

QUARTERLY REPORT OF CONSOLIDATED CASH FLOWS

NEW ZEALAND OIL & GAS LIMITED

For Quarter ended 31 December 2008

Quarterly Report of Consolidated Cash Flows prepared in accordance with NZSX Listing Rule 10.10.4. These figures are based on accounts which are unaudited. All figures are in New Zealand dollars. The Company has a formally constituted Audit Committee of the Board of Directors.

NZSX Ref	Notes	Cash Flows Relating to Operating Activities	Current Quarter December \$NZ'000	Year to Date (6 months) \$NZ'000
1(a)		Receipts from product sales and related debtors	40,395	127,727
1(b)		Payments for		
		(a) exploration and evaluation	(3,321)	(4,667)
		(b) development	(16,380)	(43,954)
		(c) production	(5,858)	(11,690)
		(d) administration	(2,415)	(7,309)
1(c)		Dividends received	-	-
1(d)		Interest and other items of a similar nature received	2,846	6,965
1(e)		Interest and other costs of finance paid	-	-
1(f)		Income taxes (paid)/received	(7,800)	(7,800)
1(g)		Royalties	(3,379)	(29,727)
1(h)		Other	-	-
1(i)		Net Operating Cash Flows	4,088	29,545
		Cash Flows Related to Investing Activities		
2(a)		Cash paid for purchases of:		
		(a) prospects	-	-
		(b) equity investments	(30,688)	(30,688)
		(c) other fixed assets	(17)	(27)
2(b)		Cash proceeds from sale of:		
		(a) prospects	-	-
		(b) equity investments	-	-
		(c) other fixed assets	-	-
2(c)		Loans to other entities	-	-
2(d)		Loans repaid by other related entities	-	-
2(e)		Other – Security deposits/bonds	-	-
2(f)		Net Investing Cash Flows	(30,705)	(30,715)
		Total Operating and Investing Cash Flows	(26,617)	(1,170)
		Cash Flows Related to Financing Activities		
3(a)		Cash proceeds from issue of NZOG shares	88	14,266
3(b)		Proceeds from sale of forfeited shares	-	-
3(c)		Borrowings	-	-
3(d)		Repayment of borrowings	(69,048)	(69,048)
3(e)		Dividends paid	23	(19,789)
3(f)		Other – Finance and hedging costs	(1,859)	(3,904)
3(g)		Net Financing Cash Flows	(70,796)	(78,475)
4(a)		Net Increase/(Decrease) in Cash Held	(97,413)	(79,645)
4(b)		Cash at beginning of quarter/year	286,411	256,461
4(c)		Exchange rate adjustments to Items 4(b) above	22,936	35,118
4(d)		Cash at End of Quarter	211,934	211,934

Notes:

This report is for the NZOG consolidated group at 31 December 2008.

2(a)(b) During the quarter, the Group purchased 87.5 million shares in Pan Pacific Petroleum NL.

Non-Cash Financing and Investing Activities

5(a) Provide details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

5(b) Provide details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

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6 **Financing Facilities Available**
 Provide details of used and unused loan facilities and credit standby arrangements, adding such notes as are necessary for an understanding of the position.

	Notes	Amount Available \$ million	Amount Used \$ million
Kupe Cash Advance Facilities(NZD)	2	NZD 125.0	NZD 0.00
Tui letters of credit (USD)	1	USD 8.9	USD 8.9
Kupe letters of credit (NZD)	2	NZD 10.0	NZD 10.0

Notes:

- NZOG has a letter of credit facility with the Commonwealth Bank of Australia (New Zealand branch) and ANZ Banking Group Limited for the Tui project. The letter of credit facility was reduced from US\$9.7m to US\$8.9m on 24 October 2008.
- NZOG has a term loan and letter of credit facility with Westpac Banking Corporation and Bank of Scotland International for the Kupe project. The Kupe Cash Advance Facility can be drawn in USD, AUD or NZD currencies. This loan was repaid in full on 15 October 2008 with the facility remaining in place.

7 **Estimated Outlays for Specified Quarter**

	Notes	Current Quarter # \$NZ'000	Following Quarter \$NZ'000
Exploration and evaluation		3,700	3,600
Development	1	10,600	10,700
Total		13,600	14,300

The outlays to be shown in this column are the estimates made for this quarter in the previous quarterly report. When these estimates differ by more than 15% from the actual outlays reported in Item 1(b) of this report, provide an explanation of the reason(s) for these differences as an attachment to this report.

Notes:

- Timing differences.

8 **Reconciliation of Cash**

For the purposes of this statement of cashflows, cash includes: bank bills, cash on hand and at bank, short term deposits and government stock less any overdraft.

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows:

	Current Quarter \$NZ'000	Previous Quarter \$NZ'000
Cash on hand and at bank	709	4
Deposits at call, term and bank bills	198,381	266,868
Bank overdraft	-	-
Other – Joint venture cash	12,844	19,539
Total: Cash at End of Quarter (Item 4(d)/4(b))	211,934	286,411

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Changes in Interests in Mining Tenements

Note	Tenement Reference	Nature of Interest	Interest at Beginning of Quarter %	Interest at End of Quarter %	
9(a)	Interests in mining tenements relinquished, reduced or lapsed	PEP 38499(Toke)	Relinquished 07/11/08	12.5	0.00
9(b)	Interests in mining tenements acquired or increased	-	-	-	-

9(c) The Company's "Petroleum Licence Interests" as at 31 December 2008 are set out below.

PETROLEUM LICENCE INTERESTS AT 31 December 2008

LICENCE	GROSS AREA SQ KM	DIRECT INTEREST %
1. PETROLEUM MINING PERMITS		
PML 38146 (Kupe field)	256	15.00
PMP 38158 (Tui field)	504	12.50
2. PETROLEUM EXPLORATION PERMITS		
OFFSHORE TARANAKI		
PEP 38483 (Hector)	4,723	18.864
PEP 38483 (Hector South Sub Block -HSSB)	381	12.50

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Issued and Quoted Securities at End of Current Quarter – 31 December 2008

(NEW ZEALAND OIL & GAS LIMITED ONLY)

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

Note		Number Issued	Number Quoted	Value (cents)	Paid-Up Value (cents)
	Ordinary Securities	387,358,359	383,892,359	N/A	N/A
	Fully paid during quarter	-	75,000	1.18	1.18
	Partly Paid Securities <i>(included in ordinary securities, but not part of quoted ordinary securities)</i>	3,466,000	-	0.87-1.28	0.01
	Issued during quarter	-	-	-	-
	Fully paid during quarter	75,000	-	1.18	1.18
	Options	-	-	N/A	N/A
	Issued during quarter	-	-		
	Exercised during quarter	-	-		
	Expired during quarter	-	-		



David Salisbury
 Chief Executive Officer
 30 January 2009