



MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE THREE MONTHS ENDED

MARCH 31, 2010

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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 months March 31, 2010. 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 May 28, 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 March 31, 2010, Nordic had an 85% interest in 4,480 gross acres of land in Joffre, Alberta, Canada, approximately 30 kilometres east of Red Deer. As at this date, the Company had six wells on production on its Joffre lands – four Belly River wells, one Viking well and one CBM well. Furthermore, the Company also has three CBM wells drilled and cased, and another Belly River well awaiting tie-in.

Nordic also has an 80% interest in 31,999 gross acres of 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 March 31, 2010, 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 April 2010, Nordic signed a letter of intent 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.

The Company, in conjunction with its joint venture partner, Western Warner Oils Ltd., owns 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 March 31, 2010, Nordic had no production from either of these 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.

As described more fully in note 2 to the consolidated financial statements, the Company has prospectively adopted new accounting standards for comprehensive income, financial instruments, capital disclosures and inventories. These standards had no significant impact on the Company’s consolidated financial results. 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.

The transition from Canadian generally accepted accounting principles (GAAP) to IFRS will be applicable for the Company’s first quarter of 2012, at which time the Company will prepare both its fiscal 2012 and fiscal 2011 comparative financial information using IFRS. The Company expects the transition to IFRS to impact financial reporting, business processes, disclosure controls, information systems and internal controls.

The Company’s conversion project consists of three phases: diagnostic assessment, design and development, and implementation. A high-level review of the major differences between Canadian GAAP and current IFRS will be undertaken and, at that time, the Company will determine where the differences with the highest potential impact to the Company’s accounting policies are. These are likely to be, but are not limited to, property and equipment; financial instruments and hedges; impairments; income taxes; financial statement disclosures; as well as the initial adoption of IFRS under the provisions of IFRS 1, First-Time Adoption of IFRS.

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 THREE MONTHS ENDED MARCH 31, 2010

Analysis of Revenue, Cash Flows and Assets – Three Months Ended March 31, 2010

Revenue from oil and natural gas sales (including liquids and transport revenue) during the first quarter of 2010 totaled \$129,911 compared to \$258,668 in Q1 2009 – a 49% decrease. When adding interest earned, the Q1 2010 revenue becomes \$130,890, as compared to \$261,221 last year – a 50% decrease. The decrease from last year is due to the fact that several of the heavy oil wells in Lloydminster were not in operation for a period of time during the quarter. The Q1 2010 revenue is also down when compared to last quarter - \$259,711 in Q4 -, again due to the fact that the wells were not producing for a period of time during the quarter.

The table below sets out the Company's relevant variables in revenue for the three months ended March 31, 2010 and 2009:

| REVENUE | | |
|---------------------------|--|--|
| | 3 Months Ended March 31, 2010 | 3 Months Ended March 31, 2009 |
| | \$ | \$ |
| Oil and gas revenue | 124,795 | 254,398 |
| Liquids revenue | 2,254 | 2,784 |
| Transport revenue | 2,862 | 1,486 |
| Production revenue | 129,911 | 258,668 |
| Interest revenue | 979 | 2,553 |
| Total Revenue | 130,890 | 261,221 |

Total assets, including cash, short-term investments, deposits and accounts receivable at the end of the first quarter were \$16,834,451 up significantly from the \$12,686,306 at the end of the first quarter in 2009 and down approximately \$523,000 from the total assets of \$17,357,549 at the end of the year 2009.

The table below sets out the Company's Assets for the three months ended March 31, 2010 and 2009 and the year ended December 31, 2009:

| ASSETS | | | |
|------------------------|--|--|---|
| Current Assets | 3 Months Ended March 31, 2010 | 3 Months Ended March 31, 2009 | Year Ended December 31, 2009 |
| | \$ | \$ | \$ |
| Cash & deposits | 205,533 | 458,133 | 162,216 |
| Short term investments | 71,311 | 859,314 | 242,332 |
| Accounts receivable | 235,679 | 301,269 | 684,121 |
| Deferred costs | 43,992 | -- | -- |
| Fixed Assets | | | |
| Property & equipment | 16,277,936 | 11,067,589 | 16,168,787 |
| Deferred costs | -- | -- | -- |
| Other assets | | | 100,093 |
| Total Assets | 16,834,451 | 12,686,306 | 17,357,549 |

Analysis of Expenses

Overall expenses, including production costs for the quarter under review, decreased to \$497,571 from the \$554,663 for the same period last year. The primary reason for the decrease in total expenses was the sharp drop in stock option expenses to zero from \$48,052 and the decrease in Royalty costs to \$6,422 from \$30,435.

