



NORDIC
OIL AND GAS LTD

Re-Stated as at March 11, 2011

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2010

General

This document should be read in conjunction with the Corporation's unaudited amended and restated interim financial statements and the accompanying notes for the three-month and nine-month periods ended September, 2010 and September, 2009, and is based on information available to November 28, 2010, the date when the original MD&A document was completed.

Due to the correction of errors that were discovered relating to the treatment of the royalty and property sale of the Company's Lloydminster assets, accruals, financial instruments and equity based transactions in the previously filed Q3 financial statements, certain information contained herein has changed from the previously filed Q3 financial statements and Management's Discussion and Analysis.

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 March 11, 2011.

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 September 30, 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 seven wells on production on its Joffre lands – two Belly River wells, one Viking well and four CBM wells. Furthermore, the Company also has another two Belly River well awaiting tie-in, along with workovers of three other wells: 3-18, 16-20 & 10-12.

Nordic also has an 80% interest in 31,999 gross acres of petroleum & natural gas leases, with rights to the basement, at Preeceville/Endeavour, Saskatchewan. There is no production coming from Saskatchewan at present. Two new exploration wells are scheduled to be drilled in Q4 2010.

In addition, as at September 30, 2010, the Company had a 33 1/3% interest in approximately 1,000 acres in the Lloydminster region of Alberta. As of the date of this MD&A document, Nordic now has a 33 1/3% interest in 14 producing wells at Lloydminster, resulting in net production of approximately 80 barrels of oil per day to Nordic.

Further, Nordic also has a 100% ownership position in three sections - approximately 1,920 acres - in the Peace River Arch region of northwestern Alberta. This land has yet to be developed, although the Company has licensed three wells in the region.

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 September 30, 2010, Nordic had no production from either Talbot Lake or Drumheller.

Critical Accounting Estimates & Changes in Accounting Policies

Voluntary changes in accounting policies are permitted only if they result in financial statements which provide more reliable and relevant information. Accounting policy changes are applied retrospectively unless it is impracticable to determine the period or cumulative impact of the change. Corrections of prior period errors are applied retrospectively and changes in accounting estimates are applied prospectively by including the effect of the change in earnings.

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.

CICA Handbook Sections 3862 “Financial Instruments – Disclosures” and 3863 “Financial Instruments – Presentation,” are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. These Sections establish standards for presentation of financial instruments and non-financial derivatives and complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Handbook Section 3855 “Financial Instruments – Recognition and Measurement.” The sections deal with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and liabilities are offset.

CICA Handbook Section 1535 “Capital Disclosures,” is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The section requires the Company to disclose information that enables users of its financial statements to evaluate the Company’s objectives, policies and processes for managing capital.

Upon adoption of these new standards, the Company has designated its financial instruments, as follows: rate method. Held-for-trading financial assets and liabilities are measured at fair value with changes in fair value recognized in earnings. Loans and receivable financial assets and other financial liabilities are measured at cost or amortized cost if interest-bearing. Available-for-sale financial assets are measured at fair value with changes in fair value recognized in comprehensive income and reclassified to earnings when derecognized or impaired. Changes to the measurement of existing financial assets and liabilities at the date of adoption were adjusted to either opening deficit or opening accumulated other comprehensive income as noted above.

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 & NINE MONTHS ENDED SEPT., 2010

Analysis of Revenue, Cash Flows and Assets

Revenue from oil and natural gas sales (including liquids and transport revenue) during the third quarter of 2010 totaled \$182,225, down approximately \$200,000 from the \$383,463 reported for the same period in 2009, and down approximately \$25,000 from the \$207,975 reported in Q2 2010. When adding interest earned, the Q3 2010 revenue becomes \$182,715 compared to \$385,881 during the quarter ended September 30, 2009, and \$210,135 during the first quarter of this year. The decrease from last year can be attributed to the fact that the Company now has only a 33 1/3% interest in the heavy oil wells at Lloydminster, where last year it had a full 100% interest. This change in ownership level subsequently reduced Nordic's production and revenue totals accordingly.

On a year to date basis, overall revenue for the first nine months of 2010 totaled \$523,740 versus \$1,013,103 for the same period a year ago. The decrease again is reflective of the fact that the Company has had a reduced ownership position at Lloydminster since August of 2010.

