

# QUARTERLY REPORT OF CONSOLIDATED CASH FLOWS

## NEW ZEALAND OIL & GAS LIMITED

For Quarter ended 31 December 2005

Quarterly Report of Consolidated Cash Flows prepared in accordance with NZSE 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
<b>Cash Flows Relating to Operating Activities</b>			
1(a)	Notes Receipts from product sales and related debtors	-	-
1(b)	Payments for		
	(a) exploration and evaluation	(113)	(741)
	(b) development	(13,519)	(15,939)
	(c) production	-	-
	(d) administration	(1,136)	(1,570)
	(e) decommissioning	-	-
1(c)	Dividends received	-	-
1(d)	Interest and other items of a similar nature received	463	1,120
1(e)	Interest and other costs of finance paid	-	-
1(f)	Income taxes (paid)/received	-	-
1(h)	<b>Net Operating Cash Flows</b>	<b>(14,305)</b>	<b>(17,130)</b>
<b>Cash Flows Related to Investing Activities</b>			
2(a)	Cash paid for purchases of:		
	(a) prospects	-	-
	(b) equity investments	(3,120)	(3,120)
	(c) other fixed assets	(73)	(77)
2(b)	Cash proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	323	323
	(c) other fixed assets	-	-
2(c)	Loans to other entities	-	-
2(d)	Loans repaid by other related entities	-	-
2(e)(i)	Other – Security deposit for coal permit bonds	(2,227)	(2,231)
2(e)(ii)	Other – Security deposits in relation to Tui development contracts	(18,018)	(18,018)
2(f)	<b>Net Investing Cash Flows</b>	<b>(23,115)</b>	<b>(23,123)</b>
<b>Total Operating and Investing Cash Flows</b>		<b>(37,420)</b>	<b>(40,253)</b>
<b>Cash Flows Related to Financing Activities</b>			
3(a)(i)	Cash proceeds from issue of NZOG shares	11,820	13,149
3(a)(ii)	Cash proceeds from issue of shares to minority interests (PRCC)	5,314	10,686
3(b)	Proceeds from sale of forfeited shares	-	-
3(c)	Borrowings	-	-
3(d)	Repayment of borrowings	-	-
3(e)	Dividends paid	-	-
3(f)	Other	-	-
3(g)	<b>Net Financing Cash Flows</b>	<b>17,134</b>	<b>23,835</b>
4(a)	<b>Net Increase/(Decrease) in Cash Held</b>	<b>(20,286)</b>	<b>(16,418)</b>
4(b)	Cash at beginning of quarter/year to date	53,408	49,662
4(c)	Exchange rate adjustments to Item 4(b) above	294	172
4(d)	<b>Cash at End of Quarter</b>	<b>33,416</b>	<b>33,416</b>

### Notes:

This report is for the NZOG consolidated group including subsidiary Pike River Coal Company Limited.

3(a)(i) Comprises option conversions from 30 June 2005 option exercise, proceeds from part payment for 1.26 million partly paid shares issued to participants in the Company's Employee Share Ownership Scheme and \$12m from a Private Placement in December 2005.

3(a)(ii) Comprises shares issued to minority interests (net of brokerage and related costs) in Pike River Coal Company Limited (PRCC). Further payments amounting to approximately \$14 million for Pike River shares are due from Saurashtra Fuels Private Limited \$6m, NZOG \$7.7m and other minority interests \$0.3m by 31 March 2006.

**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
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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.

Amount Available \$NZ'000	Amount Used \$NZ'000
Nil	Nil

7 **Estimated Outlays for Specified Quarter**

Notes

1 Exploration and evaluation

2 Development

**Total**

Current Quarter # \$NZ'000	Following Quarter \$NZ'000
164	101
13,460	14,034
13,624	14,135

# 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.

Note (1) Timing differences

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### 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	68	225
Deposits at call and bank bills	31,475	52,132
Bank overdraft	-	-
Other – Joint venture cash	1,873	1,051
<b>Total: Cash at End of Quarter</b> (Item 4(d)/4(b))	<b>33,416</b>	<b>53,408</b>
<b>Note:</b>		
Total cash at end of quarter	33,416	
Cash held in Security Deposits	<u>20,245</u>	
<b>Total Cash including Security Deposits</b>	<b>53,661</b>	

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### Changes in Interests in Mining Tenements

Note	Tenement Reference	Nature of Interest (note (4))	Interest at Beginning of Quarter %	Interest at End of Quarter %
9(a)	1	Interests in mining tenements relinquished,		
	2	reduced or lapsed		
9(b)	2	Interests in mining tenements acquired or		
	2	increased		

9(c) The Company's "Petroleum Licence Interests" as at 31 December 2005 are set out below.

#### PETROLEUM LICENCE INTERESTS AT 31 December 2005

LICENCE	GROSS AREA SQ KM	DIRECT INTEREST %	Note
<b>1. PETROLEUM MINING PERMITS</b>			
PML 38146 (Kupe field)	256	15.00	
PMP 38158 (Tui field)	504	12.50	2
<b>2. PETROLEUM EXPLORATION PERMITS</b>			
<b>ONSHORE TARANAKI</b>			
PEP 38729 (Felix)	238	75.00	
<b>OFFSHORE TARANAKI</b>			
PEP 38483 (Hector)	12,196	18.86	
PEP 38483 (Hector South Sub Block -HSSB)	381	12.50	2
PEP 38484 (Taitapa)	1,680	100.00	

**New Zealand Oil & Gas Limited**  
**Quarterly Report of Consolidated Cashflows**

**Note:**

1. PEP 38718 expired on 30 November 2005.
2. PEP 38460 was relinquished and PEP 38483 HSSB annexed as a condition of being awarded PMP 38158 over the Tui development field.

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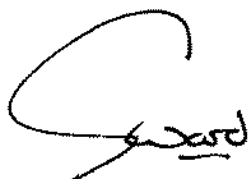
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**Issued and Quoted Securities at End of Current Quarter**

(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	Par Value (cents)	Paid-Up Value (cents)
<b>Preference securities</b> (description)				
Issued during quarter				
<b>+Ordinary Securities</b> Less Treasury capital	219,967,305	219,967,305 (5,864,515) 214,102,790	N/A	N/A
Issued during quarter	13,335,023	13,335,023	N/A	0.90
<b>+Partly Paid Securities</b>	1,260,000	1,260,000	0.87 – 1.34	0.01
Issued during quarter				
<b>+Convertible Debt Securities</b> (description)				
Issued during quarter				
<b>Options</b>	107,200,236	107,050,236	Exercise Price \$1.50	Expiry Date 30 Jun 2008
Issued during quarter	150,000 107,051,259	- 107,051,259	\$1.26 \$1.50	30 Nov 2007 30 Jun 2008
Exercised during quarter	1,023	1,023	0.60 - \$1.50	
Expired during quarter				
<b>Debentures</b> (totals only)				
<b>Unsecured Notes</b> (totals only)				



Gordon Ward  
**General Manager**