

QUARTERLY REPORT OF CONSOLIDATED CASH FLOWS

NEW ZEALAND OIL & GAS LIMITED

For Quarter ended 31 December 2006

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		Current Quarter December \$NZ'000	Year to Date (6 months) \$NZ'000
	Cash Flows Relating to Operating Activities		
1(a)	Notes Receipts from product sales and related debtors		
1(b)	Payments for		
	(a) exploration and evaluation	(3,055)	(4,961)
	(b) development	(17,253)	(36,240)
	(c) production	-	-
	(d) administration	(752)	(2,268)
1(c)	Dividends received	-	-
1(d)	Interest and other items of a similar nature received	997	1,662
1(e)	Interest and other costs of finance paid	(4)	(8)
1(f)	Income taxes (paid)/received	(2)	(2)
1(g)	Other	24	24
1(h)	Net Operating Cash Flows	(20,045)	(41,793)
	Cash Flows Related to Investing Activities		
2(a)	Cash paid for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(41)	(88)
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)(i)	Other – Security deposits/bonds for coal permit	(1,865)	(2,287)
2(f)	Net Investing Cash Flows	(1,906)	(2,375)
	Total Operating and Investing Cash Flows	(21,951)	(44,968)
	Cash Flows Related to Financing Activities		
3(a)(i)	Cash proceeds from issue of NZOG shares	17,235	17,237
3(a)(ii)	Cash proceeds from issue of shares to minority interests (PRCL)	-	19,400
3(b)	Proceeds from sale of forfeited shares	-	-
3(c)	Borrowings	4,656	7,060
3(d)	Repayment of borrowings	(2,404)	(2,404)
3(e)	Dividends paid	-	-
3(f)	Other – Finance and hedging costs	(1,047)	(1,741)
3(g)	Net Financing Cash Flows	18,440	39,552
4(a)	Net Increase/(Decrease) in Cash Held	(3,511)	(4,616)
4(b)	Cash at beginning of quarter/year	39,086	41,713
4(c)	Exchange rate adjustments to Items 4(b) above	(369)	(1,891)
4(d)	Cash at End of Quarter	35,206	35,206

Notes:

This report is for the NZOG consolidated group including partly owned subsidiary Pike River Coal Limited (PRCL) (61%).

3(a)(i) Comprises share placement 17 November 2006 (net of brokerage and related costs).

3(a)(ii) Gujarat NRE Coke Limited investment in PRCL. This amount was received during the September 2006 quarter.

On 24th January 2007 NZOG raised \$25 million (net of costs) from a combination of rights issue and placement. The proceeds from the rights issue and placement are not included in the above cash balance. (see page 4 for further details)

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

**NZSX
Ref**

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
Cash Advance			
Tui Facilities:USD	1	USD 27.5	USD 13.5
Tui letters of credit (USD)	1	USD 12.5	USD 11.75
Kupe letters of credit (NZD)	2	NZD 10.0	NZD 10.00

Notes:

- NZOG has a term loan and letter of credit facility with the Commonwealth Bank of Australia (New Zealand branch) and ANZ Banking Group Limited for the Tui project.
- NZOG has a letter of credit facility with the Westpac Banking Corporation and is negotiating detailed documentation for a NZ\$125m debt finance facility for the Kupe project.

7 Estimated Outlays for Specified Quarter

	Notes	Current Quarter # \$NZ'000	Following Quarter \$NZ'000
Exploration and evaluation		3,545	6,796
Development	1	29,641	46,521
Total		33,186	53,317

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: 1. Timing differences for payment of development related expenditure compared to budget.

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	3,645	47
Deposits at call and bank bills	22,186	32,371
Bank overdraft	-	-
Other – Joint venture cash	9,375	6,668
Total: Cash at End of Quarter (Item 4(d)/4(b))	35,206	39,086
Note:		

NZSX
 Ref
 9

Changes in Interests in Mining Tenements

Note	Tenement Reference	Nature of Interest	Interest at Beginning of Quarter %	Interest at End of Quarter %
9(a)	-	-	-	-
9(b)	-	-	-	-

9(c) The Company's "Petroleum Licence Interests" as at 31 December 2006 are set out below.

PETROLEUM LICENCE INTERESTS AT 31 December 2006

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		
ONSHORE TARANAKI		
PEP 38729 (Felix)	238	75.00
OFFSHORE TARANAKI		
PEP 38483 (Hector)	12,196	18.86
PEP 38483 (Hector South Sub Block -HSSB)	381	12.50

New Zealand Oil & Gas Limited
Quarterly Report of Consolidated Cashflows

NZSX

Ref

10

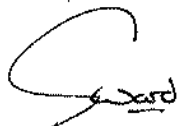
Issued and Quoted Securities at End of Current Quarter – 31 December 2006

(NEW ZEALAND OIL & GAS LIMITED ONLY)

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

	Number Issued	Number Quoted	Value (cents)	Paid-Up Value (cents)
Preference securities (description)				
Issued during quarter				
Ordinary Securities Less Treasury capital	238,046,394	236,211,394 (5,864,515) 230,346,879	N/A	N/A
Issued during quarter	17,501,990	17,501,990		
Partly Paid Securities	1,835,000		0.87 – 1.34	0.01
Issued during quarter	175,000		1.20 – 1.21	0.01
Convertible Debt Securities (description)				
Issued during quarter				
Options	113,066,980	113,066,980	Exercise Price \$1.50	Expiry Date 30 June 2008
Issued during quarter				
Exercised during quarter	1,990	1,990		
Expired during quarter				
Rights #	23,036,150	23,036,150	Exercise Price \$1.00	Expiry Date 19 January 2007
Issued during quarter	23,036,150	23,036,150		
Exercised during quarter				
Expired during quarter				
Debentures (totals only)				
Unsecured Notes (totals only)				

A prospectus for the issue of rights was registered on the 30th November 2006. Rights of 23,036,150 were available to be taken up under the issue. On 24th January 2007 NZOG confirmed applications for 17,429,805 shares had been received; 5,606,345 shares were not taken up. On 25th January 2007 NZOG advised a placement of 8.2 million shares was being arranged. The total number of securities issued by NZOG in January 2007 was 25,629,805 shares and the same number of June 2008 options, which have an exercise price of \$1.50 each.



Gordon Ward
General Manager