

NORDIC OIL AND GAS LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2005

Date of Report

This Management's Discussion & Analysis for the nine months ended September 30, 2005 was prepared on November 25, 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 nine months ended September 30, 2005. The Company's financial statements are prepared in accordance with Canadian Generally 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 Coal Bed Methane 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.

Financial Liquidity

From a financial perspective, gross revenue declined slightly during the first nine months of 2005 to \$1,028,509 compared to \$1,340,255 for the same period in 2004.

As at September 30, 2005, Nordic Oil and Gas had cash and short-term investments of \$376,480, compared to \$162,885 as at September 30, 2004 – an increase of \$213,595. This increase is due largely to the term deposit of \$500,945 due within 30 days, as opposed to \$200,321 for the same period in 2004. Cash flow before depletion and amortization expenses and stock option expenses totaled \$334,338 for the first nine months of the year.

Total assets as at September 30, 2005 were \$3,032,283, an increase of approximately \$500,000 over the corresponding 2004 total of \$2,578,469. The 2005 total was comprised mainly of property and equipment - \$2,187,380, versus \$2,170,463 in 2004.

The Company recorded a net loss of \$46,440 for the first nine months of 2005, as compared to net income of \$102,087 recorded during the corresponding period in 2004.

Reference is made to Item 1 (c) of the Notes to the Financial Statements – Future Income Taxes – assessing the realizability of future tax assets; it states that future income tax liabilities total \$624,083 as compared to \$256,000 a year ago. However, it should be noted that the amount of future tax asset considered realizable could change materially in the near term, based upon future taxable income during the carry-forward period.

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

REVENUE	9 Months Ended <u>September 30, 2005</u>	9 Months Ended <u>September 30, 2004</u>
Oil and Gas Revenue	\$ 936,938	\$1,152,736
Liquids Revenue	\$ 50,076	\$ 137,707
Transport Revenue	\$ 35,700	\$ 45,900
Interest Revenue	<u>\$ 5,796</u>	<u>\$ 3,912</u>
Total Revenue	\$1,028,509	\$1,340,255

Summary of Quarterly Results

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

Three Months Ended:	<u>9/30/05</u>	<u>6/30/05</u>	<u>3/31/05</u>	<u>12/31/04</u>
Cash & Short-term Investments	\$378,480	\$457,504	\$666,684	\$934,890
Revenue	\$322,723	\$304,394	\$401,392	\$440,886
Net Income (Loss)	\$ 26,426	\$ 1,948	(\$ 74,814)	(\$113,358)
Earnings (Loss) per share	\$ 0.0022	\$ 0.001	(\$ 0.0063)	(\$ 0.0116)
Three Months Ended:	<u>9/30/04</u>	<u>6/30/04</u>	<u>3/31/04</u>	<u>12/31/03</u>
Cash & Short-term Investments	\$ 97,303	(\$ 3,448)	\$ 69,031	\$376,988
Revenue	\$495,991	\$423,655	\$420,608	\$263,243
Net Income (Loss)	(\$ 56,795)	\$ 30,658	(\$ 55,838)	(\$ 12,678)
Earnings (Loss) per share	(\$ 0.0059)	(\$ 0.0058)	\$ 0.0051	(\$ 0.0043)

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 and the continuing rise in the price for Natural Gas. The Company's 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.

The Company earned \$8.69 per gigajoule of Natural Gas for the quarter under review.

Royalties & Production Expenses

Royalties paid during the first nine months of 2005, net of Alberta royalty tax credits, totaled \$255,065 as opposed to \$483,807 during the corresponding period in 2004. Alberta royalty tax credits received as at September 30, 2005, totaled \$45,580.

Total production costs were significantly lower during the nine months under review, due to the reduction in costs associated with the producing wells. As such, operating and royalty costs totaled \$413,668 during the first nine months of 2005 versus \$758,403 in prior year. The majority of the production costs were attributable to the royalties paid out, however operating costs decreased substantially during the period to \$158,602 as compared to \$274,596 during the first nine months of 2004.

Analysis of Expenses

Overall, expenses decreased to \$1,074,949 during the first nine months of 2005 compared to \$1,238,168 as restated for 2004. The decrease is in spite of the fact that depletion and amortization expense rose significantly from \$25,739 to \$313,026. The table below outlines the changes in the major categories:

EXPENSES	9 Months Ended September 30, 2005	9 Months Ended September 30, 2004
Depletion & Amortization Expense	\$313,026	\$ 25,739
Operating & Production	\$158,602	\$274,596
Royalties Costs	\$255,065	\$483,807
General & Administration Expenses	\$105,841	\$ 69,266
Geological Services	\$ 19,009	\$ 22,885
Management Fees	\$ 90,000	\$ 90,000
Professional Fees	\$ 45,754	\$ 16,802
Regulatory Fees	\$ 9,900	\$ 12,196
Stock Based Compensation	<u>\$ 77,752</u>	<u>\$242,877</u>
Total Expenses	\$1,074,949	\$1,238,168

(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 first nine months of the year, 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.

