

In the Matter of
The Securities Legislation of
Manitoba and Ontario (the "Jurisdictions")

And

In the Matter of
the Process for Exemptive Relief Applications in Multiple Jurisdictions

And

In the Matter of
Nordic Oil and Gas Ltd. (the "Nordic")

And

Dutchess Opportunity Cayman Fund, Ltd ("Dutchess")

And

Dutchess Capital Management II, LC (the "Manager" and, together with
Nordic and Dutchess, the "Filers")

DECISION

Background

The securities regulatory authority or regulator in each of the Jurisdictions ("Decision Makers") has received an application (the "Application") from the Filers for a decision under the securities legislation of the Jurisdictions (the "Legislation") that:

- (a) the following disclosure requirements under the Legislation (the "Prospectus Disclosure Requirements") do not fully apply to Nordic in connection with the Distribution (as defined below):
 - i. the statement in the Prospectus Supplement (as defined below) respecting statutory rights of withdrawal and rescission required by section 18.1 of National Instrument 41-101 – *General Prospectus Requirements* and section 60 of the *Securities Act* (Ontario) (the "OSA") in the form prescribed by item 20 of Form 44-101F1 of National Instrument 44-101 - *Short Form Prospectus Distributions* ("NI 44-101"); and

- ii. the statements required by Subsections 5.5(2) and (3) of National Instrument 44-102 - *Shelf Distributions* ("**NI 44-102**");
 - (b) the prohibition from acting as a dealer unless the person is registered as such (the "**Dealer Registration Requirement**") does not apply to Dutchess and the Manager in connection with the Distribution; and
 - (c) the requirement that a dealer send a copy of the Prospectus (as defined below) to a subscriber or purchaser in the context of a distribution (the "**Prospectus Delivery Requirement**") does not apply to Dutchess and the Manager or the dealer(s) through whom Dutchess distributes the Shares (as defined below) and, as a result, rights of withdrawal or rights of rescission, price revision, or damages for non-delivery of the Prospectus do not apply in connection with the Distribution;
- (collectively, the "**Exemptive Relief Sought**").

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a dual application):

- (a) The Manitoba Securities Commission is the principal regulator for this application,
- (b) the Filers have provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* ("**MI 11-102**") is intended to be relied upon in all of the provinces and territories of Canada except for Quebec (collectively with Manitoba and Ontario, the "**Provinces**"), and
- (c) the decision is the decision of the principal regulator and evidences the decision of the securities regulatory authority or regulator in Ontario.

Interpretation

Terms defined in National Instrument 14-101 *Definitions* and MI 11-102 have the same meaning if used in this decision, unless otherwise defined in this decision.

Representations

This decision is based on the following facts represented by the Filers:

Nordic

1. Nordic is incorporated under the laws of Manitoba and has its head office and registered office located at 4727 Roblin Blvd., Winnipeg, MB, R3R 0G2.
2. Nordic is an independent Manitoba based oil and gas company engaged in the exploration, development and production of oil, natural gas and coal

bed methane in the provinces of Saskatchewan and Alberta.

3. Nordic is currently a reporting issuer under the securities legislation of each of the provinces of Manitoba, Saskatchewan, Alberta and British Columbia and is not in default of any requirements under the securities in any jurisdiction in Canada.
4. Nordic's authorized share capital consists of an unlimited number Class A common shares ("**Shares**") and an unlimited number of convertible preferred shares, of which 69,741,626 Shares and nil convertible preferred shares were outstanding as at November 9, 2010.
5. The Shares are listed for trading on the TSX Venture Exchange (the "**Exchange**") under the symbol "NOG"; based on the closing price of \$0.075 of the Shares on the Exchange on November 8, 2010, the current market capitalization of Nordic is approximately \$5,230,621.
6. Upon the filing of an annual information form for the year ended December 31, 2009, Nordic will be qualified to file a short form prospectus under section 2.2 of NI 44-101 and therefore will be qualified to file a base shelf prospectus under NI 44-102.
7. Nordic intends to file with the securities regulators in some or all of the Provinces a base shelf prospectus (such base shelf prospectus and any amendments thereto is referred to as the "**Base Shelf Prospectus**").
8. The statements in subsection 5.5(2) and (3) of NI 44-102 included in the Base Shelf Prospectus will be qualified by adding the following ", except in cases where an exemption from such delivery requirements has been obtained."

