



**NORDIC**  
OIL AND GAS LTD

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**FOR THE SIX AND THREE MONTHS ENDED**

**JUNE 30, 2008**

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE SIX AND THREE MONTHS ENDED JUNE 30, 2008

### **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 six and three months ended June 30, 2008. 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](http://www.sedar.com).

This Management Discussion & Analysis was prepared on August 27, 2008.

### **Forward Looking Statements**

*Certain statements contained in this Management Discussion & Analysis document constitute forward-looking statements. These forward-looking statements can generally be identified as such because of the context of the statements, including such words as "believes", "anticipates", "expects", "plans", "may", "estimates", or words of a similar nature. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company to be materially different from anticipated future results and/or achievements expressed or implied by such forward-looking statements, which speak only as of the date the statements were made. Readers are therefore advised to consider the risks associated with any such forward-looking statements.*

*In certain parts of this document, the term BOE is used. BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf: 1 barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.*

### **Corporate Overview**

Nordic Oil and Gas Ltd. ("Nordic", or "the Company") is an, oil, natural gas and Coal Bed Methane (CBM) exploration and development company headquartered in Winnipeg, Manitoba, Canada. The Company is listed on the TSX Venture Exchange under the symbol: NOG.

### **Nordic Properties**

As at June 30, 2008, Nordic had an 85% interest in 4,480 gross acres of land in Joffre, Alberta, Canada, approximately 30 kilometres east of Red Deer. As of this date, the Company had six wells on production on its Joffre lands – four Belly River wells, one Viking well and one CBM well. Furthermore, the Company also has three CBM wells drilled and cased, and another Belly River well awaiting tie-in.

The Company also has an 80% interest in 37,124 gross acres of P & NG permits located in the Preeceville area of east-central Saskatchewan. In addition, the Company also has

Petroleum and Natural Gas leases with rights from the surface to the basement covering an additional 22,879 gross acres.

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 and approximately 1,000 acres in the Lloydminster region of Alberta.

### **Critical Accounting Estimates & Changes in Accounting Policies**

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

### **Financial Instruments & Changes in Accounting Policies**

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

Section 1530 established standards for reporting and presenting comprehensive income. Comprehensive income comprises net income and other comprehensive income (“OCI”) and includes all changes in equity (net assets) of the Company during the year except those resulting from investment by and distribution to owners. On adoption of the new standards, the Company determined that there was no other comprehensive income required to be recorded. As a result, comprehensive income consists solely of net income. Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Under Section 3855, financial instruments must be classified as held for trading (“HFT”), held to maturity (“HTM”), loans and receivables, available for sale (“AFS”) financial assets or other financial liabilities. All financial instruments, including derivatives, are measured on the balance sheet at fair value, except for those classified as loans and receivables, HTM investments and other financial liabilities, which are measured at amortized cost using the effective interest rate method. Changes in fair value of HFT financial instruments are recorded in net income. Changes in fair value of AFS financial assets are recorded in other OCI until the investment is sold or impaired; at which time, the realized gain or loss will be recorded in net income.

Section 3861 establishes standards for the presentation of financial instruments and non – financial derivatives and identifies the related information that should be disclosed. Section 3865 describes when and how hedge accounting can be applied. The Company does not have any hedging relationships.

### **Internal Controls Over Financial Reporting**

The Chief Executive Officer and the Chief Financial Officer of Nordic Oil and Gas Ltd. are responsible for designing 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.

### **Analysis of Revenue, Cash Flows and Assets**

Revenue from natural gas and Coal Bed Methane (“CBM”) sales for the six-month period (including liquids and transport revenue and interest revenue) totaled \$524,724, up from the \$364,568 reported for same period in 2007. Revenue for the three-month period ended June 30, 2008 totaled \$375,622 up approximately \$230,000 over the Q1 2008 total of \$145,854, and an increase of about \$200,000 over the 2007 Q2 total of \$175,430. The increase in quarter over quarter revenue totals was due to a higher average price for the Company’s gas and stronger production from some of its wells at Joffre, Alberta.

Cash, including short term investments, deposits and accounts receivable for the first six months of the year totaled \$6,523,631 compared to \$3,169,248 for the period ended December 31, 2007.

