

**QUARTERLY REPORT OF CONSOLIDATED CASH FLOWS**  
**NEW ZEALAND OIL & GAS LIMITED**  
For Quarter ended 31 December 2007

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	51,613	62,143
1(b)		Payments for		
		(a) exploration and evaluation	(3,857)	(4,308)
		(b) development	(34,039)	(46,488)
		(c) production	(3,627)	(7,221)
		(d) administration	(2,114)	(4,442)
1(c)		Dividends received	-	-
1(d)		Interest and other items of a similar nature received	642	1,382
1(e)		Interest and other costs of finance paid	(455)	(660)
1(f)		Income taxes (paid)/received	(312)	(312)
1(g)		Other	-	-
1(h)		<b>Net Operating Cash Flows</b>	<b>7,851</b>	<b>94</b>
		<b>Cash Flows Related to Investing Activities</b>		
2(a)		Cash paid for purchases of:		
		(a) prospects	-	-
		(b) equity investments	-	-
		(c) other fixed assets	(26)	(241)
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 (PRCL)	-	16,264
2(e)		Other – Security deposits/bonds for coal permit	-	-
2(f)		<b>Net Investing Cash Flows</b>	<b>(26)</b>	<b>16,023</b>
		<b>Total Operating and Investing Cash Flows</b>	<b>7,825</b>	<b>16,117</b>
		<b>Cash Flows Related to Financing Activities</b>		
3(a)		Cash proceeds from issue of NZOG shares	14	41
3(b)		Proceeds from sale of forfeited shares	-	-
3(c)(i)		Borrowings	22,725	37,725
3(c)(ii)		Convertible Notes	-	-
3(d)		Repayment of borrowings	(7,650)	(17,650)
3(e)		Dividends paid	-	-
3(f)		Other – Finance and hedging costs	(3,713)	(5,367)
3(g)		<b>Net Financing Cash Flows</b>	<b>11,376</b>	<b>14,749</b>
4(a)		<b>Net Increase/(Decrease) in Cash Held</b>	<b>19,201</b>	<b>30,866</b>
4(b)(i)		Cash at beginning of quarter/year	39,629	35,382
4(b)(ii)		Cash decrease from deconsolidation of subsidiary company	-	(7,406)
4(c)		Exchange rate adjustments to Items 4(b) above	1,235	1,223
4(d)		<b>Cash at End of Quarter</b>	<b>60,065</b>	<b>60,065</b>

**Notes:**

This report is for the NZOG consolidated group at 31 December 2007.

3(c)(i) & 3(d) Refer to note 6.

4(b)(ii) On the 20 July 2007 the group's investment in Pike River Coal Limited (PRCL) was diluted from 54% to 31% with PRCL being floated on the NZSX and ASX. The dilution of PRCL means that the investment will change from a subsidiary to an associate company.

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**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
Tui Cash Advance Facilities (USD)	1	USD 27.5	USD 21.6
Kupe Cash Advance Facilities(NZD)	2	NZD 137.5	NZD 23.2
Revolving Credit Facility (NZD)	3	NZD 15.0	NZD 15.0
Tui letters of credit (USD)	1	USD 12.5	USD 12.5
Kupe letters of credit (NZD)	2	NZD 10.0	NZD 10.0

**Notes:**

1. 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.
2. NZOG has a term loan and letter of credit facility with Westpac Banking Corporation for the Kupe project.
3. NZOG has a short term revolving credit facility with the Commonwealth Bank of Australia (New Zealand branch).

7 **Estimated Outlays for Specified Quarter**

	Notes	Current Quarter # \$NZ'000	Following Quarter \$NZ'000
Exploration and evaluation	1	8,400	1,600
Development		35,200	30,200
<b>Total</b>		<b>43,600</b>	<b>31,800</b>

# 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.

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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	153	3
Deposits at call and bank bills	50,455	18,199
Bank overdraft	-	-
Other – Joint venture cash	9,458	21,427
<b>Total: Cash at End of Quarter (Item 4(d)/4(b))</b>	<b>60,065</b>	<b>39,629</b>

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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)	PEP 38729	Relinquished	75%	0%
9(b)	-	-	-	-

9(c) The Company's "Petroleum Licence Interests" as at 31 December 2007 are set out below.

**PETROLEUM LICENCE INTERESTS AT 31 December 2007**

LICENCE	GROSS AREA SQ KM	DIRECT INTEREST %
<b>1. PETROLEUM MINING PERMITS</b>		
PML 38146 (Kupe field)	256	15.00
PMP 38158 (Tui field)	504	12.50
<b>2. PETROLEUM EXPLORATION PERMITS</b>		
<b>OFFSHORE TARANAKI</b>		
PEP 38483 (Hector)	12,196	18.86
PEP 38483 (Hector South Sub Block -HSSB)	381	12.50
PEP 38499 (Toke)	643	12.50

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New Zealand Oil & Gas Limited  
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Issued and Quoted Securities at End of Current Quarter – 31 December 2007

(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)
<b>Ordinary Securities</b> Less Treasury capital	264,969,158	262,180,658 (5,864,515) 256,316,143	N/A	N/A
Issued during quarter	475,000	260,000		
<b>Partly Paid Securities</b> <i>(included in ordinary securities, but not part of quoted ordinary securities)</i>	2,788,500	-	0.87 – 1.34	0.01
Issued during quarter	475,000	-	1.00 – 1.45	0.01
Fully paid during quarter	275,000	-	1.00 – 1.08	1.00 – 1.08
<b>Options</b>	138,837,891	138,837,891	Exercise Price \$1.50	Expiry Date 30 June 2008
Issued during quarter	-	-		
Exercised during quarter (unlisted)	150,000	-		
Expired during quarter	-			



David Salisbury  
 Chief Executive Officer  
 31 January 2008

**Application of Class Waiver to Listing Rule 10.5.2: NZ IFRS**

NZOG advises the market it is taking advantage of the class waiver, granted under the NZX Regulation Decision dated 3 November 2005 to all NZSX Issuers who are first time adopters of NZ IFRS, with reference to NZX Listing Rules 10.4.1(a) Preliminary Announcements and 10.5.2 Half Yearly Report.

This means that NZOG's Preliminary Announcement and Interim Report for the six months ended 31 December 2007 will be released in March and April respectively.

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