

QUARTERLY REPORT OF CONSOLIDATED CASH FLOWS

NEW ZEALAND OIL & GAS LIMITED

For Quarter ended 30 June 2006

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 June \$NZ'000	Year to Date (12 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	(10)	(1,007)
	(b) development	(16,271)	(44,807)
	(c) production	-	-
	(d) administration	(2,768)	(5,032)
1(c)	Dividends received	-	-
1(d)	Interest and other items of a similar nature received	944	2,304
1(e)	Interest and other costs of finance paid	(28)	(28)
1(f)	Income taxes (paid)/received	-	-
1(g)	Other	-	-
1(h)	Net Operating Cash Flows	(18,133)	(48,590)
	Cash Flows Related to Investing Activities		
2(a)	Cash paid for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	(3,120)
	(c) other fixed assets	(90)	(245)
2(b)	Cash proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	323
	(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	(331)	(2,558)
2(f)	Net Investing Cash Flows	(421)	(5,600)
	Total Operating and Investing Cash Flows	(18,554)	(54,190)
	Cash Flows Related to Financing Activities		
3(a)(i)	Cash proceeds from issue of NZOG shares	-	13,153
3(a)(ii)	Cash proceeds from issue of shares to minority interests (PRCL)	-	16,974
3(b)	Proceeds from sale of forfeited shares	-	-
3(c)	Borrowings	16,982	16,982
3(d)	Repayment of borrowings	-	-
3(e)	Dividends paid	-	-
3(f)	Other – Finance and hedging costs	(1,744)	(5,415)
3(g)	Net Financing Cash Flows	15,238	41,694
4(a)	Net Increase/(Decrease) in Cash Held	(3,316)	(12,496)
4(b)	Cash at beginning of quarter/year	42,962	49,662
4(c)	Exchange rate adjustments to Items 4(b) above	224	2,704
4(d)	Cash at End of Quarter	39,870	39,870

Notes:

This report is for the NZOG consolidated group including partly owned (61% share post Gujarat NRE Coke Limited investment) subsidiary Pike River Coal Limited.

On 12 June 2006 Gujarat NRE Coke Limited agreed to invest \$20million in PRCL. The investment is conditional on certain conditions including Overseas Investment Commission consent and accordingly the above cash flows do not include this amount.

2(e)(i) Net of refund of Tui FPSO credit support security deposit

3(a)(i) Year to date comprises proceeds conversions from 30 June 2005 option exercise, proceeds from part payment for 1.5 million partly paid shares issued to participants in the Company's Employee Share Ownership Scheme and \$12m from a Private Placement in March 2006.

3(a)(ii) Comprises shares issued to minority interests (net of brokerage and related costs) in Pike River Coal Limited (PRCC).

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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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 \$US million	Amount Used \$US million
Cash Advance Facility	27.5	10.4
Letters of credit	12.5	8.75

Note: US \$10.4 million (NZ \$16.8 million) was drawn down on the cash advance facility with the New Zealand branch of the Commonwealth Bank of Australia during the June 2006 quarter.

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Estimated Outlays for Specified Quarter

Notes	Current Quarter # \$NZ'000	Following Quarter \$NZ'000
1 Exploration and evaluation	120	1,733
2 Development	28,493	14,393
Total	28,613	16,126

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
 (2) Timing of Kupe FID and therefore capital expenditure
 (3) Timing of Tui expenditure delayed with change to new operator's system

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	25	238
Deposits at call and bank bills	39,109	41,510
Bank overdraft	-	-
Other – Joint venture cash	736	1,218
Total: Cash at End of Quarter (Item 4(d)/4(b))	39,870	42,966
Note:		

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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)		Interests in mining tenements relinquished, reduced or lapsed		
9(b)		Interests in mining tenements acquired or increased		

9(c) The Company's "Petroleum Licence Interests" as at 30 June 2006 are set out below.

PETROLEUM LICENCE INTERESTS AT 30 June 2006

LICENCE	GROSS AREA SQ KM	DIRECT INTEREST %	Note
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	
PEP 38484 (Taitapa)	1,680	100.00	1

Note:

1) PEP38484 (Taitapa) has been submitted to MED for relinquishment on 14/07/06.

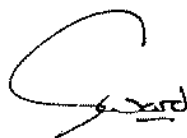
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Issued and Quoted Securities at End of Current Quarter

(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)
Preference				
+securities (description)				
Issued during quarter				
+Ordinary Securities	220,243,242	218,708,242	N/A	N/A
Less Treasury capital		<u>(5,864,515)</u>		
		212,843,727		
Issued during quarter				
+Partly Paid Securities	1,535,000	1,535,000	0.87 – 1.34	0.01
Issued during quarter				
+Convertible Debt Securities				
(description)				
Issued during quarter				
Options	107,236,799	107,086,799	Exercise Price \$1.50	Expiry Date 30 Jun 2008
Issued during quarter				
Exercised during quarter				
Expired during quarter				
Debentures				
(totals only)				
Unsecured Notes (totals only)				



Gordon Ward
 General Manager

Note:

The accompanying Quarterly Activities Report includes highlights for the quarter ended 30 June 2006 and encompasses the drilling of 10 wells in the offshore Taranaki Basin: Kupe, 4 development wells; Tui, 3 development wells; Exploration drilling, 3 wells.

Director Nominations

Pursuant to rule 3.3.2 of the NZX Listing Rules New Zealand Oil & Gas Limited advises that its 2006 Annual General Meeting will be held on Thursday 27 October (time and venue to be advised), the opening date for director nominations is 1 August 2006 and the closing date is 31 August 2006.