Net cash flow from operating activities (cash received from operators minus cash paid to suppliers and for royalties) was down slightly for the first half of 2008 to \$173,886 as compared to \$182,877 during the same period a year ago. This was due to the increase in both operating and royalty costs for the period. In addition, net cash flow from operating activities (cash received from operators minus cash paid to suppliers and for royalties) was up more than 65% for the three months ended June 30 to \$110,292 as compared to \$66,578 in 2007.

The following table out the Company’s revenue totals on a six-month comparative basis:

	<b>REVENUE</b>	
	<b><u>6 Months Ended June 30, 2008</u></b>	<b><u>6 Months Ended June 30, 2007</u></b>
Oil and gas revenue	\$473,376	\$348,541
Liquids revenue	\$ 8,668	\$ 4,810
Transport revenue	\$ 8,075	\$ 7,591
Interest revenue	\$ 34,604	\$ 3,626
<b>Total revenue</b>	<b>\$524,724</b>	<b>\$364,568</b>

Total assets as at June 30, 2008 were \$12,723,058, up significantly from the \$3,825,864 at the end of Q2 2007 and up almost \$5 million when compared to the \$7,713,059 as at December 31, 2007. The main reasons for the increases are the large jump in short-term investment to \$3,774,097 due to recent financings, the nearly \$2 million increase in property and equipment and capitalized exploration costs.

The following table sets out the Company's Assets for the six months ended June 30, 2008 and 2007, and the year ended December 31, 2007:

<b>ASSETS</b>			
<b>Current Assets</b>	<b>6 Months Ended June 30, 2008</b>	<b>6 Months Ended June 30, 2007</b>	<b>Year Ended Dec. 31, 2007</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash & cash equivalents	2,030,770	(190,124)	2,044,388
Short term investments	3,774,097	200,000	204,191
Accounts receivable	519,394	127,530	920,669
Deposits	182,155	--	--
Deferred costs	17,215	114,901	--
<b>Fixed Assets</b>			
Property & equipment	6,203,427	3,547,830	4,543,811
Capital assets	--	14,095	--
<b>Total Assets</b>	<b>12,723,058</b>	<b>3,825,864</b>	<b>7,713,059</b>

### **Analysis of Expenses**

General and administrative expenses for the first half of 2008 totaled \$218,080, up from the \$108,584 reported for the same period in 2007. Overall expenses for the first half of 2008 were up approximately \$388,000 at \$929,524 compared to the first half of 2007 at \$541,248.

General and administrative expenses for the three months under review totaled \$108,744, up about \$40,000 from the \$68,081 in the same period in 2007. Overall expenses for the second quarter under review totaled \$342,201 up from those recorded in Q2 2007 (\$307,457) by approximately \$45,000 and down substantially from the Q1 2008 total of \$575,264.

The table on the following page outlines the changes in the major categories for a six-month comparative period:

<b>EXPENSES</b>		
	<b>6 months Ended <u>June 30, 2008</u></b>	<b>6 Months Ended <u>June 30, 2007</u></b>
Depletion & Amortization Expense	\$221,918	\$220,897
General & Administrative Expenses	\$218,080	\$108,584
Interest Expense	\$ 28,406	\$ 50,818
Geological Services	\$ 31,716	\$ 43,501
Management Fees	\$ 70,000	\$ 60,000
Professional Fees	\$ 44,528	\$ 41,152
Regulatory Fees	\$ 30,403	\$ 16,297
Stock Based Compensation	\$284,473	\$ --
<b>Total Expenses</b>	<b>\$929,524</b>	<b>\$541,248</b>

(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 June 30, 2008, there were no stock options issued.

### **Balance Sheet**

The Company recorded a net loss of \$272,233 for the first six months of 2008, a decrease of more than \$80,000 over the same period a year ago (\$354,745) while for the quarter, the Company recorded a net loss of \$135,730 an improvement of more than \$100,000 versus the \$239,055 loss reported in Q2 2007. The decrease in the net loss for the six-month period can be attributed to the future income tax recovery of \$451,441 for the six-month period and \$67,463 for the quarter.

Net loss per share in the first half of 2008 was \$0.006 compared to a net loss per share of \$0.022 for the first six months of 2007.

Total liabilities at the end of Q2 2008 totaled \$2,097,156, compared to \$1,737,909 as at June 30, 2007 and \$1,433,469 at the end of December 2007. Accounts payables increased to \$436,159 from \$298,238 due to increased exploration costs.

