'S DISCUSSION AND

ANALYSIS FOR THE YEAR ENDED

DECEMBER 31, 2006

2006 MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2006

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, 2006. 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, 2007.

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 currently has an 85% interest in 4,440 gross acres of land in Joffre, Alberta, Canada, approximately 30 kilometres east of Red Deer. As at December 31, 2006, the Company had five wells in production on its Joffre lands – three Belly River wells, one Viking well and one CBM well. It also has five other wells – three CBM and two Belly River – drilled and cased, all of which are currently awaiting tie-in.

In addition, the Company also has an 80% interest in 137,780 acres of exploration permits located in the Preeceville area of east-central Saskatchewan. In 2006, the Company's first special exploratory permit, issued in 2001, was converted into two five-year Petroleum and Natural Gas leases for rights from the surface to the basement

covering 10.5 sections of land. In addition, Nordic also has a 50% interest in 14,355 acres on the Cote First Nation land near Kamsack, Saskatchewan.

Critical Accounting Estimates & Changes in Accounting Policies

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

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

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. Nordic management has assessed the design of these internal controls and during this process, certain material weaknesses were identified:

- Due to the limited number of staff at Nordic, it is not economically feasible to achieve complete segregation of incompatible duties.
- Nordic does not have sufficient number of financial personnel, with all the technical accounting knowledge required to address all of the complex and non-routine accounting transactions that may arise.
- Many of Nordic’s information systems are subject to general control deficiencies including a lack of effective controls over spreadsheets, access and documentation.

Management, and the Company’s Board of Directors work to mitigate the risk of material misstatement, however, we do not have reasonable assurance that this risk can be reduced to remote likelihood. Nordic intends to address this situation.

Stock-Based Compensation

Effective January 1, 2004, The Company adopted the CICA section 3870 "Stock Based Compensation and Other Stock-Based Payments, retroactively with restatement of prior periods. The recommendation required the Company to record a compensation expense over the vesting period based on the fair value of options granted to employees and directors. The Company therefore follows accounting guidelines in determining the value of stock-based compensation, as disclosed in Note 8 of the 2005 financial statements. This calculated amount is not based on historical costs, but is based on subjective assumptions, which are inputted into an option pricing model. The model requires that management make several assumptions as to future events, including: 1. estimating the average future hold period of issued stock options before exercise, expiry or cancellation; 2. estimating future volatility of the Company's share price in the expected hold period (using historical volatility as reference); 3. calculating an appropriate risk-free rate of interest. The resulting value is not necessarily the value which the holder of the option(s) could receive in an arm's length transaction, given that there is no market for the options and that they are not transferable. It is management's view that the value derived is highly subjective and dependent entirely on the input assumptions made. The Company recorded stock-based compensation expense of \$179,710 for the year ended December 31, 2006, compared to \$77,752 for 2005.

Selected Annual Financial Information

Revenue from oil and natural gas sales (including liquids and transport revenue) in 2006 totaled \$667,136 compared to \$1,093,807 during 2005. 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.

Cash, including term deposits and accounts receivable at the end of the year was \$767,903, down from the \$1,673,000 at the end of 2005. In addition, net cash flow from operating activities (cash received from operators minus cash paid to suppliers and for royalties, plus interest earned) totaled \$505,063 for the year ended December 31, 2006, compared to the \$884,450 reported in prior year.

Total assets as at December 31, 2006 were \$4,309,480, down slightly from the 2005 total of \$4,448,506. Overall expenses for the year were down from the previous year at \$1,318,333 compared to \$1,353,661.

The Company recorded a net loss before income taxes of \$800,556 for the year, versus the 2005 loss before income taxes of \$456,644. The net loss for the year was also higher than that recorded in 2005 - \$507,094 versus \$276,925. The increase in the 2006 loss can partially be attributed to the rise in the Company's stock based compensation, which rose to \$179,710 from the 2005 total of \$77,752. Net loss per share in 2006 was \$0.03 compared to a net loss per share of \$0.02 in 2005.

Liabilities at the end of 2006 totaled \$1,866,780 compared to \$1,368,036 as at December 31, 2005. The increase is due to the issuance of the convertible debentures in November.