Dutchess and the Manager

9. Dutchess is an investment fund established as a Cayman Islands exempt limited partnership and its head office is located at Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
10. Dutchess is managed by the Manager, a limited liability corporation incorporated under the laws of Delaware, having its head office at 50 Commonwealth Ave, Suite 2, Boston, Massachusetts, USA. The Manager is an affiliate of Dutchess under applicable securities laws.
11. Dutchess is one of a number of investment funds managed by the Manager. The Manager is the investment manager for funds which have made direct investments in growth-stage and mature public companies which span a wide array of sectors using various investment structures such as equity line facilities, equity-linked notes and direct placements.

12. Neither Dutchess nor the Manager is a reporting issuer or registered as a registered firm as defined in National Instrument 31-103 – *Registration Requirements and Exemptions* in any jurisdiction of Canada.
13. Dutchess and the Manager are not in default of securities legislation in any jurisdiction of Canada.

Proposed Distribution Arrangement

14. Nordic and Dutchess propose to enter into an equity line facility agreement (the "**Distribution Agreement**"), pursuant to which Dutchess will agree to subscribe for, and Nordic will have the right but not the obligation to issue and sell, up to C\$10 million of Shares (the "**Aggregate Commitment Amount**") over a period of 36 months in a series of drawdowns. Nordic will be entitled to request, in respect of each drawdown, a maximum amount equal to the greater of: (i) \$500,000; or (ii) 200% of the average daily volume of the Shares as traded on the Exchange, multiplied by the average of the three daily closing prices immediately preceding the date of such put, subject to the Aggregate Commitment Amount.
15. The Distribution Agreement will provide Nordic with the ability to raise capital as needed from time to time. Dutchess regularly engages in such transactions. Dutchess will, in most cases, finance its commitment to subscribe for Shares on a drawdown through short-sales or resales out of existing holdings of Nordic's securities.
16. Nordic will have the sole ability to determine the timing and the amount of each drawdown, subject to certain conditions, including a maximum investment amount per drawdown and the Aggregate Commitment Amount.
17. The subscription price per Share and therefore the number of Shares to be issued to Dutchess for each drawdown will be calculated based on a predetermined percentage discount from the lowest daily volume-weighted average price per Share on the Exchange over a period of five consecutive trading days following a drawdown notice sent by Nordic (the "**Drawdown Pricing Period**"). Specifically, the Shares will be issued at a subscription price equal to the lowest daily volume-weighted average price per Share on the Exchange during the Drawdown Pricing Period multiplied by 95%. Nordic may fix in such drawdown notice a minimum subscription price below which it will not issue any Shares. Nordic and Dutchess can mutually agree in writing to amend the minimum price set forth in a drawdown notice during the applicable Drawdown Pricing Period. Notwithstanding the foregoing, the subscription price per Share may not be lower than the volume-weighted average price per Share on the Exchange over a period of five consecutive trading days immediately

preceding the applicable drawdown notice, less the permitted discount under the private placement rules contained in the Exchange Company Manual (the "**Floor Price**").

18. Subject to earlier settlement in certain circumstances, on the 7th trading day following the date of each drawdown notice (each, a "**Settlement Date**"), the amount of the drawdown will be paid by Dutchess in consideration for the relevant number of newly issued Shares.
19. The Distribution Agreement will provide that, at the time of each drawdown notice and at each Settlement Date, Nordic will make a representation to Dutchess that the Base Shelf Prospectus, as supplemented (the "**Prospectus**"), contains full, true and plain disclosure of all material facts relating to Nordic and the Shares being distributed. Nordic would therefore be unable to issue, or decide to issue, Shares when it is in possession of undisclosed information that would constitute a material fact or a material change.
20. On or after each Settlement Date, Dutchess may seek to sell all or a portion of the Shares subscribed for under the drawdown.
21. During the term of the Distribution Agreement, Dutchess and its affiliates, associates or insiders, as a group, will not own at any time, directly or indirectly, Shares representing more than 9.9% of the issued and outstanding Shares.
22. Dutchess and its affiliates, associates or insiders, will not hold a "net short position" in Shares during the term of the Distribution Agreement. However, Dutchess may, after the receipt of a drawdown notice, seek to short-sell Shares to be subscribed for under the drawdown, or engage in hedging strategies, in order to reduce the economic risk associated with its commitment to subscribe for Shares, provided that:
 - (a) Dutchess complies with applicable rules of the Exchange and applicable securities regulations;
 - (b) Dutchess and its affiliates, associates or insiders, will not during the period between a drawdown notice and the corresponding Settlement Date, directly or indirectly, sell Shares or grant any right to purchase or acquire any right to dispose of, nor otherwise dispose for value of, any Shares or any securities convertible into or exchangeable for Shares, in an amount exceeding the number of Shares to be subscribed by Dutchess under the applicable drawdown; and
 - (c) notwithstanding the foregoing, Dutchess and its affiliates, associates or insiders, will not, directly or indirectly, sell Shares or