### **Summary of Quarterly Results**

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

<b>Three Months Ended:</b>	<b><u>06/30/08</u></b>	<b><u>3/31/2008</u></b>	<b><u>12/31/07</u></b>	<b><u>09/30/07</u></b>
Cash & Short-term investments	\$5,804,867	\$4,316,729	\$2,248,579	\$ 6,624
Revenue	\$ 375,622	\$ 149,101	\$ 91,870	\$139,537
Net Income (Loss)	\$(203,193)	\$(124,445)	\$(761,984)	\$(12,321)
Earnings (Loss) per share	\$ (0.003)	\$ (0.003)	\$ (0.0177)	\$(0.0191)

<b>Three Months Ended:</b>	<b><u>06/30/07</u></b>	<b><u>3/31/07</u></b>	<b><u>12/31/06</u></b>	<b><u>9/30/06</u></b>
Cash & Short-term Investments	\$ 9,876	\$ 130,297	\$ 645,095	\$ 269,540
Revenue	\$ 175,429	\$ 189,139	\$ 156,541	\$ 133,499
Net Income (Loss)	\$(239,056)	\$(115,690)	\$(178,104)	\$(103,393)
Earnings (Loss) per share	\$ ( 0.015)	\$ ( 0.0073)	\$( 0.0111)	\$( 0.0067)

An analysis of the quarterly results over the last eight quarters shows some variability in revenue totals. Revenue for the second quarter of 2008 represents the highest total in more than two years. This was due largely to the increase in natural gas prices and stronger production totals at the Company's wells in Joffre. Revenue declined throughout 2007, although both Q1 and Q2 2007 were relatively strong in comparison to the previous three quarters. Furthermore, the Company's cash position has increased substantially over the past two quarters due to the various successful financings completed earlier this year and the increase in revenue totals.

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.

#### **Royalties & Production Expenses**

Royalties paid in Q2 2008 totaled \$105,605, up from the \$24,763 paid in Q1 2008 and up approximately \$60,000 from the \$45,468 recorded in Q2 2007. Total well expenses (operating costs) were also higher during the second quarter under review at \$128,368 versus \$57,498 in Q1 2008 and \$61,559 in Q2 2007. As has been the case in recent quarters, the majority of the overall production costs in Q1 2008 were attributable to the operating costs.

#### **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:

	<b>June 30 2008</b>		<b>June 30 2007</b>	
	<b>Cost</b>	<b>Ac. Depletion</b>	<b>Cost</b>	<b>Ac. Depletion</b>
Oil and gas	\$8,597,698	\$2,406,851	\$3,079,436	\$2,226,763

Net book value for 2008 was \$6,190,847, compared to \$852,673 in 2007.

The remaining value of the oil and gas asset is comprised of costs that were unrealized at statement date. During the first six months of this year, drilling was completed on two wells in the Preeceville area of Saskatchewan. Subsequent to the end of the quarter under review, the Company drilled three new wells at Lloydminster, Alberta, with others to be drilled during Q3.

### **Product Prices and Production**

Results from operations and the Company's overall financial condition are significantly affected by natural gas commodity prices, which can fluctuate dramatically. These commodity prices are beyond the control of the Company and are difficult to predict. Gas volumes and realization comparisons for the indicated periods are set forth below. It should be noted that the Company does not hedge any of its production:

The following data summarizes certain information with respect to production, product prices received, royalties paid, production costs and resulting netback for each quarter of Nordic's most recently completed financial period.

- Average daily Natural Gas production volume (before deduction of royalties):
  - Q2 2008: 12.95 10<sup>3</sup>m<sup>3</sup>/day  
475.46 GJ/day
  - Q2 2007: 8.78 10<sup>3</sup>m<sup>3</sup>/day  
322.36 GJ/day
- Average per GJ of Natural Gas volume – prices received
  - Q2 2008 : \$9.6846/GJ
  - Q2 2007: \$6.85/GJ
- Average per Unit of Natural Gas volume – royalties paid:
  - Q2 2008: \$2.46/Unit
  - Q2 2007: \$1.76/Unit
- Average per Unit of Natural Gas volume – production costs:
  - Q2 2008: \$2.99/Unit
  - Q2 2007: \$2.38/Unit
- Average per BOE of Natural Gas volume – resulting netback:
  - Q2 2008: \$4.23/Unit
  - Q2 2007: \$2.71/Unit