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

REVENUE		
	12 Months Ended December 31, 2006	12 Months Ended December 31, 2005
Oil and gas revenue	\$633,791	\$1,180,663
Liquids revenue	\$ 15,657	(\$ 130,205)
Transport revenue	\$ 17,688	\$ 43,350
Interest revenue	\$ 12,714	\$ 12,567
Total revenue	\$679,850	\$1,106,374

The table below sets out the Company's Assets for the year ended December 31, 2006:

ASSETS		
Current Assets	12 Months Ended Dec. 31, 2006	12 Months Ended Dec. 31, 2005
	\$	\$
Cash & cash equivalents	433,423	52,634
Short term investments	211,672	1,404,967
Accounts receivable	122,808	215,399
Fixed Assets		
Property & equipment	3,426,676	2,775,506
Deferred costs	<u>114,901</u>	<u>—</u>
Total Assets	4,309,480	4,448,506

Summary of Quarterly Results

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

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	\$159,133	\$ 133,499	\$160,742	\$ 226,476
Net Income (Loss)	(\$178,104)	(\$103,393)	(\$84,798)	(\$ 140,799)
Earnings (Loss) per share	(\$0.0088)	(\$ 0.0067)	(\$0.0055)	(\$ 0.0091)
Three Months Ended:	<u>12/31/05</u>	<u>9/30/05</u>	<u>6/30/05</u>	<u>3/31/05</u>
Cash & Short-term Investments	\$1,457,601	\$376,480	\$457,504	\$ 666,684
Revenue	\$ 77,865	\$322,723	\$304,394	\$ 401,392
Net Income (Loss)	(\$ 230,485)	\$ 26,426	\$ 1,948	(\$ 74,814)
Earnings (Loss) per share	(\$ 0.0192)	\$ 0.0002	\$ 0.001	(\$ 0.0063)

An analysis of the quarterly results over the last eight quarters shows relatively consistent revenue totals, although cash and short-term investment totals have declined throughout

2006. Revenue was down significantly along with net income for the three months ended December 31, 2005, which was impacted as a result of a one-time adjustment by the gas operator in the region who had an incorrect gas analysis on the Company's gas wells. This in turn had a downward effect on the Company's earnings for the quarter. Revenue has declined somewhat in 2006 due to the decrease in production from the Company's producing wells and the lower gas prices in both the second and third quarter, common throughout the energy industry. Revenue however, did increase during Q4 2006.

From time to time, net income was negatively impacted due to the costs related to stock options, Asset Retirement Obligation (ARO) and higher depletion costs, which were recorded as expenses on the income statement. The Asset Retirement obligation had a cost of \$218,961 for the year ended December 31, 2006 and \$118,298 for the year ended December 31, 2005.

Royalties & Production Expenses

Royalties paid in 2006 net of Alberta royalty tax credits, totaled \$162,073 as opposed to \$209,357 in 2005. Total well expenses were slightly lower during the year as opposed to 2005, due to a reduction in costs associated with producing wells that the Company had in operation last year. As was the case in 2005, the majority of the production costs in 2005 were attributable to the operating costs, which again decreased during the year under review to \$192,926, as compared to \$212,918 during 2005.

Average daily production for the year ended December 31, 2005 was 103MCF/day, or 48 BOE/day. The Company received \$6.17/GJ as an average gas price.

Analysis of Expenses

Overall expenses, including production costs, decreased by approximately \$30,000 on a comparative basis to \$1,318,333 for the year ended December 31, 2006 compared to \$1,353,661 for the year prior. The primary reason for the decrease in total expenses was the decline in depletion and amortization expense, which dropped to \$523,258 from \$631,589 in 2005, the decline in operating costs to \$192,926 from \$212,918 and the reduction in G & A expenses to \$422,439 versus \$431,402.

As noted, General and Administrative expenses decreased slightly to what was reported last year, totaling \$422,439 for 2006 compared to \$431,402 for 2005.

The table below outlines the changes in the major categories:

	EXPENSES	
	12 Months Ended December 31, 2006	12 Months Ended December 31, 2005
Depletion & Amortization Expense	\$ 523,258	\$ 631,589
Operating	\$ 192,926	\$ 212,918
General & Administration Expenses	\$ 422,439	\$ 431,402
Stock Based Compensation	\$ 179,710	\$ 77,752
Total Expenses	\$1,318,333	\$1,353,661

(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, 2006 stock options having an estimated cost of \$179,710 were issued.

