

QUARTERLY REPORT OF CONSOLIDATED CASH FLOWS
NEW ZEALAND OIL & GAS LIMITED
For Quarter ended 30 September 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 September \$NZ'000	Year to Date (3 months) \$NZ'000
1(a)		Receipts from product sales and related debtors	87,332	87,332
1(b)		Payments for		
		(a) exploration and evaluation	(1,346)	(1,346)
		(b) development	(27,574)	(27,574)
		(c) production	(5,832)	(5,832)
		(d) administration	(4,894)	(4,894)
1(c)		Dividends received	-	-
1(d)		Interest and other items of a similar nature received	4,119	4,119
1(e)		Interest and other costs of finance paid	-	-
1(f)		Income taxes (paid)/received	-	-
1(g)		Royalties	(26,348)	(26,348)
1(h)		Other	-	-
1(i)		Net Operating Cash Flows	25,457	25,457
		Cash Flows Related to Investing Activities		
2(a)		Cash paid for purchases of:		
		(a) prospects	-	-
		(b) equity investments	-	-
		(c) other fixed assets	(10)	(10)
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)		Other – Security deposits/bonds	-	-
2(f)		Net Investing Cash Flows	(10)	(10)
		Total Operating and Investing Cash Flows	25,447	25,447
		Cash Flows Related to Financing Activities		
3(a)		Cash proceeds from issue of NZOG shares	14,178	14,178
3(b)		Proceeds from sale of forfeited shares	-	-
3(c)		Borrowings	-	-
3(d)		Repayment of borrowings	-	-
3(e)		Dividends paid	(19,812)	(19,812)
3(f)		Other – Finance and hedging costs	(2,045)	(2,045)
3(g)		Net Financing Cash Flows	(7,679)	(7,679)
4(a)		Net Increase/(Decrease) in Cash Held	17,768	17,768
4(b)(i)		Cash at beginning of quarter/year	256,461	256,461
4(b)(ii)		Cash decrease from deconsolidation of subsidiary company	-	-
4(c)		Exchange rate adjustments to Items 4(b) above	12,182	12,182
4(d)		Cash at End of Quarter	286,411	286,411

Notes:

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

3(a) During the quarter, NZOG received \$14.2 million cash from the issue of NZOG shares in relation to 30 June 2008 options converted to ordinary shares at \$1.50 per option. Refer NZSX Reference 10 below.

1(b)(d) Administration payments for the quarter includes \$3.3 million GST paid in respect of the royalty payment due 29 September 2008. The GST was refunded on 10 October 2008.

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 66.8
Tui letters of credit (USD)	1	USD 9.7	USD 9.7
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 letter of credit facility was reduced from US\$12.5m to US\$9.71m on 26 August 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. This loan was repaid in full on 15 October 2008 with the facility remaining in place.

7 **Estimated Outlays for Specified Quarter**

	Notes	Current Quarter # \$NZ'000	Following Quarter \$NZ'000
Exploration and evaluation	1	10,000	3,700
Development	2	34,000	10,600
Total		44,000	13,600

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. Exploration costs were lower than expected due to the unsuccessful Momoho drilling results during the quarter.
2. Timing differences.

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	4	170
Deposits at call, term and bank bills	266,868	251,991
Bank overdraft	-	-
Other – Joint venture cash	19,539	4,300
Total: Cash at End of Quarter (Item 4(d)/4(b))	286,411	256,461

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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 September 2008 are set out below.

PETROLEUM LICENCE INTERESTS AT 30 September 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 September 2008

(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)
1,3	Ordinary Securities	387,358,359	383,817,359	N/A	N/A
2	Fully paid during quarter	-	27,500	0.91 – 1.00	0.91 – 1.00
	Partly Paid Securities <i>(included in ordinary securities, but not part of quoted ordinary securities)</i>	3,541,000	-	0.87 – 1.63	0.01
	Issued during quarter	-	-	-	-
	Fully paid during quarter	27,500	-	0.91 – 1.00	0.91 – 1.00
3	Options	-	-	N/A	N/A
	Issued during quarter	-	-		
	Exercised during quarter	-	-		
	Expired during quarter	-	-		

Notes:

1. As at 25 July 2008 the NZOG board resolved to cancel 5,864,515 treasury shares.
2. Issued pursuant to exercise of ESOP entitlement.
3. During July 2008, the company processed valid notices for 30 June 2008 options. These shares were previously recorded as issued effective on the exercise date, 30 June 2008.



David Salisbury
Chief Executive Officer
28 October 2008