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

### **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 June 30, 2008 the Company had an operating loss before income tax recovery of \$723,674, and used \$408,889 of cash in its second quarter operations. Also as the June 30, 2008, the Company had an unexpended flow through obligation of \$2,694,987 to be incurred by December 31, 2008. This total will be substantially reduced at the end of the third quarter 2008, as much of the expense – eligible for Flow-Through dollars - related to the Company's drilling activities in Preeceville and Lloydminster have been incurred in Q3. The Company's ability to continue as a going concern is dependent upon it achieving and maintaining profitable results, receiving support from its lenders and attracting sufficient resources to explore and develop oil and natural gas properties. There is no certainty that management will be able to resolve these matters.

Nordic settles sales receivables and trade payables in accordance with normal industry standards while maintaining working capital liquidity by drawing from and repaying its bank overdraft facility as needed. The Company expects to be able to fund its 2008 capital expenditure program using operating cash flow and equity funds raised in 2007, along with additional financings in 2008. The Company utilizes both equity and Flow-Through issues from time to time to finance its capital program.

During the quarter under review, the Company had a successful closing of a financing that resulted in the issuance of 4,166,667 Flow-Through Units at a price of \$0.60 per unit for gross proceeds of \$2.5 million. 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 entitles the holder thereof to purchase one non flow-through regular Class A common share of the Company at a price of \$0.85 for a period of two years from the date of issuance.

In conjunction with the share issuance during the quarter under review, 2,083,334 warrants were issued. Furthermore, 597,000 Warrants were exercised in the second quarter of 2008. The fair value of the warrants estimated using the Black-Scholes option pricing model with the following assumptions:

- Risk-free interest rate 3.15%
- Expected life (years) 2
- Expected volatility 58.36%
- Expected dividend yield 0%

### **Gross Profit From Operating Activities and Net Earnings (Loss)**

Gross Profit from operating activities (cash received from operators minus cash paid to suppliers and for royalties) was down slightly for the first half of 2008 to \$171,886 as compared to \$182,877 during the same period a year ago. This was due to the increase in both operating and royalty costs for the period.

In addition, net cash flow from operating activities (cash received from operators minus cash paid to suppliers and for royalties) was up more than 70% for the three months ended June 30 to \$110,292 as compared to \$66,578 in 2007.

### **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, 2008, 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 June 30, 2008, substantially all of the Company's trade accounts receivable are from working interest partners and joint operating partners in the oil and gas industry and are subject to all the risks associated with the industry.

### **Off Balance Sheet Arrangements**

The Company has no off balance sheet arrangements.

### **Oil and Gas Interest and Depletion**

The Company follows the full cost method of accounting for all oil and gas properties whereby all costs relating to acquisition, exploration and development of oil and gas reserves are capitalized. Such costs include land acquisition costs, geological and geophysical costs, drilling and other costs related to exploration and development activities. Proceeds from the disposal of oil and gas properties are applied against the capitalized costs of the related property.

The Company annually applies an impairment test (ceiling test) to capitalized costs, net of accumulated depletion and depreciation, to ensure they do not exceed the estimated undiscounted value of future net revenues from proven oil and gas reserves, determined by independent engineers, based on third-party quoted forward prices adjusted for transportation and quality, less estimated operating and abandonment costs. Should it be determined that impairment has occurred, the amount of the impairment is measured and recorded as the amount by which the carrying amount of the property and equipment exceeds the fair value of proved and probable reserves plus the cost net of impairment of unproved properties. Fair value is determined based on the present value of future cash flows, after deducting abandonment and site restoration costs, discounted at a risk free interest rate, adjusted for prevailing market conditions. Any reduction of value, as a result

of the impairment test (ceiling test), will be included in depletion, amortization and accretion.

### **Related Party Transactions**

The Company has a joint operating agreement with Desoto Resources Limited whereby it has an 85% interest in certain assets including crown leases, gas line, oil and gas leases, and certain property and equipment. The costs for the three wells drilled under the joint operating agreement will be incurred 100% by the Company. As at June 30, 2008, the three wells have been drilled. The Company's 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 June 30, 2008 four of the five wells have been drilled. The Company, directors and officers have an interest in Western Warner Oils Ltd.

As described above, substantially all of the Company's activities are undertaken jointly with related parties by joint operating agreements.

