

QUARTERLY REPORT OF CONSOLIDATED CASH FLOWS

NEW ZEALAND OIL & GAS LIMITED

For Quarter ended 31 December 2010

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	23,487	55,719
1(b)		Payments for		
		(a) exploration and evaluation	(33)	(2,514)
		(b) development	(1,675)	(3,212)
		(c) production	(11,923)	(20,739)
		(d) administration	(4,750)	(7,729)
1(c)		Dividends received	-	-
1(d)		Interest and other items of a similar nature received	680	2,370
1(e)		Interest and other costs of finance paid	(396)	(1,054)
1(f)		Income taxes (paid)/received	(1)	(2)
1(g)		Royalties	(281)	(6,778)
1 (h)		Other	73	1,303
1(i)		Net Operating Cash Flows	5,181	17,364
		Cash Flows Related to Investing Activities		
2(a)		Cash paid for purchases of:		
		(a) prospects	-	-
		(b) equity investments	-	-
		(c) other fixed assets	(1)	(29)
2(b)		Cash proceeds from sale of:		
		(a) prospects	-	-
		(b) equity investments	-	-
		(c) other fixed assets	-	-
2(c)		Loans to other entities	(22,000)	(25,000)
2(d)		Loans repaid by other related entities	-	-
2(e)		Other	-	-
2(f)		Net Investing Cash Flows	(22,001)	(25,029)
		Total Operating and Investing Cash Flows	(16,820)	(7,665)
		Cash Flows Related to Financing Activities		
3(a)(i)		Cash proceeds from issue of NZOG shares	104	188
3(a)(ii)		Buyback of NZOG shares	(874)	(874)
3(b)		Proceeds from sale of forfeited shares	-	-
3(c)		Borrowings	-	-
3(d)		Repayment of borrowings	-	-
3(e)		Dividends paid	(805)	(13,503)
3(f)		Other – Finance costs and hedging settlements	2	-
3(g)		Net Financing Cash Flows	(1,573)	(14,189)
4(a)		Net Increase/(Decrease) in Cash Held	(18,393)	(21,854)
4(b)		Cash at beginning of quarter/year	133,728	142,404
4(c)		Exchange rate adjustments to Items 4(b) above	(3,503)	(8,718)
4(d)		Cash at End of Quarter	111,832	111,832

Notes:

This report is for the NZOG consolidated group at 31 December 2010.

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.

	Notes	Amount Available \$ million	Amount Used \$ million
Kupe Cash Advance Facilities(NZD)	2	NZD 75.0	NZD 63.0
Tui letters of credit (USD)	1	USD 5.5	USD 5.5
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.
2. NZOG has a Cash Advance Facility and letter of credit facility with Westpac Banking Corporation for the Kupe project.

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Estimated Outlays for Specified Quarter

	Notes	Current Quarter # \$NZ'000	Following Quarter \$NZ'000
Exploration and evaluation		700	200
Development	1	-	200
Total		700	400

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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.

1. Timing

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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	5	1,643
Deposits at call, term and bank bills	105,634	122,883
Bank overdraft	-	-
Other – Joint venture cash	6,193	9,202
Total: Cash at End of Quarter (Item 4(d)/4(b))	111,832	133,728

The above cash at end of quarter was held in the following currencies:	Current Quarter '000	Previous Quarter '000
New Zealand Dollars	NZ\$41,127	NZ\$50,690
United States Dollars	US\$54,414	US\$61,281

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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			
	PEP 38401 (Hoki)	Relinquished	10%	-
	PEP 51311 (Kaupokonui)	Reduced	100%	90%
9(b)	Interests in mining tenements acquired or increased			
	PEP 51558 (Parihaka)	Acquired	-	20%

9(c) The Company's "Petroleum Licence Interests" as at 31 December 2010 are set out below.

PETROLEUM LICENCE INTERESTS AT 31 December 2010

LICENCE	GROSS AREA SQ KM	DIRECT INTEREST %
1. PETROLEUM MINING PERMITS		
PML 38146 (Kupe field)	257	15.0
PMP 38158 (Tui field)	467	12.50
2. PETROLEUM EXPLORATION PERMITS		
PEP 38483 (Bahamas) #	3,734	18.864
PEP 51311 (Kaupokonui)	2,985	90.0
PEP 51321 (Kahurangi)	2,991	18.864
PEP 38259 (Barque)	1,658	40.0
PEP 38491 (Albacore)	714	40.0
PEP 51988 (Mangaa)	1,138	100.0
PEP 51558 (Parihaka)	2,850	20.0

During the quarter a notice to surrender the full permit area of PEP 38483 was submitted to the Minister of Energy, which was approved on the 18 January 2011.

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Issued and Quoted Securities at End of Current Quarter – 31 December 2010

(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)
	Ordinary Securities	399,252,727	393,712,727	N/A	N/A
	Fully paid during quarter	5,236,370	5,311,370	1.14 - 1.26	1.14 - 1.26
	Cancelled during quarter	753,096	753,096	0.82 – 1.29	0.82 – 1.29
	Partly Paid Securities <i>(included in ordinary securities, but not part of quoted ordinary securities)</i>	5,540,000	-	1.00-2.04	0.01
	Issued during quarter	50,000	-	1.577	0.01
	Fully paid during quarter	75,000	-	1.14	0.01
	Options	-	-	N/A	N/A
	Issued during quarter	-	-		
	Exercised during quarter	-	-		
	Expired during quarter	-	-		



David Salisbury
Chief Executive Officer
31 January 2011