

QUARTERLY REPORT OF CONSOLIDATED CASH FLOWS

NEW ZEALAND OIL & GAS LIMITED

For Quarter ended 30 June 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 June \$NZ'000	Year to Date (12 months) \$NZ'000
1(a)		Receipts from product sales and related debtors	65,989	193,726
1(b)		Payments for		
		(a) exploration and evaluation	(2,703)	(12,580)
		(b) development	(11,071)	(85,753)
		(c) production	(2,971)	(14,003)
		(d) administration	(1,239)	(7,335)
1(c)		Dividends received	-	-
1(d)		Interest and other items of a similar nature received	1,050	2,713
1(e)		Interest and other costs of finance paid	(396)	(1,311)
1(f)		Income taxes (paid)/received	(14,850)	(18,770)
1(g)		Other	-	447
1(h)		Net Operating Cash Flows	33,809	57,134
		Cash Flows Related to Investing Activities		
2(a)		Cash paid for purchases of:		
		(a) prospects	-	-
		(b) equity investments	-	(17,506)
		(c) other fixed assets	(52)	(572)
2(b)		Cash proceeds from sale of:		
		(a) prospects	-	-
		(b) equity investments	-	119
		(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)		Net Investing Cash Flows	(52)	(1,695)
		Total Operating and Investing Cash Flows	33,757	55,439
		Cash Flows Related to Financing Activities		
3(a)		Cash proceeds from issue of NZOG shares	177,049	177,375
3(b)		Proceeds from sale of forfeited shares	-	-
3(c)(i)		Borrowings	15,250	77,365
3(c)(ii)		Convertible Notes	-	-
3(d)		Repayment of borrowings	-	(59,735)
3(e)		Dividends paid	(13,143)	(13,143)
3(f)		Other – Finance and hedging costs	(3,610)	(9,792)
3(g)		Net Financing Cash Flows	175,546	172,070
4(a)		Net Increase/(Decrease) in Cash Held	209,303	227,509
4(b)(i)		Cash at beginning of quarter/year	45,924	35,383
4(b)(ii)		Cash decrease from deconsolidation of subsidiary company	-	(7,406)
4(c)		Exchange rate adjustments to Items 4(b) above	1,234	975
4(d)		Cash at End of Quarter	256,461	256,461

Notes:

This report is for the NZOG consolidated group at 30 June 2008.

2(a)(b) Equity investment in associate company Pike River Coal Limited as a result of underwriting the 6 March 2008 Rights Issue.

3(a) During the quarter, NZOG received \$177.0 million cash from the issue of NZOG shares. This includes \$176.7 million cash proceeds from 117.9 million 30 June 2008 options converted to ordinary shares at \$1.50 per option and \$0.3 million from partly paid shares that became fully paid. Refer note 10.

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

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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
Kupe Cash Advance Facilities(NZD)	2	NZD 125.0	NZD 61.3
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 letter of credit facility with the Commonwealth Bank of Australia (New Zealand branch) and ANZ Banking Group Limited for the Tui project. The Tui Cash Advance Facility (US\$27.5 million) was cancelled on 27 June 2008.
2. 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.

7 **Estimated Outlays for Specified Quarter**

	Notes	Current Quarter # \$NZ'000	Following Quarter \$NZ'000
Exploration and evaluation	1	5,500	10,000
Development	1	14,000	34,000
Total		19,500	44,000

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	170	30
Deposits at call, term and bank bills	251,991	42,859
Bank overdraft	-	-
Other – Joint venture cash	4,300	3,035
Total: Cash at End of Quarter (Item 4(d)/4(b))	256,461	45,924

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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	-	-
9(b)		Interests in mining tenements acquired or increased	-	-

9(c) The Company's "Petroleum Licence Interests" as at 30 June 2008 are set out below.

PETROLEUM LICENCE INTERESTS AT 30 June 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)	9,829	18.86
PEP 38483 (Hector South Sub Block -HSSB)	381	12.50
PEP 38499 (Toke)	643	12.50

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Issued and Quoted Securities at End of Current Quarter – 30 June 2008

(Adjusted for 2008 Option Conversions)

(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)
1	Ordinary Securities Less Treasury capital	393,222,874	389,654,374 (5,864,515) 383,789,859	N/A	N/A
	Issued during quarter	127,653,714	127,473,714	0.896 – 1.63	0.896 – 1.63
	Partly Paid Securities <i>(included in ordinary securities, but not part of quoted ordinary securities)</i>	3,568,500	-	0.87 – 1.45	0.01
	Issued during quarter	425,000	-	1.22 – 1.26	0.01
	Fully paid during quarter	245,000	245,000	0.896 – 1.63	0.896 – 1.63
1	Options	-	-	Exercise Price \$1.50	Expiry Date 30 June 2008
	Issued during quarter	-	-		
	Exercised during quarter	127,228,714	127,228,714		
	Expired during quarter	11,609,175	11,609,175		

Notes:

- As at 30 June 2008, the number of ordinary shares quoted was 259,853,831 and the number of options listed expiring that day was 135,545,203. The company received and processed notices to exercise 117,909,698 options during the June quarter. The company processed valid notices of exercise for a further 9,319,016 in July 2008. A total of 11,609,175 options were not exercised and lapsed. The 245,000 partly paid securities that became fully paid during the quarter are included in the quoted ordinary securities on issue.


 David Salisbury
 Chief Executive Officer
 29 July 2008