QUARTERLY REPORT OF CONSOLIDATED CASH FLOWS
NEW ZEALAND OIL & GAS LIMITED
For Quarter ended 31 December 2011

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 2011 $NZ'000	Year to Date (6 months) $NZ'000
1(a)		Receipts from product sales and related debtors	25,728	52,241
1(b)		Payments for		
		(a) exploration and evaluation	(4,214)	(4,818)
		(b) development	(121)	(246)
		(c) production	(8,460)	(14,483)
		(d) administration	(2,230)	(5,400)
1(c)		Dividends received	-	-
1(d)		Interest and other items of a similar nature received	4,329	4,931
1(e)		Interest and other costs of finance paid	(487)	(1,506)
1(f)		Income taxes (paid)/received	(2,949)	(2,690)
1(g)		Royalties	(538)	(6,656)
1 (h)		Other	25	25
1(i)		**Net Operating Cash Flows**	**11,083**	**21,398**
		Cash Flows Related to Investing Activities		
2(a)		Cash paid for purchases of: (a) prospects	-	-
		(b) equity investments	-	-
		(c) other fixed assets	(45)	(51)
2(b)		Cash proceeds from sale of: (a) prospects	-	-
		(b) equity investments	-	-
		(c) other fixed assets	-	-
2(c)		Loans to other entities	(3,093)	(4,593)
2(d)		Loans repaid by other related entities	36,305	36,305
2(e)		Other	(656)	(1,255)
2(f)		**Net Investing Cash Flows**	**32,511**	**30,406**
		Total Operating and Investing Cash Flows	**43,594**	**51,804**
		Cash Flows Related to Financing Activities		
3(a)(i)		Cash proceeds from issue of NZOG shares	2	2
3(a)(ii)		Buyback of NZOG shares	(1,103)	(1,103)
3(b)		Proceeds from sale of forfeited shares	-	-
3(c)		Borrowings	-	-
3(d)		Repayment of borrowings	(5,425)	(8,525)
3(e)		Dividends paid	(296)	(5,685)
3(f)		Other – Finance costs and hedging settlements	-	-
3(g)		**Net Financing Cash Flows**	**(6,822)**	**(15,311)**
4(a)		**Net Increase/(Decrease) in Cash Held**	**36,772**	**36,493**
4(b)		Cash at beginning of quarter/year	154,719	149,360
4(c)		Exchange rate adjustments to Items 4(b) above	(35)	5,603
4(d)		**Cash at End of Quarter**	**191,456**	**191,456**

Notes:
This report is for the NZOG consolidated group at 31 December 2011.

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 54.8	NZD 54.8
Tui letters of credit (USD)	1	USD 4.0	USD 4.0

Notes:

1. NZOG has a letter of credit facility with the Commonwealth Bank of Australia (New Zealand branch) and ANZ Banking Group Limited in respect of the Tui area oil fields.
2. NZOG has a Cash Advance Facility with Westpac Banking Corporation secured by its interest in the Kupe field.

7 **Estimated Outlays for Specified Quarter**

	Notes	Current Quarter # $NZ'000	Following Quarter $NZ'000
Exploration and evaluation	1	1,400	14,000
Development		-	800
Total		**1,400**	**14,800**

\# 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. Actual expenditure for the period includes $3.9 million for the acquisition of a 40% interest in the Cosmos Concession that was not part of the estimated outlay last quarter.

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	6
Deposits at call, term and bank bills	179,089	151,384
Bank overdraft	-	-
Other – Joint venture cash	12,363	3,329
Total: Cash at End of Quarter (Item 4(d)/4(b))	**191,456**	**154,719**

The above cash at end of quarter was held in the following currencies:	Current Quarter '000	Previous Quarter '000
New Zealand Dollars	NZ$117,422	NZ$75,124
United States Dollars	US$57,081	US$61,049

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9 **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	Cosmos Kisaran	acquired acquired	- -	40.0% 22.5%

9(c) The Company's "Petroleum Interests" as at 31 December 2011 are set out below.

PETROLEUM INTERESTS AT 31 December 2011

	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 51311 (Kakapo) **(note 1)**	2,985	100.0
PEP 38259 (Barque)	1,658	40.0
PEP 38491 (Albacore) **(note 2)**	714	100.0
PEP 51988 (Mangaa) **(note 3)**	1,138	100.0
PEP 51558 (Kanuka)	2,850	50.0
Kisaran PSC **(Note 4)**	2,179	22.5
3. PROSPECTING PERMITS		
Diodore (Tunisia)	1,232	100.0
4. CONCESSIONS		
Cosmos **(Note 5)**	422	40.0

1. NZOG has entered into a farm-out agreement with Raisana Limited which will reduce NZOG's interest in PEP 51311 to 90%, subject to final conditions being met and the subsequent approval of the Minister of Energy.
2. During January 2012 a notice of surrender of the full permit area of PEP 38491 was submitted to the Minister of Energy.
3. During January 2012 a notice of surrender of the full permit area of PEP 51988 was submitted to the Minister of Energy.
4. During the quarter ended 31 December 2011 NZOG acquired a 22.5% share in the Kisaran permit with the purchase of a 90% shareholding in one of the existing parties to the joint venture.
5. During the quarter ended 31 December 2011 NZOG acquired a 40.0% share in a Cosmos concession which is subject to approval of the Tunisian government authority.

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10 **Issued and Quoted Securities at End of Current Quarter – 31 December 2011**
(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	399,715,295	394,045,295	N/A	N/A
	Fully paid during quarter	-	-	N/A	N/A
	Cancelled during quarter	1,629,501	1,629,501	0.69-0.72	N/A
	Partly Paid Securities *(included in ordinary securities, but not part of quoted ordinary securities)*	5,670,000	-	0.77-2.04	0.01
	Issued during quarter	200,000	-	0.77	0.01
	Fully paid during quarter	-	-	-	-
	Options	-	-	N/A	N/A
	Issued during quarter	-	-		
	Exercised during quarter	-	-		
	Expired during quarter	-	-		

Andrew Knight
Chief Executive Officer
31 January 2012