The table below sets out the Company's relevant variables in revenue for the three and nine months ended September 30, 2010 and 2009:

REVENUE				
	3 Months Ended September 30		9 Months Ended September 30	
	2010	2009	2010	2009
Oil and gas revenue	\$ 182,225	383,463	\$ 520,110	1,000,258
Interest revenue	490	2,418	3,630	12,845
Total Revenue	182,715	385,881	523,740	1,013,103

Cash, short-term investments, deposits, accounts receivable and deposits at the end of the third quarter in 2010 were \$850,621, down from the \$1,188,762 reported at December 31, 2009. When adding capital assets (property and equipment) of \$11,011,938, total assets as at the end of September 2010 were \$11,862,559, down approximately \$5.5 million from the \$17,357,549 total as at December 31, 2009 and down also from the \$16,834,451 at the end of the first quarter in 2010. The main reason for the decline in assets is the Company began accounting for the sale of the assets at Lloydminster as noted above on April 12, 2010, thereby reducing the value of its property and equipment.

Cash flow from operating activities for the three months ended September 30, 2010 was down to \$39,064 from \$132,393 from the same period in 2009. On a year-to-date basis, cash flow from operating activities was \$(1,066,489) versus \$1,634,763 for the first nine months of 2009. The reason for the major difference is the change in non-cash working capital from \$2,343,579 in 2009 to \$(2,671,589). This came about as a result of the sale of 66 2/3% of the Company's interests in Lloydminster which in turn resulted in a net loss of \$1,580,690 and an overall decrease in cash.

The table on the following page sets out the Company's Assets for the three and nine months ended September 30, 2010 and the year ended December 31, 2009:

ASSETS		
Current Assets	9 Months Ended Sept 30, 2010	Year Ended December 31, 2009
	\$	\$
Cash & deposits	--	162,216
Short term investments	254,670	242,332
Accounts receivable	405,422	684,121
Deposits	190,529	100,093
Fixed Assets		
Property & equipment	11,011,938	16,168,787
Other assets	--	--
Total Assets	11,862,559	17,357,549

Analysis of Expenses

Overall expenses, for the quarter under review, not including production costs, decreased to \$474,815 from the \$712,051 reported in the third quarter ended September 30, 2009, and were down by some \$53,000 from the \$421,320 in the second quarter this year. The main reason for the decrease in the quarter was the fact that there was no stock option expense recorded in Q3 2010, whereas \$85,337 was reported in Q3 last year combined with the sharp drop in production costs to \$149,296 compared to \$363,313.

On a year to date basis, overall expenses, including production costs for the first nine months of 2010 totaled \$1,838,455, lower than the \$1,917,520 reported for the nine months in 2009. The main reason for this decrease is the drop in operating expenses - \$508,158 to date this year versus \$919,350 last year. The reason for this decrease is that the wells at Lloydminster were not on production for several weeks during the first quarter of the year.

The table below page outlines the changes in the major categories:

EXPENSES				
	3 months ended September 30, 2010		9 months ended September 30, 2010	
	Re-stated		Re-stated	
	2010	2009	2010	2009
	\$	\$	\$	\$
Depletion & Amortization Expense	128,067	125,409	452,783	339,449
General & Administrative Expenses	197,453	137,992	807,775	525,332
Operating costs	149,296	363,313	508,158	919,350
Stock Option Expense	--	85,337	69,739	133,389
Total Expenses	474,815	712,051	1,838,455	1,917,520

(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, 2010 stock options having an estimated value of \$Nil were issued.

Royalties & Production Expenses

Royalties paid in Q3 2010 totaled \$22,344 versus \$14,950 for the same period in 2009. Total well expenses (operating costs) were substantially lower during the period under review at \$149,296, compared to \$363,313 during the third quarter of 2009.

On a year to date basis, operating costs for the first nine months of 2010 are down more than \$400,000 at \$508,158 versus \$919,350 for the same period last year. In addition, royalty costs for the first nine months of 2010 are also down when compared to the same period a year - \$43,426 this year versus \$68,164 last year. The primary reason for the quarterly and year-to-date decreases in royalty and production costs is again the result of the Company's decreased ownership position at Lloydminster, and an overall improvement in the costs of production from the new operator.

Balance Sheet Analysis

Long-term liabilities at the end of September 2010 totalled \$1,461,124, down from the December 31, 2009 total of \$3,068,241. The reason for the decline is due to the sale of the Lloydminster assets, much of which was used to pay creditors. In addition, asset retirement obligations are also down substantially from \$1,064,855 at the end of December 2009 to \$770,401 at September 30, 2010.

