

NORDIC OIL AND GAS LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2005

Date of Report

This Management's Discussion & Analysis for the three-months ended March 31, 2005 was prepared on May 30, 2005.

General

The following discussion of performance, financial condition and future prospects should be read in conjunction with the Company's financial statements and notes attached thereto for the three months ended March 31, 2005. 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.

Description of Business

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

The Company currently has an 85% interest in Natural Gas and Natural Gas Liquids production at Joffre, Alberta, approximately 30 kilometres east of Red Deer. In addition, the Company also has an 80% interest in 137,780 acres of exploration permits located in the Preeceville area of east-central Saskatchewan, plus a 50% interest in 14,355 acres on the Cote First Nation land near Kamsack, Saskatchewan and a 50% interest in approximately 17,400 acres on the Beaver First Nation land near High Level, Alberta.

Financial Liquidity

From a financial perspective, gross revenue declined slightly during the first quarter of 2005 to \$401,932 compared to \$420,608 for the same period in 2004. Oil and gas revenue continued to be fairly strong at \$356,309 during the period under review, versus \$364,894 a year ago. Revenue from liquids registered \$29,343 in the first quarter of 2005, compared to \$38,422 for the same period in prior year.

As at March 31, 2005, Nordic Oil and Gas had cash and short-term investments of \$666,684, compared to \$469,031 as at March 31, 2004 – an increase of \$197,653. This increase is due largely to the significant rise in cash on hand to \$166,363 as opposed to just \$53 for the first quarter of 2004.

Overall expenses continued to be kept low relative to industry norms, thanks to prudent management of funds. For the first quarter of 2005, the Company recorded expenses of \$294,571 compared to \$298,041 – a decrease of approximately \$3,500. Expenses would have been considerably less if not for an adjustment in non-cash depletion and

amortization costs for the first quarter - \$132,601 - and the recording of stock based compensation - \$77,752. The 2003 compensation statement of operations has been restated for these accounting changes.

Total assets as at March 31, 2005 totaled \$3,165,961, an increase of \$316,120 over the corresponding 2004 total of \$2,849,841. The 2005 total was comprised mainly of property and equipment - \$2,097,063, versus \$2,187,330 in 2004.

The Company recorded a net loss of \$74,814 for the first quarter of 2005, an improvement of more than \$39,000 over the \$114,203 loss recorded during the corresponding period in 2004.

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

| REVENUE | <u>3 Months Ended March 31, 2005</u> | <u>3 Months Ended March 31 2004</u> |
|----------------------|---|--|
| Oil and Gas Revenue | \$356,309 | \$364,894 |
| Liquids Revenue | \$ 29,343 | \$ 38,422 |
| Transport Revenue | \$ 15,300 | \$ 15,300 |
| Interest Revenue | <u>\$ 980</u> | <u>\$ 1,992</u> |
| Total Revenue | \$401,932 | \$420,608 |

Summary of Quarterly Results

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

| Three Months Ended: | <u>3/31/05</u> | <u>12/31/04</u> | <u>9/30/04</u> | <u>6/30/04</u> |
|-------------------------------|-----------------------|------------------------|-----------------------|-----------------------|
| Cash & Short-term Investments | \$666,684 | \$934,890 | 97,303 | (\$ 3,448) |
| Revenue | \$401,392 | \$440,886 | 495,991 | \$423,655 |
| Net Income (Loss) | (\$ 74,814) | (\$113,358) | (\$56,795) | \$ 30,658 |
| Earnings (Loss) per share | (\$ 0.0063) | (\$0.0116) | (\$.0059) | \$.0032 |
| Three Months Ended: | <u>3/31/04</u> | <u>12/31/03</u> | <u>9/30/03</u> | <u>6/30/03</u> |
| Cash & Short-term Investments | \$ 69,031 | \$376,988 | \$122,985 | \$449,345 |
| Revenue | \$420,608 | \$263,243 | \$ 57,024 | \$ 69,506 |
| Net Income (Loss) | (\$55,838) | (\$ 12,678) | \$ 41,464 | (\$ 35,441) |
| Earnings (Loss) per share | (\$ 0.0058) | \$.0051 | (\$ 0.0043) | (\$ 0.0201) |

An analysis of the quarterly results over the last eight quarters shows an overall strength in the Company's revenue and cash and cash equivalents. This is due primarily to the strong commercial production at Nordic's sites at Joffre, Alberta. The net income was negatively impacted due to the costs related to stock options, Asset Retirement Obligation (ARO) and higher depletion costs, which were recorded as expenses on the income statement. The stock options had an estimated cost of \$263,302 for the past two years.