grant any right to purchase or acquire any right to dispose of, nor otherwise dispose for value of, any Shares or any securities convertible into or exchangeable for Shares, between the time of delivery of a drawdown notice and the filing of the press release announcing the drawdown.

23. Disclosure of the activities of Dutchess and its affiliates, associates or insiders, as well as the restrictions thereon, the whole as described in paragraph 22 above, will be included in the Base Shelf Prospectus. In addition, Nordic will include in the Base Shelf Prospectus a risk factor that explains that Dutchess may engage in short-sales, resales or other hedging strategies to reduce or eliminate investment risks associated with a drawdown and that such risk factor will disclose the possibility that such transactions may result in significant dilution to existing shareholders and could have a significant effect on the price of the Shares.
24. No extraordinary commission or consideration will be paid by Dutchess or the Manager to a person or company in respect of the disposition of Shares by Dutchess to purchasers who purchase them from Dutchess through the dealer(s) engaged by Dutchess through the Exchange (the "Exchange Purchasers").
25. Dutchess and the Manager will also agree, in effecting any disposition of Shares, not to engage in any sales, marketing or solicitation activities of the type undertaken by dealers in the context of a public offering. More specifically, each of Dutchess and the Manager will not (a) advertise or otherwise hold itself out as a dealer, (b) purchase or sell securities as principal from or to customers, (c) carry a dealer inventory in securities, (d) quote a market in securities, (e) extend, or arrange for the extension of credit, in connection with transactions of securities of Nordic, (f) run a book of repurchase and reverse repurchase agreements, (g) use a carrying broker for securities transactions, (h) lend securities for customers, (i) guarantee contract performance or indemnify Nordic for any loss or liability from the failure of the transaction to be successfully consummated, (j) participate in a selling group; (k) effect any disposition of Shares which would not be in compliance with Canadian or United States securities legislation, (l) provide investment advice or (m) issue or originate securities.
26. Dutchess and the Manager will not solicit offers to purchase Shares in any jurisdiction of Canada and will sell the Shares to Exchange Purchasers through one or more dealer(s) unaffiliated with Dutchess, the Manager and Nordic.

The Prospectus Supplements

27. Nordic intends to file with the securities regulator in some or all of the

Provinces a prospectus supplement to the Base Shelf Prospectus (each, a "Prospectus Supplement") within two business days after the Settlement Date for each drawdown under the Distribution Agreement.

28. The Prospectus Supplement will include (i) the number of Shares issued to Dutchess, (ii) the price per Share paid by Dutchess, (iii) the information required by NI 44-102, including the disclosure required by subsection 9.1(3) of NI 44-102, and (iv) the following statement:

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment are not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. **However, such rights and remedies will not be available to purchasers of common shares distributed under this prospectus because the prospectus will not be delivered to purchasers, as permitted under a decision document issued by the Manitoba Securities Commission on , 2010.**

The securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contain a misrepresentation, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. Such remedies remain unaffected by the non-delivery of the prospectus, as permitted under the decision document referred to above.

The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

(the "Amended Statement of Rights")

29. The Base Shelf Prospectus, as supplemented by each Prospectus

Supplement, will (a) qualify the distribution of Shares to Dutchess on the Settlement Date of the drawdown disclosed in the relevant Prospectus Supplement, and (b) qualify the distribution of such Shares to Exchange Purchasers during the period that commences on the date of issuance of a drawdown notice to Dutchess and ends on the earlier of (i) the date on which the distribution of such Shares has ended or (ii) the 40th day following the Settlement Date (collectively, a "**Distribution**").