Earnings before interest, taxes, depreciation and amortization (EBITDA) were negative (\$1,756,422) for the three-month period ended September 30, 2010, compared to negative (\$215,625) for the same period in 2009; and, EBITDA for the first nine months of this year was negative (\$2,475,403), compared to negative (\$631,631) for the first nine months of 2009.

The net loss for the period before taxes was (\$1,903,777) considerably higher than the (\$341,154) reported as of September 30, 2009, and the (\$427,776) reported at the end of the second quarter 2010. This is due primarily to the loss on sale of properties of (\$1,580,690) incurred during the quarter under review.

When applying the income tax recovery of (\$489,862) reported in the third quarter of 2010, the net loss for the three months under review becomes (\$1,413,915), compared to a net loss of (\$277,111) for the three months ended September 30, 2009 and the net loss of (\$427,776) during Q2 of 2010. As noted above, the increase in the loss for the quarter under review is due primarily to the loss on sale of properties of (\$1,580,690) incurred during the quarter ended September 30, 2010.

For the nine-month period under review, the net loss before income taxes is (\$2,975,030) compared to a loss of (\$1,005,005) for the nine months ended September 30, 2010. After applying the future income tax recovery of (\$826,974) the net loss for the first nine months of 2010 becomes (\$2,148,156) compared to (\$578,990) in the first three quarters of 2009. Again, the substantial increase in the loss after the future income tax recovery is due primarily to the \$1,580,690 loss on sale of properties incurred in the third quarter.

Summary of Quarterly Results

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

Three Months Ended:	<u>09/30/10</u> Re-stated	<u>06/30/10</u>	<u>3/31/10</u>	<u>12/31/09</u>
Cash & Short-term investments	\$ 254,670	\$ 402,335	\$ (20,957)	\$ 404,548
Revenue	\$ 182,715	\$ 210,135	\$ 130,890	\$ 256,041
Net Income (Loss)	\$(1,413,915)	\$(427,776)	\$(272,525)	\$(443,759)
Earnings (Loss) per share	\$ (0.020)	\$(0.006)	\$ (0.004)	\$ (0.007)

Three Months Ended:	<u>09/30/09</u>	<u>06/30/09</u>	<u>3/31/09</u>	<u>12/31/08</u>
Cash & Short-term Investments	\$ 414,654	\$ 232,792	\$ 965,435	\$2,716,110
Revenue	\$ 385,882	\$ 366,001	\$ 261,220	\$ 602,557
Net Income (Loss)	\$(277,111)	\$(277,215)	\$(232,133)	\$(426,402)
Earnings (loss) per share	\$ (0.005)	\$ (0.006)	\$ (0.006)	\$ (0.02)

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. Revenue for the first part of 2009 continued to be strong, however revenue fell sharply during the second half of that year from the previous year, due largely to the significant drop in both oil and natural gas prices, 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, increased slightly during the second quarter of this year as the majority of the existing wells at Lloydminster are now back on production. However, with the finalization of the sale of 66 2/3% of the assets in Lloydminster, revenue in the third quarter is down to its lowest level in more than two years.

Cash and short-term investments were down during the first quarter of 2010 as the Company's expenses, both operating and G & A, increased over the past year, however this improved significantly in the second quarter due to the influx of cash from the completion of a new private placement royalty trust agreement, and the sale of the Lloydminster assets. However, it was also this sale of assets that created a larger loss in the second quarter of 2010. . The third quarter was down somewhat due to the drop in short-term investments.

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.

PROPERTY & EQUIPMENT

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>September 30, 2010</u>		<u>December 31, 2009</u>	
	Cost	Accumulated Depletion	Cost	Accumulated Depletion
	<i>Re-stated</i>	<i>Re-stated</i>		
Oil and gas property and equipment	\$13,492,221	\$3,675,756	\$18,322,346	\$3,340,943
Coal gasification leases	\$ 49,555	\$ --	\$ 49,555	--
Computers etc.	\$ 25,906	\$ 15,976	\$ 43,637	\$ 20,196
Compressor & Metering stations	\$ 1,135,989	\$ --	\$ 1,114,388	--
	<u>\$14,703,670</u>	<u>\$3,691,732</u>	<u>\$19,529,926</u>	<u>\$3,361,139</u>

Net book value for oil and gas property and equipment at the end of September 2010 totaled \$11,011,938. This compares to \$12,196,538 as at June 30, 2010 and \$16,168,787 as at December 31, 2009.