Royalties & Production Expenses

Royalties paid during the first quarter of 2005, net of Alberta royalty tax credits, totaled \$149,228 as opposed to \$159,194 during the corresponding period in 2004. Total production costs were significantly lower during the three months under review, due to the reduction in costs associated with the producing wells. As such, production costs totaled \$182,176 during the first three months of 2005 versus \$236,770 in prior year. The majority of the production costs were attributable to the royalties paid out, however operating costs decreased substantially during the quarter to \$32,948, as compared to \$77,576 during the first three months of 2004.

Analysis of Expenses

Overall, expenses decreased to \$476,747 during the first three months of 2005 compared to \$534,811 as restated for 2004. The table below outlines the changes in the major categories:

| EXPENSES | 3 Months Ended <u>March 31, 2005</u> | 3 Months Ended <u>March 31, 2004</u> |
|-----------------------------------|---|---|
| Depletion & Amortization Expense | \$132,601 | \$ 6,038 |
| Operating & Production | \$182,176 | \$236,770 |
| General & Administration Expenses | \$ 34,324 | \$ 14,802 |
| Geological Services | \$ 11,530 | \$ 3,249 |
| Management Fees | \$ 30,000 | \$ 30,000 |
| Professional Fees | \$ 2,786 | \$ (3,857) |
| Regulatory Fees | \$ 5,128 | \$ 4,932 |
| Stock Based Compensation | <u>\$ 77,752</u> | <u>\$242,877</u> |
| Total Expenses | \$476,747 | \$534,811 |

(1) Under new accounting reporting requirements, Nordic Oil and Gas now 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 will be 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 year ended March 31, 2005, stock options having an estimated cost of \$77,752 were issued. Financial statements for the year ended December 31, 2003 have been restated to account for stock options issued during the prior year. The fair value of the stock options issued in 2003 is estimated at \$188,863.

Off Balance Sheet Arrangements

The Company has no off balance sheet arrangements.

Related Party Transaction

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

In addition, Nordic Oil and Gas Ltd. paid \$30,000 in management fees to Nordic Management Ltd., a company that certain of Nordic Oil and Gas Ltd.'s directors and officers control.

Summary of Securities Issued During the Period

2,720,224 Common Shares

Share Capital and Stock Options

Authorized: Unlimited Number of Class A Common Shares.

The issued capital is as follows:

| | | | | 2005 | | 2004 | |
|-----------------------------------|--|--|--|------------|--------------|-----------|-------------|
| | | | | Shares | Amounts | Shares | Amounts |
| Class A Common Shares | | | | 11,808,194 | 2,058,138 | 9,690,627 | 2,142,53 |
| Warrants outstanding | | | | 2,399,769 | 216,032 | 600,833 | 137,24 |
| Balance of all equity instruments | | | | | \$ 2,274,170 | | \$ 2,279,77 |
| | | | | | | | |

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. At the balance sheet date there were 935,000 options outstanding.

| Issued | | | Option Price | | Expire |
|---------|--|--|--------------|--|------------|
| 75,000 | | | \$ 0.10 | | 12/20/2005 |
| 525,000 | | | \$ 0.40 | | 1/7/2008 |
| 50,000 | | | \$ 0.40 | | 5/21/2008 |
| 50,000 | | | \$ 0.40 | | 9/22/2008 |
| 25,000 | | | \$ 0.40 | | 10/9/2008 |
| 160,000 | | | \$ 0.40 | | 2/12/2009 |
| 260,000 | | | \$ 0.45 | | 1/31/2010 |
| | | | | | |

During the first quarter of 2005, stock options were extended to the following corporate officers and Directors:

- Donald Benson Chairman & CEO 30,000
- Keith Peterson, Secretary-Treasurer & Director 30,000
- Michael Mann, Geologist & Director 30,000
- Barry Palka, Director 30,000
- Brahm Silverstone, Geophysicist & Director 30,000

In addition to the above-noted options, a further 110,000 stock options were granted to three Nordic Oil and Gas consultants, for an overall total of 260,000 options granted during the first quarter of 2005. The options are effective January 31, 2005 and will run for a period of five years at a price of \$0.45 per share.

As at March 31, 2005, there were 1,145,000 options outstanding and there were 2,019,167 shares in escrow, which are scheduled to be released on November 12, 2005.