Liquidity and Capital Resources

Nordic settles sales receivables and trade payables in accordance with normal industry standards while maintaining working capital liquidity by drawing from and repaying its bank overdraft facility as needed. The Company expects to be able to fund its 2007 capital expenditure program using operating cash flow and equity funds raised in 2006. The Company utilizes equity issues from time to time to finance an expansion of its capital program. During the year, the Company closed two private placement financings – a two-year, 8% Debenture Financing at a price of \$0.25 per share for gross proceeds in the amount of \$766,000; and, a non-brokered Private Placement of 406,665 Flow-Through Shares (plus warrants) at a price of \$0.30 per share, for gross proceeds of \$122,000.

Gross Profit From Operating Activities and Net Earnings (Loss)

Gross Profit flow from operating activities (production revenue minus production costs, not including royalties paid) totaled \$474,210 for the year ended December 31, 2006, compared to \$880,889 for the same period in 2005.

Loss from operations totaled (\$800,556) for the year under review compared to a loss of (\$456,644) in 2005. Net loss for the year ended December 31, 2006 was \$507,094, compared to \$276,925 for the same period a year ago, while the net loss for the three-month period was (\$178,104), compared to a net loss of (\$230,485) during the same period in 2005.

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 ventures and subparticipants. As at December 31, 2006, 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, 2006, substantially all of the Company's trade accounts receivable are from working interest partners and joint venture partners in the oil and gas industry and are subject to all the risks associated with the industry.

Future Income Taxes

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

	<u>2006</u>	<u>2005</u>
• Property and equipment plus asset retirement obligations	\$(663,997)	\$(477,288)
• Non-capital losses	65,044	--
• Share issue costs	<u>53,959</u>	<u>\$109,403</u>
• Future tax liability	\$(544,994)	\$(367,885)

In assessing the realizability of future tax assets, management considers whether or not it is more likely than not that some portion or all of the future tax assets will be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during periods in which those temporary differences become deductible. Management considers the schedule reversal of projected future taxable income, and tax planning strategies in making this assessment. The amount of future tax asset considered realizable could change materially in the near term, based upon future taxable income during the carry-forward period.

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.

At present, a substantial portion of the Company's activities are conducted with others.

Related Party Transactions

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

The Company has a services agreement with Nordic Management Ltd., a company controlled by certain of Nordic Oil and Gas Ltd.'s Directors and officers, for various services. In 2006, Nordic Management Ltd. received \$10,000 per month for management services, \$2,500 per month for accounting services and \$4,000 per month for Investor Relations services.

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

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.

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:

	2006		2005	
	Cost	Ac. Depletion	Cost	Ac. Depletion
Oil and gas	\$5,419,726	\$2,007,057	\$4,268,566	\$1,498,172
Net book value	----	3,412,669	-----	2,770,394

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.

Oil and Gas Properties and Wells

The Company had five wells on production in Joffre as of December 31, 2006 – four Belly River and one CBM well. The following table shows the production levels of each well during the year under review and cumulative to date:

GROSS PRODUCTION

Location	Co. Interest	<u>Dec/06 Production</u>		<u>Jan/06 – Dec/06</u>		<u>Cumulative to Dec/06</u>	
		Raw Gas	Water	Raw Gas	Water	Raw Gas	Water
		Mcf	Bbl	Mcf	Bbl	Mcf	Bbl
00/03-18-038-24 W4	85.00%	4,107	0	60,538	18	486,424	91
00/05-20-038-24 W4	42.50%	4,405	0	29,751	0	29,751	0
02/06-20-038-24 W4	85.00%	1,189	0	22,180	1	83,456	28
00/03-24-038-25 W4	85.00%	1,668	2	21,800	2	208,831	220
02/03-24-038-25 W4	85.00%	930	0	11,525	0	12,565	0
TOTALS		12,299	2	145,794	21	821,027	338

Equity Instruments

The authorized capital of the Company is an unlimited number of Class A common shares. The issued capital is as follows:

	<u>Yr. ended Dec. 31/06</u>		<u>Yr. ended Dec. 31/05</u>	
	<u>#of Shares</u>	<u>Amount</u>	<u># of Shares</u>	<u>Amount</u>
<u>Class A Common Shares</u>				
Balance, beginning of year	15,418,480	\$3,114,766	11,808,194	\$2,058,138
Issued for services			111,111	50,000
Issued as flow-through shares	406,665	52,488	3,424,175	1,204,811
Issued from Treasury	169,062	31,276	--	--
Stock options exercised	--	--	75,000	7,500
Share issue costs	--	(3,214)	--	(205,683)
Tax effect of flow-through shares	--	(472,262)	--	--
Issued from Treasury	--	(31,276)	--	--
Balance, end of year	15,994,207	\$2,691,778	15,418,480	\$3,114,766

Each unit of the Company sold as flow-through common shares entitled the purchaser to one-half of a share warrant, which can be purchased for \$0.60 - \$0.80. In conjunction with the placement the previous year, broker warrants were issued. One broker warrant entitles the holder to purchase one Class A common share at a price of \$0.40 and \$0.80. The warrants expire in May and June 2007. The following table depicts the warrant activity for the years ended December 31, 2006 and December 31, 2005:

	<u>Yr. ended Dec. 31.06</u>		<u>Yr. ended Dec. 31/05</u>	
	<u># of Shares</u>	<u>Amount</u>	<u># of Shares</u>	<u>Amount</u>
<u>Warrants</u>				
Balance, beginning of year	2,046,022	\$219,540	2,399,769	\$116,032
Issued as flow-through shares	203,333	29,512	1,712,088	164,859
Issued as agents' warrants	--	--	333,934	54,681
Warrant revaluation	--	40,000	(2,399,769)	(216,032)
Balance, end of year	2,249,355	289,052	2,046,022	219,540
Total equity instruments		2,980,830		3,334,306

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 key provisions of the Plan are as follows:

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

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

At the balance sheet date – December 31, 2006 - there were 1,510,000 options outstanding.

Issued	Option Price		Weighted Average Remaining Contractual Life		Number of Options Currently Exercisable	Weighted Avg. Exercise Price of Options Currently Exercisable
650,000	\$0.40		1.13		650,000	\$0.40
160,000	\$0.40		2.07		160,000	\$0.40
210,000	\$0.45		3.08		210,000	\$0.45
300,000	\$0.40		4.06		300,000	\$0.40
190,000	\$0.25		4.95		190,000	\$0.25
1,510,000	\$0.41		—		1,510,000	\$0.41

During the first quarter of 2006, the Nordic Oil and Gas Board of Directors approved the granting of 350,000 stock options to various officers, directors and consultants of the Company at an exercise price of \$0.40 per common share, as follows:

- Donald Benson Chairman & CEO - 80,000
- Keith Peterson, Secretary-Treasurer - 50,000
- Michael Mann, Director - 50,000
- Barry Palka, Director - 50,000
- Brahm Silverstone, Director - 50,000

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

On December 14, 2006, the Company issued a further 190,000 stock options to various officers, directors and consultants. These options, which will run for a period a five years from the date of issuance, were as follows:

- Donald Benson Chairman & CEO - 40,000
- Keith Peterson, Secretary-Treasurer - 25,000
- Michael Mann, Director - 25,000
- Barry Palka, Director - 25,000
- Brahm Silverstone, Director - 25,000
- Donald F. Benson, Consultant – 20,000
- Fady Ahmad, Consultant – 20,000
- Earl French, Consultant – 10,000

During 2006, 100,000 stock options issued to consultants expired.

Highlights of Operations for the year ended December 31, 2006:

JANUARY

- The Company and its industry partner completed drilling a new Coal Bed Methane (CBM) well at 10-18-38-24 W4 in Joffre. This well was paid for 100% by Nordic's 50/50 partner.

FEBRUARY

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

MARCH

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

MAY

- Nordic licensed a new Belly River well at 16-20-38-24 W4 at Joffre. The licensing of this Belly River well complements Nordic's recent announcements that three new Coal Bed Methane (CBM) wells have been drilled at Joffre.

JULY

- The Company announced plans to commence drilling of the 15-12-38-25 W4 well in Joffre, pending approval of an Authorization for Expenditure from its partner. Drilling of this well subsequently commenced and was completed in early November.

AUGUST

- The Company's 14-14-39-5 W2 well located near Preeceville, Saskatchewan was perforated and results indicated a small show of pressure from inflow to the well bore, which Nordic believes suggests the presence of shale gas.