30. The Prospectus Delivery Requirement is not workable in the context of the Distribution because the Exchange Purchasers will not be readily identifiable as the dealer(s) acting on behalf of Dutchess may combine the sell orders made under the Prospectus with other sell orders and the dealer(s) acting on behalf of the Exchange Purchasers may combine a number of purchase orders.
31. The Prospectus Supplement will contain an underwriter's certificate in the form set out in section 2.2 of Appendix B to NI 44-102, signed by Dutchess.
32. At least three business days prior to the filing of any Prospectus Supplement, Nordic will provide for comment to the Decision Makers a draft of such Prospectus Supplement.

Press Releases / Continuous Disclosure

33. Following the execution of the Distribution Agreement, Nordic will:
 - i. promptly issue and file a press release on SEDAR disclosing the material terms of the Distribution Agreement, including the Aggregate Commitment Amount; and
 - ii. within ten days after said execution:
 1. file a copy of the Distribution Agreement on SEDAR; and
 2. file a material change report on SEDAR disclosing at a minimum the information required in subparagraph (i) above.
34. Nordic will promptly issue and file a press release on SEDAR upon the issuance of each drawdown notice, regardless of the size of the drawdown, disclosing the aggregate amount of the drawdown, the maximum number of Shares to be issued, the minimum price per Share, if any, the Floor Price as well as the fact that the Base Shelf Prospectus is available on SEDAR and specifying how a copy of this document can be obtained.
35. Nordic will promptly issue and file a press release on SEDAR upon amending the minimum price set forth in a drawdown notice disclosing the

amended minimum price per Share and the maximum number of Shares to be issued.

36. Nordic will:
- i. issue and file a press release on SEDAR on, or as soon as practicable after, the last day of the Drawdown Pricing Period, disclosing:
 1. the number of Shares issued to, and the price per Share paid by, Dutchess;
 2. that the Base Shelf Prospectus and the relevant Prospectus Supplement will be available on SEDAR and specifying how a copy of these documents can be obtained; and
 3. the Amended Statement of Rights; and
 - ii. file a material change report on SEDAR within ten days of the Settlement Date, if the relevant Distribution constitutes a material change under applicable securities legislation, disclosing at a minimum the information required in subparagraph (i) above.
37. Nordic will also disclose in its financial statements and management's discussion and analysis filed on SEDAR under National Instrument 51-102 – *Continuous Disclosure Obligations*, for each financial period, the number and price of Shares issued to Dutchess pursuant to the Distribution Agreement.

Deliveries upon Request

38. Nordic will deliver to the Decision Makers and to the Exchange, upon request, a copy of each drawdown notice delivered by Nordic to Dutchess under the Distribution Agreement.
39. Dutchess and the Manager will provide to the Decision Makers, upon request, full particulars of trading and hedging activities by Dutchess or the Manager (and, if required, trading and hedging activities by their respective affiliates, associates or insiders) in relation to securities of Nordic during the term of the Distribution Agreement.

Decision

Each of the Decision Makers is satisfied that the decision meets the test set out in the Legislation for the Decision Maker to make the decision.

The decision of the Decision Makers under the Legislation is that the Exemptive Relief Sought is granted provided that:

- (a) as it relates to the Prospectus Disclosure Requirement:
 - (i) Nordic comply with the representations in paragraphs 8, 23, 28, 29, 33, 34, 35, 36 and 38; and
 - (ii) The number of Shares distributed by Nordic under the Distribution Agreement does not exceed, in any 12 month period, 19.9% of the aggregate number of Shares outstanding calculated at the beginning of such period;
- (b) As it relates to the Prospectus Delivery Requirement and the Dealer Registration Requirement, Dutchess and/or the Manager, as the case may be, comply with the representations in paragraph 22, 24, 25, 26, 31 and 39; and
- (c) This decision will terminate 36 months after the execution of the Distribution Agreement.



Chris Besko
Deputy Director – Legal
The Manitoba Securities Commission