In May 2010, the Company sold a royalty interest on certain of its Lloydminster properties. The royalty holders will receive an aggregate of 3% of future oil revenues. The gross cash proceeds of \$600,000 were recorded as a reduction of oil and gas property and equipment.

In August 2010, the Company sold a 66 2/3% interest in certain of its Lloydminster properties for \$2,933,333. The sale proceeds consisted of cash of \$489,497, with the balance of consideration being the purchaser's assumption of certain of the Company's accounts payable.

As the sale represented a greater than 20% change in the depletion rate, the relative net book value of the assets sold and retained was calculated based upon estimated future revenues and the Company's oil and gas property and equipment were reduced accordingly; this resulted in a net loss of \$1,580,690. Upon closing, the purchaser became the operator of the properties and the Company entered into agreements regarding its future operating cost obligations of the properties.

PRODUCT PRICES AND PRODUCTION

As at the end of the third 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.

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 was a big factor for the increase in revenue during Nordic's second quarter. During the third quarter of 2010, the average West Texas Intermediate (WTI) price for the quarter was US\$76.20/bbl, a 2% decrease from the second quarter of 2010. However, industry experts anticipate the price of crude oil to average about \$83 per barrel this winter (October 1 to March 31), a \$5.50-per-barrel increase over last winter.

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.

Production Highlights

Natural Gas Production Quarterly Comparisons - last six quarters

	2010			2009		
	Q3	Q2	Q1	Q4	Q3	Q2
Average daily gas volume GJ/day	130.61	140.61	143.52	143.52	160.5	64.28
Average daily gas production volume 10³M³/day	3.39	3.65	3.73	2.84	4.35	7.36
Average BOE/day per quarter	34.05	23.20	11.66	17.86	26.37	46.31
Weighted avg. price received per GJ	3.66	3.66	4.32	\$3.64	\$3.58	\$ 3.86

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 2010 and 2009:

	2010			2009		
	Q3	Q2	Q1	Q4	Q3	Q2
Average daily Heavy Oil production volume - Barrels	24.19	52.42	35.64	52.99	62.63	53.57
Average net price received 10³M³/d	350.32	410.68	452.51	310.15	375.20	357.06
Average price received \$/BBL	55.69	65.29	71.94	49.31	59.65	56.77
Average royalties paid \$/BBL	9.37	6.20	4.56	3.12	2.96	2.87
Average production costs \$/BBL	35.93	30.57	82.54	78.72	49.11	26.34
Average resulting netback \$/BBL	10.39	28.52	(15.16)	6.92	7.49	13.81

** 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 September 30, 2010 the Company had an operating loss before taxes of (\$2,975,030) compared to (\$1,005,005) for the first nine months of 2009, and had a decrease in cash and cash equivalents in its first nine months of operations to \$254,670 compared to \$404,548 at the end of 2009.

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 nine months of 2010, the Company expended \$657,315 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 the remainder of its 2010 capital expenditure program using operating cash flow and equity funds raised earlier this year, along with the potential for additional financings in 2010s. The Company utilizes both equity and Flow-Through issues from time to time to finance its capital program.

In this regard, during the half 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.

In May of this year, the Corporation announced the closing of its private placement offering of royalty interests ("Royalty Interests"). The Corporation issued \$600,000 principal amount of Royalty Interests to a number of subscribers resident in various provinces of Canada. Each \$25,000 principal amount of Royalty Interests entitles the holder thereof to a 0.125% gross overriding royalty (the "Royalty") on certain oil and gas properties held by the Corporation in the Lloydminster, Alberta area (the "Properties"). Accordingly, the Corporation has sold an aggregate 3% Royalty on the Properties to subscribers for Royalty Interests.

Pursuant to the end of the third quarter, the Company, on October 26, 2010 announced the first closing of a previously announced private placement offering of flow-through units by issuing 2,721,666 flow-through units at a price of \$0.075 per Unit for gross proceeds of \$204,125 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 \$0.10 for a period of 18 months from the date of issuance.