OCTOBER

- The Company's special exploratory permit in Preeceville, issued in 2001, was converted into two five-year petroleum and natural gas leases for rights from the surface to the basement, covering 10.5 sections of land.
- The Company announced a proposed financing of secured convertible debt instruments of up to \$1 million. The Company completed its farm-in agreement, which was previously announced earlier in the year, giving Nordic a 20% interest in a new Mannville well at section 3, twp. 57, range 07 W4 .

NOVEMBER

- Drilling and casing completed at the Company's 16-20-38-24 W4 and 15-12-38-25 W4 well locations in Joffre
- The first draw down from the previously announce Convertible Debenture financing completed – gross amount to Company totaled \$539,000.

DECEMBER

- New non-brokered Private Placement Offering announced of up to 1 million Flow-Through shares at \$0.30 per share – one Class A Common Share + ½ of a Share Purchase Warrant
- 2nd closing of Convertible Debenture financing closed for gross proceeds of \$227,000 – overall total of financing closed at \$766,000
- Company licensed new well – 01-03-58-07 W4 in Joffre – pay 25% of the costs to earn 20% of the production plus 1.5 sections of land
- 1st closing of non-brokered Private Placement Offering – 406,665 new units issued providing the Company with \$122,000

Events Subsequent to the End of 2006

The Company has begun 2007 with the following key initiatives and announcements:

JANUARY

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

MARCH

- Company received 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 well placed on production

APRIL

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

Outlook

In 2007, Nordic Oil and Gas will continue focusing its activities and initiatives in its key operating areas, maintaining a high working interest at all its properties, thereby ensuring that the Company will competently manage all aspects of its operations.

It is anticipated that the Company's later year financings will allow it to continue with exploration initiatives in both Alberta and Saskatchewan. Also, the Company is awaiting one of the previously drilled and cased wells to be tied-in and placed on production, along with the three previously drilled CBM wells. When all are on production, Nordic will have 10 producing wells in Joffre

In addition, the Company is also expecting to drill up to 17 new wells during 2007.

Business Risks & Uncertainties

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

- Operational Risks – Oil and Natural Gas operations are subject to all the risks and hazards typically associated with such operations, including fire, explosions, blowouts, formation damages and oil spills, all or any of which could have a negative impact on oil and gas wells, production facilities, related property, the

environment, or in personal injury. Operational risks also include finding and developing Natural Gas reserves on an economically viable basis, reservoir production performance, marketing, and assessing contract services on a cost-effective basis.

- **Financial Risks** – Financial risks including commodity and market fluctuations, interest rates and any rates of applicable currency exchange. Nordic Oil and Gas’s results of operations and financial considerations are dependent on the prices received for oil and Natural Gas production from reserves in which it has a working interest. Oil and Natural Gas prices have fluctuated widely in the past, with oil in particular subject to national and international supply and demand ratios, along with political development and instability in the Middle East. In addition, the marketability of the Company’s products also will depend upon the availability and capacity of gathering systems and pipelines, the effect of federal and provincial legislation on such production, and the general economic conditions of the marketplace.
- **Price Volatility of Publicly Traded Securities** – In recent years, the Securities Markets in Canada and the United States have experienced a high level of price and volume volatility, with the market price of securities of many companies undergoing wide fluctuations in price, which have not necessarily been related to operating performance, underlying asset value or prospects.
- **Development of Additional Reserves** – The future success of Nordic Oil and Gas may also depend on the Company’s ability to find or acquire additional oil and gas reserves that are economically recoverable.
- **Competition** – The Oil and Natural Gas industries are extremely competitive, and, as such, Nordic Oil and Gas will continue to seek out potential joint venture partners, capital, and undeveloped land with a variety of other companies.
- **Regulatory Risks** – Regulatory risks include environmental regulation, royalties and taxation, all of which are beyond the control of the Company.

Corporate Information

Stock Exchange	Toronto Venture Exchange
Trading Symbol	NOG
Management Team	Donald P. Benson, President & CEO; Chairman Keith Peterson, Secretary-Treasurer & Director
Independent Directors	Michael Mann Barry Palka Brahm Silverstone
Auditors	BDO Dunwoody LLP, Winnipeg, Manitoba
Transfer Agent	CIBC Mellon Trust Company, Calgary, Alberta
Head Office	4727 Roblin Boulevard Winnipeg, Manitoba R3R 0G2 Tel. 204-956-5042 Fax: 204-897-7154 Web site: www.nordicoilandgas.com