Discussion of Operations for the Year-to-Date

The Company has begun the year with several significant announcements, including the following:

- An agreement was signed in January 2005 with Trident Exploration Corp. for the pooling of each company's interests in section 20-38-24 W4 in Joffre with the intent to drill a Coal Bed Methane well this Spring. This well was subsequently drilled and cased in mid-May.
- An agreement was signed in February 2005 with the Cote First Nation of Kamsack, Saskatchewan to develop oil and gas reserves on 14,355 gross acres of Cote land north of Kamsack. The Company will carry out seismic surveys in the Spring of 2005, and then drill a test well during the Summer months.
- In March, the Company announced the successful completion of 37 kilometres of 2-D seismic data in Preeceville that confirmed the structural trends that had previously been mapped in the southern four townships of Nordic's six-township property are seen to extend into the two most recently acquired townships. These structural trends in the southern four townships have produced over 10 possible and four drillable locations, many of them deep exploratory oil and gas targets.

Events subsequent to the end of the first quarter:

- An agreement was reached in April with the Beaver First Nation of Alberta, for exploration and development of oil and gas resources on land owned by the Beaver First Nation near High Level in the northwestern part of the province. Nordic will be granted access to 27.5 sections (approximately 17,600 gross acres) and will undertake exploration activities on the property beginning in the Summer of 2005.

- Presently, the Company is in the final stages of a Private Placement Offering of Flow-Through Share Units (“FT Units”) at a price \$0.50 per Unit on a best commercial efforts basis to residents in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario. Up to 2,000,000 Flow-Through Shares will be offered as part of this financing. Each FT Unit will continue to consist of one Flow-Through Common Share and one-half Class A Common Share Purchase Warrant (“Warrant”). Each full Warrant will entitle the holder to purchase one Class A Common Share of the Corporation at a price of \$0.75 for a period of one year from the date of issuance. It is expected that this revised Offering will close on or about June 2, 2005. All the terms of the Offering are subject to regulatory and TSX Venture Exchange approval.

Negative Events in 2004

In June 2004, the Company became embroiled in a dispute over the validity of Nordic Oil and Gas’ freehold land leases in Joffre. Negotiations to resolve the matter proved unsuccessful, resulting in the Company initiating legal action against the third party. Although the legal problems that the Company is currently engulfed in with respect to its freehold land lease in Joffre has delayed corporate plans to develop the land in question, management remains optimistic that this matter will be resolved in Nordic’s favour, and when it is, the Company will be in a position to move forward at a greater pace with its drilling and development programs in Joffre.

Business Risks & Uncertainties

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

- Operational Risks – Oil and Natural Gas operations are subject to all the risks and hazards typically associated with such operations, including fire, explosions, blowouts, formation damages and oil spills, all or any of which could have a negative impact on oil and gas wells, production facilities, related property, the environment, or in personal injury. Operational risks also include finding and developing Natural Gas reserves on an economically viable basis, reservoir production performance, marketing, and assessing contract services on a cost-effective basis. .
- Financial Risks – Financial risks including commodity and market fluctuations, interest rates and any rates of applicable currency exchange. Nordic Oil and Gas’s results of operations and financial considerations are dependent on the prices received for oil and Natural Gas production from reserves in which it has a working interest. Oil and Natural Gas prices have fluctuated widely in the past, with oil in particular subject to national and international supply and demand ratios, along with political development and instability in the Middle East. In addition, the marketability of the Company’s products also will depend upon the availability and capacity of gathering systems and pipelines, the effect of federal and provincial legislation on such production, and the general economic conditions of the marketplace.

- Price Volatility of Publicly Traded Securities – In recent years, the Securities Markets in Canada and the United States have experienced a high level of price and volume volatility, with the market price of securities of many companies undergoing wide fluctuations in price, which have not necessarily been related to operating performance, underlying asset value or prospects.
- Development of Additional Reserves – The future success of Nordic Oil and Gas may also depend on the Company’s ability to find or acquire additional oil and gas reserves that are economically recoverable.
- Competition – The Oil and Natural Gas industries are extremely competitive, and, as such, Nordic Oil and Gas will continue to seek out potential joint venture partners, capital, and undeveloped land with a variety of other companies.
- Regulatory Risks – Regulatory risks include environmental regulation, royalties and taxation, all of which are beyond the control of the Company.

Corporate Information

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