Furthermore, on November 23, 2010, the Company announced second closing of the Corporation's private placement offering of flow-through units by issuing 4,288,331 flow-through units at a price of \$0.075 per Unit for gross proceeds of \$321,625 to various subscribers. Each Unit consisted of one Class A common share of the Corporation issued as a "flow-through share" within the meaning of the Income Tax Act (Canada) (a "Flow-through Share") and one half of one Class A common share purchase warrant (a "Warrant"). Each whole Warrant entitles the holder thereof to purchase one regular Class A common share of the Corporation at a price of \$0.10 for a period of 18 months from the date of issuance.

Also, on October 29, 2010, (the Company announced that it had entered into an agreement providing for an Equity Line Facility ("ELF") with Dutchess Opportunity Cayman Fund Ltd., a fund managed by Dutchess Capital Management, II LLC. Under the terms of the ELF, Dutchess has conditionally committed to provide up to \$10 million of capital during a 36-month period, at Nordic's discretion, through the issue of common shares. Subject to receipt of all necessary approvals and filing, Nordic can draw on Dutchess' commitment by sending draw down notices based on the company's requirements. Each drawdown will be priced based on the then-current stock price in accordance with an agreed-upon formula. Nordic will control the timing and amount of any share sales to Dutchess.

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 September 30, 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 September 30, 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, a gas line, oil and gas leases and certain property and equipment. The cost of the three wells drilled under the joint operating agreement will be incurred 100% by the Company. As at September 30, 2010, the three wells, representing a cost of \$1,449,721 have been drilled.

Certain directors and officers have an interest in Desoto Resources Limited.

The Company has a joint operating agreement with Western Warner Oils Ltd. whereby it has an 80% interest in certain assets including crown leases, gas lines, oil and gas leases, and certain property and equipment. The costs for the first five wells drilled in the joint operating agreement

will be incurred 100% by the Company. As at June 30, 2010 all five wells had 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, 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.

The Company has an office sub-rental agreement with a Company controlled by an officer of the Company for \$550/month. To date, costs of \$4,950 have been incurred.

In September 2010, the Company provided field equipment with a book value of \$9,600 to a director as a portion of his annual compensation.

In July 2010, the Company acquired the lands and royalty rights known as the "Arrowwood Property" from Western Warner Oils Ltd. for \$80,000.

All related party transactions were at the exchange amount, which is the amount of the consideration agreed upon between the two parties.

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 September 30, 2010 and December 31, 2009, the amounts due from (to) related parties are as follows:

	Sept. 30, 2010	Dec. 31, 2009
Amounts included in accounts receivable	\$ 427,198	\$ 196,491
Amounts included in accounts payable and accrued liabilities	\$ 36,298	\$ 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

3 Months Ended Sept. 30, 2010 **Year ended December 31, 2009**
Re-stated

	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>
Common Shares	Number	\$	Number	\$
Balance, beginning of year	65,391,626	9,101,999	48,140,126	9,277,763
Issued as Flow-through Units	2,525,000	209,201	17,251,500	1,524,587
Issued as non-Flow-through Units	1,825,000	177,937		
Share issue costs		(49,332)		(191,658)
Tax effect of FT shares				(1,508,693)
Tax effect on non-cash items		(558,219)		
BALANCE, END OF YEAR	69,741,626	8,881,586	9,702,089	65,391,626
	<u>Warrants</u>	<u>Amount</u>	<u>Warrants</u>	<u>Amount</u>
Warrants	Number	\$	Number	\$
Balance, beginning of period	15,661,917	2,124,701	15,097,863	2,368,247
Issued as Flow-through Units	1,262,500	42,799	8,625,750	404,226
Issued as non-Flow-through Units	912,500	41,063		
Issued as Agent Warrants	30,000	1,017	895,480	43,952
Warrants expired	(10,798,618)	(81,223)	(8,957,176)	(691,724)
BALANCE END PERIOD	7,068,000	2,128,357	15,661,917	2,124,701
TOTAL EQUITY INSTRUMENTS		11,009,943		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. To the end of September 2010, the Company renounced \$657,315 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>9/30/2010</u>	<u>12/31/2009</u>
	Re-stated	
• Risk-free interest rate	1.22 – 1.26%	.51% - .69%
• Expected life (years)	1.5 - 2	2
• Expected volatility	101%	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 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 (September 30, 2010) there were 6,597,500 stock options outstanding as per the table below:

<u>Options Outstanding</u>	<u>Option Price</u>	<u>Weighed Average Exercise Price</u>	<u>Remaining Life</u>	<u>Options Exercisable</u>	<u>Weighted Average Exercise Price of Options</u>
230,000					
85,000	0.40	0.40	0.40	230,000	0.40
1,525,000	0.25	0.25	1.20	85,000	0.25
657,500	0.60	0.60	2.25	1,525,000	0.60
1,035,000	0.32	0.32	2.32	657,500	0.32
1,055,000	0.20	0.20	2.98	1,035,000	0.20
585,000	0.10	0.10	3.47	1,055,000	0.10
1,425,000	0.125	0.125	4.07	585,000	0.125
6,647,500	0.10	0.10	4.42	1,425,000	0.10
		0.27	-	6,647,500	0.27

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

	<u>9/30/2010</u>	<u>12/31.2009</u>
	Re-stated	
Balance, beginning of year	\$231,734	\$354,500
Repayment of Principal		(354,500)
Issuance of Convertible Debenture		220,739
Accretion Expense	46,000	9,273
Amortization of Deferred Costs	13,000	1,722
Balance, end of the year	\$290,734	231,734

OPERATIONAL OUTLOOK FOR BALANCE OF 2010

The Company has targeted a Capital Expenditure budget of \$1.6 million for the balance of 2010 as follows:

ENDEAVOUR, SK	2 new wells	\$1,200,000
LLOYDMINSTER:	3 new wells	\$ 400,000

CORPORATE HIGHLIGHTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND BEYOND

April

- Nordic announces it has formed a strategic alliance with Western Plains Petroleum Ltd. to sell a 50% interest in the Company's Lloydminster property for \$2.5 Million
- The Company announces 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.

May

- The Company announces the closing of its private placement offering of royalty interests, issuing \$600,000 principal amount of Royalty Interests to a number of subscribers resident in various provinces of Canada. Each \$25,000 principal amount of Royalty Interests entitles the holder thereof to a 0.125% gross overriding royalty on certain oil and gas properties held by the Corporation in the Lloydminster, Alberta area. Accordingly, the Corporation has sold an aggregate 3% Royalty on the Properties to subscribers for Royalty Interests. The Royalty Interests cannot be sold by subscribers for a period of four months and a day in accordance with applicable securities laws.

August

- The Company announces that it has executed a sale agreement with Western Plains Petroleum Ltd. with respect to the sale of a 66 2/3% interest in Nordic's land holdings and heavy oil wells located in Lloydminster, Alberta to Western Plains. Pursuant to the sale transaction, the Company received the purchase price of \$2,933,333, subject to closing adjustments.

September

- The Company announces that the first of the five standing cased wells at Lloydminster that were drilled last December has been placed on production. The newly completed well, located on 10-6-50-1 W4M, is producing approximately 40 bbls/day of heavy oil (13 bbls/day net to Nordic) from the Sparky formation.

October

- The Company announces that the second of the five standing cased wells which Nordic drilled in late 2009 located at 15-14-50-2 W4, is averaging approximately 35 gross barrels of oil per day. This translates into approximately 12 barrels of oil per day net to Nordic.
- The Company announces the first closing of its previously announced private placement offering of flow-through units and issues 2,721,666 flow-through units at a price of \$0.075 per Unit for gross proceeds of \$204,125 to various subscribers. Each Unit consisted of one Class A common share of the Corporation issued as a “flow-through share” within the meaning of the Income Tax Act (Canada) (a “Flow-through Share”) and one half of one Class A common share purchase warrant (a “Warrant”). Each whole Warrant entitles the holder thereof to purchase one regular Class A common share of the Corporation at a price of \$0.10 for a period of 18 months from the date of issuance.
- The Company announces that it has entered into an agreement providing for an Equity Line Facility (“ELF”) with Dutchess Opportunity Cayman Fund Ltd., a fund managed by Dutchess Capital Management, II LLC. Under the terms of the ELF, Dutchess has conditionally committed to provide up to \$10 million of capital during a 36-month period, at Nordic’s discretion, through the issue of common shares.

November

- The Company announces that the fourth of five previously standing and cased wells at Lloydminster, which were drilled last year, is now complete. This brings the total to 13 the number of wells now on production at Lloydminster.
- The Company announces that it has received its well license from the Saskatchewan government, thereby paving the way for it to commence drilling its new exploration well at Endeavour.
- The Company announces that the fifth of five previously standing and cased wells at Lloydminster, which were drilled last year, is now completed and on production.

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, 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