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

| EXPENSES NOT INCLUDING PRODUCTION COSTS | | |
|--|--|--|
| | 3 months ended March 31, 2010 | 3 months ended March 31, 2009 |
| | \$ | \$ |
| Depletion & Amortization Expense | 89,875 | 76,045 |
| General & Administrative Expenses | 137,113 | 122,450 |
| Interest Expense | 12,439 | -- |
| Geological Services | -- | 8,312 |
| Management Fees | 45,000 | 38,333 |
| Professional Fees | -- | 35,476 |
| Regulatory Fees | -- | 24,791 |
| Stock Based Compensation | -- | 48,052 |
| Total Expenses | 284,427 | 284,880 |
| <p>(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 quarter ended March 31, 2010 stock options having an estimated value of \$Nil were issued.</p> | | |

Royalties & Production Expenses

Royalties paid in Q1 2010 totaled \$8,240 compared to the Q1 2009 total of \$30,435. Total well expenses (operating costs) were also lower during the period under review at \$204,905 versus \$239,348 in prior year, due to the decrease in the number of wells on production in Q1 2010. As has been the case in recent quarters, the majority of the overall production costs in Q1 2010 were attributable to the operating costs.

Balance Sheet Analysis

Long-term liabilities at the end of March 2010 totalled \$7,141,868, up from the \$3,857,627 in Q1 2009, but down approximately \$800,000 when compared to the \$7,903,111 as at December 31, 2009.

The net loss for the period before taxes was slightly higher than that recorded during Q1 in 2009 - \$366,682 versus \$293,442. The net loss for the period after applying the future income tax recovery is reduced to \$272,525, compared to \$232,132 during Q1 of 2009. The increase in the

2010 loss can largely be attributed to the drop in total revenue for the quarter. Net loss per share in Q1 2010 was \$0.004 compared to a net loss per share of \$0.006 in Q1 2009.

Summary of Quarterly Results

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

| Three Months Ended: | <u>3/31/10</u> | <u>12/31/09</u> | <u>09/30/09</u> | <u>06/30/09</u> |
|-------------------------------|-----------------------|------------------------|------------------------|------------------------|
| Cash & Short-term investments | \$ (20,957) | \$ 404,548 | \$ 414,654 | \$ 232,792 |
| Revenue | \$ 130,890 | \$ 256,041 | \$ 385,882 | \$ 366,001 |
| Net Income (Loss) | \$(272,525) | \$(443,759) | \$(277,111) | \$(277,215) |
| Earnings (Loss) per share | \$ (0.004) | \$ (0.007) | \$ (0.005) | \$ (0.006) |

| Three Months Ended: | <u>3/31/09</u> | <u>12/31/08</u> | <u>09/30/08</u> | <u>06/30/08</u> |
|-------------------------------|-----------------------|------------------------|------------------------|------------------------|
| Cash & Short-term Investments | \$ 965,435 | \$2,716,110 | \$3,144,314 | \$5,804,867 |
| Revenue | \$ 261,220 | \$ 602,557 | \$ 437,693 | \$ 375,622 |
| Net Income (Loss) | \$(232,133) | \$(426,402) | \$ (309,292) | \$(135,730) |
| Earnings (loss) per share | \$ (0.006) | \$ (0.02) | \$ (0.0072) | \$ (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 year. 2009 saw revenue down sharply from the previous year, due largely to the significant drop in both oil and natural gas prices in the first half of 2009, and the fact that several of the Company's heavy oil wells in Lloydminster were down for a period of time during Q4 2009. The first quarter of 2010 has also started slowly in terms of revenue, but it is anticipated that this could turnaround in Q2 as the majority of the existing wells at Lloydminster are now back on production.