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 \$90,000 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

2,831,335 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	11,919,305	\$ 2,107,415	9,690,627	\$ 2,142,530
Warrants outstanding	2,399,769	<u>216,032</u>	600,833	<u>137,245</u>
Balance of all equity instruments		\$ 2,323,447		\$ 2,279,775

Each unit of the Company sold as flow through common shares entitled the purchaser to one share warrant, which can be purchased for \$0.75. At the date of the statement there were 2,252,098 warrants outstanding that expire in December 2005. The remaining 147,671 warrants were issued as broker warrants for \$.44 a share in conjunction with the recent placements. All outstanding broker warrants expire December 2005.

Also during the past three months, the Company concluded a Private Placement Offering with Kinetex Inc. for services rendered. Kinetex acquired 111,111 Class A Common Shares of the Company at a price of \$0.45 per share for seismic services provided to Nordic Oil and Gas.

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 1,145,000 options outstanding.

Issued	Option Price	Expiry Date
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 /30/2010

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

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

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 six months 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 September 30, 2005, there were 1,145,000 options outstanding and there were 2,019,167 shares in escrow, which were requested to be released on November 12, 2005.

Discussion of Operations for the Year-to-Date

Following are highlights of some of the key initiatives the Company has undertaken thus far in 2005:

- 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.
- 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.
- 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.
- Nordic's Coal Bed Methane (CBM) well in Joffre on section 5-20-38-24 W4 that was drilled and cased by Trident Exploration Corp. of Calgary in late May received a nitrogen frac (stimulation) and has been perforated. Nordic expects to tie-in the well in by the end of 2005.
- AJM Petroleum Consultants, a reservoir engineering company from Calgary, was hired to evaluate the potential of Nordic's Coal Bed Methane interests in Joffre. The Report suggests that Nordic's possible recoverable Coal Bed Methane reserves on its Joffre property exceed 10 bcf. Once the first CBM well is on production, the Company may obtain a new Report reflecting its proven, probable and possible CBM reserves on its Joffre property.

- Analysis of the 37 kilometres of 2-D seismic shot at Preeceville, Saskatchewan was completed and the seismic data indicated that there are up to 80 potential sites for drilling on the Company's 110,225 net acres of land, many of them deep exploratory gas and oil targets. Gas and oil hydrocarbon potential is seen in at least 10 zones – from the second white specs to Winnipegosis Sand – some with aerial extent in the order of 2 square miles.
- The Company commenced shooting 28.2 kilometres of seismic on its Cote First Nation land near Kamsack in September. A total of four lines of seismic were shot over the Cote lands and the work was completed in late October. The data is being processed and results will be announced in the coming weeks.
- The Company licensed its 14-14-39-5 W2 well in Preeceville and drilling will take place at the end of November/early December. A rig has been secured and will be deployed to the area by the end of November. The well will be drilled to a depth of approximately 400 metres.
- In early November, the Company announced its intention to undertake an offering of up to 2,500,000 units (the "Units") at a price of \$0.40 per Unit for aggregate gross proceeds of up to \$1,000,000, by way of a Short Form Offering Document (the "SFOD"). This was subsequently amended to 3,000,000 units. Each Unit will consist of one Flow-Through Common Share, within the meaning of the *Income Tax Act* (Canada), plus one-half of a Share Purchase Warrant (the "Warrant") of the Corporation. Each full Warrant will entitle the holder to purchase one regular Class A common share of the Corporation at a price of \$0.60 for a period of one year from the date of issuance.
- In mid-November, the Company signed an Agreement with a major Calgary-based exploration company specializing in Coal Bed Methane, to farm-out certain interests on two sections of land in the Joffre area. The Agreement calls for two new Coal Bed Methane (CBM) wells to be drilled on sections 18-38-24 W4 and 24-38-25 W4. It is anticipated that the first well will be drilled no later than January 2006 and the cost of drilling and completion of the first two wells will be for the account of the exploration company. Subsequent well costs will be shared on a 50-50 basis between the two companies.

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

Corporate Information

Stock Exchange	Toronto Venture Exchange
Trading Symbol	NOG
Management Team	Donald P. Benson, President & CEO; Chairman Keith Peterson, Secretary-Treasurer & Director
Independent Directors	Michael Mann Barry Palka Brahm Silverstone
Investor Relations	Don Bain Tel. 204-229-7751 E-mail: donbain1@mts.net

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