The Company has a services agreement established with Nordic Management Ltd. for various services. Nordic Management Ltd. receives \$12,500 per month for management services, \$7,500 per month for accounting services, \$5,000 per month for landman services, and \$5,000 per month for investor relations services. The contract expires November 14, 2012. Certain of the Company's directors and officers control Nordic Management Ltd.

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

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

	Dec. 31, 2007	June 30, 2008
Amounts included in accounts receivable	\$ 6,210	\$ 406,330
Amounts included in accounts payable and accrued liabilities	\$ --	\$ 352,749

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.

In the second quarter of 2008, the Company issued on a private placement basis, 4,166,667 Flow-Through Units at a price of \$0.60 per unit for gross proceeds of \$2.5 million.

### **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 as shown below:

	3 Months ended June 30., 2008		Three months ended March 31, 2008	
	Number of shares	Amount	Number of shares	Amount
<b>Common shares</b>				
Opening balance	42,606,959	\$ 7,168,986	34,723,276	\$6,306,336
Issued as flow-through units	4,166,667	2,500,000	5,880,267	2,499,113
Issued as non-flow-through units	--	--	606,750	242,700
Stock options exercised	142,500	96,662	255,000	92,384
Share issue costs	--	(310,058)	-	( 171,484)
Future Income Taxes	---	99,591	-	(1,339,736)
Warrant valuation	--	380,990	-	( 825,299)
Warrants exercised	597,000	347,147	265,666	115,978
Shares cancelled	--	--	-	-
Conversion of debentures	580,000	152,216	986,000	242,700
Balance as at June 30, 2008	48,093,126	\$ 9,645,079	42,716,959	\$7,168,986
	Number of warrants	Amount	Number of warrants	Amount
<b>Warrants</b>				
Opening balance	13,485,196	\$ 1,646,073	10,026,843	\$ 855,188
Issued as flow-through units	2,083,334	308,008	2,940,134	658,717
Issued as non-flow-through units			303,375	72,659
Issued as agent warrants	333,333	107,329	480,512	93,923
Warrants exercised	(597,000)	( 62,255)	(265,666)	34,412
Balance as at June 30, 2008	15,304,863	\$ 1,964,808	13,485,196	\$1,646,075
Total equity instruments		\$ 11,609,887	56,202,155	\$8,815,061

*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 \$2,500,000 in Q2 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, 2009.*

### **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. No options were issued during the quarter under review.

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 3,047,500 stock options outstanding as per the table below:

<b><u>ISSUED</u></b>	<b><u>OPTION PRICE</u></b>	<b><u>EXPIRY DATE</u></b>
135,000	\$0.40	2/12/2009
210,000	\$0.45	1/31/2010
290,000	\$0.40	1/22/2011
85,000	\$0.25	12/13/2011
1,570,000	\$0.60	12/30/2012
<u>757,500</u>	\$0.30	1/24/2013

3,047,500

Further to the above, on August 22, 2008, 1,120,000 stock options were issued to various officers, directors and consultants of the Company. The options are priced at \$0.20 per share and will run for a period of five years from that date.

## **Highlights of Operations for the Six Months Ended June 30, 2008**

### JANUARY

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

### FEBRUARY

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

### MARCH

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

will provide the board of directors and shareholders with more time to evaluate any unsolicited take-over bid and, if appropriate, to seek out other alternatives to maximize shareholder value

- Company receives its 2007 Reserves and Engineering Report; one of the highlights of the Report is that the Company has been credited with 540,000 barrels of Proved plus Probable heavy oil in Lloydminster, including 125,000 barrels of Proved and 25,000 barrels of Probable in five locations. Thirteen other locations have also been identified with 390,000 barrels of Probable.

#### APRIL

- Company receives its second well license regarding its upcoming drilling program at Preeceville, Saskatchewan

#### MAY

- Company receives approval from the Saskatchewan Ministry of Environment on its Environmental Report submitted earlier this year with respect to Nordic's proposed drilling program at Preeceville, Saskatchewan, Canada. This approval now paves the way for Nordic to commence drilling its initial two wells in Preeceville, where the Company previously announced the discovery of numerous oil seeps.
- Drilling of two wells in Preeceville commences

#### JUNE

- The first well at Preeceville had to be abandoned due to the intersection of a fault line. As a result, the well deviated and the drilling tools became lodged in the hole and could not be removed.
- Drilling of the Company's second well at Preeceville is completed to the basement and is subsequently perforated and tested. Results indicated that the well would not be commercially productive.
- Three new heavy oil wells are licensed in Lloydminster and are subsequently drilled in July.
- The Company finalizes a brokered private placement financing with Raymond James Ltd. The Offering consisted of 4,166,666 Units at a price of \$0.60 per Unit for gross proceeds to the Company of \$2.5 million. 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 entitles the holder thereof to purchase one non flow-through regular Class A common share of the Company at a price of \$0.85 for a period of two years from the date of issuance.