Cash and short-term investments are also down during the first quarter of 2010 as the Company's expenses, both operating and G & A have increased over the past year.

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:

| | <u>March 31, 2010</u> | | <u>December 31, 2009</u> | |
|-------------|-----------------------|--------------------------|--------------------------|--------------------------|
| | Cost | Accumulated Depletion | Cost | Accumulated Depletion |
| Oil and gas | \$18,488,767 | \$3,411,734 | \$18,322,346 | \$3,340,943 |

Net book value for oil and gas at the end of March 2010 was \$16,277,936, compared to \$16,168,787 as at December 31, 2009.

Product Prices and Production

As at the end of the first quarter 2010, the Company had nine heavy oil wells capable of production at Lloydminster, five natural gas wells and one Coal Bed Methane well 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.

The first quarter of 2010 saw oil prices up significantly from the same period a year ago. Oil futures traded in New York were 82 percent higher, on average, in the first quarter than a year earlier. Benchmark U.S. oil prices averaged nearly \$79 a barrel in the first quarter, about \$3 above the previous quarter and sharply higher than the \$43 average of the first quarter of 2009. This augers well for Nordic's second quarter (and beyond), now that the majority of the wells at Lloydminster are now back on production, and the Company's five new wells, drilled at the end of 2009, are expected to be on production in Q2.

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 2009 came from its Coal Bed Methane well, with the remaining 89% coming from conventional natural gas wells.

Natural Gas Production Quarterly Comparisons - last five quarters

| | <u>2010</u> | | <u>2009</u> | | |
|---|-------------|-----------|-------------|-----------|-----------|
| | Q1 | Q4 | Q3 | Q2 | Q1 |
| Average daily gas volume GJ/day | 35.39 | 71.19 | 160.59 | 264.28 | 401.47 |
| Average daily gas production volume 10 ³ M ³ /day | 3.73 | 2.84 | 4.35 | 7.36 | 10.79 |
| Average BOE/day per quarter | 11.66 | 17.86 | 26.37 | 46.31 | 67.87 |
| Weighted avg. price received per GJ | \$4.32 | \$3.64 | \$3.58 | \$3.86 | \$4.65 |

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

Heavy Oil Production - Quarterly Comparisons - last five quarters

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:

| | <u>2010</u> | | <u>2009</u> | | |
|--|-------------|-----------|-------------|-----------|-----------|
| | Q1 | Q4 | Q3 | Q2 | Q1 |
| Average daily Heavy Oil production volume - Barrels | 11.88* | 52.99 | 62.63 | 53.57 | 37.04 |
| Average net price received 10 ³ M ³ /day | \$271.66 | \$310.15 | \$375.20 | \$357.06 | \$232.30 |
| Average price received \$/BBL | \$ 43.19 | \$ 49.31 | \$ 59.65 | \$ 56.77 | \$ 36.93 |
| Average royalties paid \$/BBL | \$ 3.23 | \$ 3.12 | \$ 2.96 | \$ 2.87 | \$ 1.71 |
| Average production costs \$/BBL | \$ 16.01 | \$ 78.72 | \$ 49.11 | \$ 26.34 | \$ 20.89 |
| Average resulting netback \$/BBL | \$ 23.96 | \$ 6.92 | \$ 7.49 | \$ 13.81 | \$ 11.58 |

* Average daily production is reflective of the fact that the wells were producing for limited period in Q1

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 March 31, 2010 the Company had an operating loss before taxes of \$366,682 compared to \$293,443 in Q1 2009, and used \$254,484 of cash and cash equivalents in its first quarter operations. At the beginning of 2010, the Company had an unexpended flow through obligation of \$1,928,313 to be incurred by December 31, 2010. During the first quarter of 2010, the Company expended \$100,000 with regard to its flow-through requirements.

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 equity funds raised in 2009, along with the potential for additional financings in 2010, and from the proceeds of the sale of the 50% interest in its Lloydminster, AB property and wells. The Company utilizes both equity and Flow-Through issues from time to time to finance its capital program.

In this regard, during the first quarter of 2010, the Company announced the closing of two such financings. On February 4 it closed a private placement offering of units by issuing 1,825,000 units at a price of \$0.12 per Unit for gross proceeds of \$219,000 to various subscribers. Each Unit consisted of one Class A common share of the Corporation and one half of one Common Share purchase 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.