### **Operational Outlook for 2008**

The Company has targeted a Capital Expenditure budget of \$5,300,000 for 2008 as follows:

PREECEVILLE:

- Seismic \$ 250,000
- Geochem \$ 50,000
- 2 new wells (drilled) \$2,000,000

LLOYDMINSTER

- Seismic \$ 50,000
- 3 new wells (drilled) \$1,350,000
- 4 well bores @ \$200,000 ea. \$ 800,000

JOFFRE

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

PEACE RIVER ARCH

- Seismic \$ 50,000

MISCELLANEOUS (Mapping) \$ 50,000

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

CURRENT PRODUCTION: Approx. 500 MCF/D

Wells Waiting to be Tied-in:

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

ANTICIPATED PRODUCTION 1,400 MCF/D  
= 233 BOE/D

Wells to be Drilled:

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

TOTAL ANTICIPATED PRODUCTION FOR 2008 539  
 BOE/D\*\*

\*\* *Does not include Preeceville Potential*

In addition to the above, the Company also intends to have its recently acquired compressor station in Joffre operational this year, whereby Desoto Resources, which is the operator in the area, will transport the Company's gas via a major pipeline

transporter. This will result in a significant reduction in the costs of the Company's natural gas production in the region.

In time, the Company believes that it will be able to bring other producers into its system and turn the compressor station into a net earner, as opposed to an expense.”

As part of the transport deal, the pipeline company will also build a new metering station, approximately 3 kilometres south of the Nordic property. The station will be paid for jointly by the pipeline company, Nordic and Desoto.

### **Business Risks & Uncertainties**

The Company operates on a going concern basis that contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company's ability to continue as a going concern is dependent upon it achieving and maintaining profitable results, receiving support from its lenders and attracting sufficient resources to explore and develop oil and natural gas properties. There is no certainty that management will be able to resolve these matters.

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

- Operational Risks – Oil and Natural Gas operations are subject to all the risks and hazards typically associated with such operations, including fire, explosions, blowouts, formation damages and oil spills, all or any of which could have a negative impact on oil and gas wells, production facilities, related property, the environment, or in personal injury. Operational risks also include finding and developing Natural Gas reserves on an economically viable basis, reservoir production performance, marketing, and assessing contract services on a cost-effective basis.
- Financial Risks – Financial risks including commodity and market fluctuations, interest rates and any rates of applicable currency exchange. Nordic Oil and Gas's results of operations and financial considerations are dependent on the prices received for oil and Natural Gas production from reserves in which it has a working interest. Oil and Natural Gas prices have fluctuated widely in the past, with oil in particular subject to national and international supply and demand ratios, along with political development and instability in the Middle East. In addition, the marketability of the Company's products also will depend upon the availability and capacity of gathering systems and pipelines, the effect of federal and provincial legislation on such production, and the general economic conditions of the marketplace.
- Price Volatility of Publicly Traded Securities – In recent years, the Securities Markets in Canada and the United States have experienced a high level of price and volume volatility, with the market price of securities of many companies undergoing wide fluctuations in price, which have not necessarily been related to operating performance, underlying asset value or prospects.

- Development of Additional Reserves – The future success of Nordic Oil and Gas may also depend on the Company’s ability to find or acquire additional oil and gas reserves that are economically recoverable.
- Competition – The Oil and Natural Gas industries are extremely competitive, and, as such, Nordic Oil and Gas will continue to seek out potential joint venture partners, capital, and undeveloped land with a variety of other companies.
- Regulatory Risks – Regulatory risks include environmental regulation, royalties and taxation, all of which are beyond the control of the Company.

### **Corporate Information**

Stock Exchange	TSX Venture Exchange
Trading Symbol	NOG
Management Team	Donald P. Benson, President & CEO; Chairman Keith Peterson, Treasurer & Director Kevin Strong, CGA, Chief Financial Officer 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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