On March 15, the Company announced the first closing of another private placement offering, this one of flow-through units. The Company issued 2,525,000 flow-through units at a price of \$0.10 per Unit for gross proceeds of \$252,500 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. Each whole Warrant entitles the holder thereof to purchase one regular Class A common share of the Corporation at a price of \$0.11 for a period of 18 months from the date of issuance.

Furthermore, subsequent to the end of the first quarter, Nordic announced its intention to undertake a private placement offering of up to 1,000 units at a price of \$1,000 per Unit for gross proceeds of up to \$1,000,000. Each Unit will be comprised of one 2 year 12% secured convertible debenture in the principal amount of \$1,000 and 600 Class A common shares of the Issuer. The Debentures will have a term of two years and shall bear interest at a rate of 12% per annum. The Debentures may be converted at the option of the Debenture holders into Class A common shares of the Corporation at a price of \$0.15 per share at any time after the issuance of the Debentures

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 March 31, 2010, 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 March 31, 2010, 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 March 31, 2010, the required number of wells has 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 March 31, 2010 all five wells have been drilled. Certain directors and officers have an interest in Western Warner Oils Ltd.

As described above, substantially all of the Company's activities are undertaken jointly with related parties by joint operating agreements. The Company has a services agreement established with Nordic Management Ltd. for various services. Currently, Nordic Management Ltd. receives \$13,333 per month for management services, \$1,875 per month for landman services, 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 March 31, 2010, the amounts due from (to) related parties are as follows:

| | Mar. 31, 2010 | Dec. 31, 2009 |
|--|----------------------|----------------------|
| Amounts included in accounts receivable | \$ 202,934 | \$ 196,491 |
| Amounts included in accounts payable and accrued liabilities | \$ (68,501) | \$ 28,358 |

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>3 Months Ended March 31/10</u> | | <u>12 Months ended Dec 31/09</u> | |
|----------------------------------|-----------------------------------|-------------------|----------------------------------|-------------------|
| | <u>Shares</u> | <u>Amount</u> | <u>Shares</u> | <u>Amount</u> |
| <u>Common Shares</u> | <u>Number</u> | <u>\$\$</u> | <u>Number</u> | <u>\$\$</u> |
| Balance, beginning of year | 65,391,626 | 9,101,999 | 48,140,126 | 9,277,763 |
| Issued as Flow-through Units | 2,525,000 | 227,808 | 17,251,500 | 1,524,587 |
| Issued as non-Flow-through Units | 1,825,000 | 203,081 | | |
| Stock Options exercised | | | | |
| Share issue costs | | | | (191,658) |
| Tax effect of FT shares | | | | (1,508,693) |
| Tax effect on non-cash items | | 39,170 | | |
| Warrants exercised | | | | |
| Conversion of Debentures | | | | |
| BALANCE, END OF YEAR | 69,741,626 | 9,572,058 | 65,391,626 | 9,101,999 |
| | | | | |
| | <u>Warrants</u> | <u>Amount</u> | <u>Warrants</u> | <u>Amount</u> |
| <u>Warrants</u> | <u>Number</u> | <u>\$\$</u> | <u>Number</u> | <u>\$\$</u> |
| Balance, beginning of year | 15,661,917 | 2,124,701 | 15,097,863 | 2,368,247 |
| Issued as Flow-through Units | 1,262,500 | 21,286 | 8,625,750 | 404,226 |
| Issued as non-Flow-through Units | 912,500 | 15,919 | | |
| Issued as Agent Warrants | 202,000 | 3,406 | 895,480 | 43,952 |
| Warrants exercised | | | | |
| Warrants expired | (3,726,021) | | (8,957,176) | (691,724) |
| BALANCE, END OF YEAR | 14,312,896 | 2,165,312 | 15,661,917 | 2,124,701 |
| TOTAL EQUITY | | 11,737,370 | | 11,226,700 |

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 \$1,928,313 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, 2010. During the first quarter, the Company renounced \$100,000 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>3/31/2010</u> | <u>12/31/2009</u> |
|---------------------------|-------------------------|--------------------------|
| • Risk-free interest rate | .49% - .69% | .51% - .69% |
| • Expected life (years) | 1.5 | 2.0 |
| • Expected volatility | 72% | 95% - 101% |
| • Expected dividend yield | 0.00% | 0.00% |

The key provisions of the Plan are as follows:

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

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

At the Balance Sheet date, there were 5,396,400 stock options outstanding as per the following table:

| Options | Option | Weighed Average Excursive | Remaining | Options | Weighted Average Exercise Price of Options |
|--------------------|---------------|--|------------------|--------------------|---|
| Outstanding | Price | Price | Life | Exercisable | Exercisable |
| 230,000 | 0.40 | 0.40 | 1.06 | 230,000 | 0.40 |
| 85,000 | 0.25 | 0.25 | 1.95 | 85,000 | 0.25 |
| 1,525,000 | 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 | 3.73 | 1,035,000 | 0.20 |
| 1,078,900 | 0.10 | 0.10 | 4.22 | 1,078,900 | 0.10 |
| 785,000 | 0.125 | 0.125 | 4.65 | 785,000 | 0.125 |
| 5,396,400 | 0.29 | 0.31 | - | 5,396,400 | 0.31 |

The following activities took place during the first quarter of 2010 and subsequent to the end of the quarter in relation to the Company's Stock Options:

- In January 150,000 stock options expired at a price of \$0.45; plus another 50,000 at \$0.40
- In April the Board approved the granting of 1,425 000 stock options to directors, officers and various consultants and employees at an exercise price of \$0.10 per share, for a period of five years, expiring on April 29, 2015.

Convertible Debentures

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 annually on the 12-month anniversary of the 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. After one year, the debentures are redeemable at the option of the Company at an amount equal to 105% of the face value of the debenture, plus any accrued interest to that point. The maximum aggregate principal amount of convertible debentures authorized under the Company's Trust Indenture is \$3,000,000.

The debenture is a financial instrument that contains both a liability and equity component. The liability component and the equity component were presented separately, as determined at initial recognition. The equity component t reflects the equity value of the conversion option embedded in the convertible debenture. The conversion option was valued using the Black Scholes pricing model with the following assumptions:

- Exercise price of \$0.15
- Expected volatility of 1.22
- Risk free rate of 1.3%
- Life span of 3 years

The difference between the proceeds of the issued convertibles and the fair value of the equity component is assigned to the liability.

| | |
|---|-------------|
| Total Proceeds of the Convertible Debenture | \$ 497,000 |
| Value of Equity Component | \$(230,547) |
| Financing Costs of Liability Component | \$(45,714) |
| Value of Liability Component | \$ 220,739 |

Total accretion expense related to the liability component of the convertible debenture was \$9,273 in 2009. The carrying value of the debenture will be accreted up to its face value over the term to maturity. Amortization of deferred debenture costs amounted to \$1,722 in 2009 leaving an unamortized balance of \$43,992 in 2010

| | <u>3/31/2010</u> | <u>12/31.2009</u> |
|-----------------------------------|------------------|-------------------|
| Balance, beginning of year | \$231,734 | \$354,500 |
| Repayment of Principal | | (354,500) |
| Issuance of Convertible Debenture | | 220,739 |
| Accretion Expense | 43,992 | 9,273 |
| Amortization of Deferred Costs | | 1,722 |
| Balance, end of the year | \$275,726 | 231,734 |

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 respectively; Nordic is the sole owner of the property in Talbot Lake and Drumheller. In Lloydminster, the Company holds a 50% ownership position of the property and wells there with Western Plains Petroleum. WPP is the operator of the Lloydminster wells.

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 |
| Head Office | 4727 Roblin Boulevard Winnipeg, Manitoba R3R 0G2 Tel. 204-956-5042 Fax: 204-897-7154 |
| Alberta Office | 213, 110 – 11 th Avenue SW Calgary, Alberta T2R 0B8 Tel. 403-264-7891 Fax: 403-264-7773 |
| Accounting Office | 1856 Portage Avenue Winnipeg, MB R3J 0G9 Tel. 204-832-7717 Fax. 204-897-8414 |
| Web site | www.nordicoilandgas.com |