

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

**For the quarterly period ended December 31, 2009**

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 0-24012**

**DEEP WELL OIL & GAS, INC.**  
(Exact name of registrant as specified in its charter)

**Nevada**  
(State or other jurisdiction of incorporation or organization)

**13-3087510**  
(I.R.S. Employer Identification No.)

**Suite 700, 10150 - 100 Street, Edmonton, Alberta, Canada**  
(Address of principal executive offices)

**T5J 0P6**  
(Zip Code)

Registrant's telephone number, including area code: **(780) 409-8144**

Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act).

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

**Smaller reporting company**

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares of common stock outstanding as of January 31, 2010 was 106,774,258.

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**DEEP WELL OIL & GAS, INC. (AND SUBSIDIARIES)**  
**(Exploration Stage Company)**  
**(Unaudited)**  
**Consolidated Balance Sheets**  
**December 31, 2009 and September 30, 2009**

	December 31, 2009 (Unaudited)	September 30, 2009 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,086,492	\$ 945,835
Accounts receivable	515,470	990,239
Prepaid expenses	<u>85,380</u>	<u>95,951</u>
<b>Total Current Assets</b>	<b>1,687,342</b>	<b>2,032,025</b>
<b>Long Term Investments</b> (Note 5)	<b>78,993</b>	<b>77,036</b>
<b>Oil and gas properties</b> (Note 3)	<b>12,331,739</b>	<b>12,221,352</b>
<b>Property &amp; equipment net of depreciation</b> (Note 4)	<u><b>704,104</b></u>	<u><b>752,760</b></u>
<b>TOTAL ASSETS</b>	<b>\$ <u>14,802,178</u></b>	<b>\$ <u>15,083,173</u></b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 11,968	\$ 34,049
Accounts payable – related parties (Note 6)	<u>3,500</u>	<u>–</u>
<b>Total Current Liabilities</b>	<b>15,468</b>	<b>34,049</b>
<b>Asset retirement obligations</b> (Note 7)	<u><b>370,424</b></u>	<u><b>358,235</b></u>
<b>TOTAL LIABILITIES</b>	<u><b>385,892</b></u>	<u><b>392,284</b></u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Common Stock:</b> (Note 8)		
Authorized: 300,000,000 shares at \$0.001 par value		
Issued and outstanding: 106,774,258 shares		
(September 2009 – 106,774,258 shares) (Note 8)	106,773	106,773
<b>Additional paid in capital</b>	<b>24,743,763</b>	<b>24,743,763</b>
<b>Deficit (dated September 10, 2003)</b>	<u><b>(10,434,250)</b></u>	<u><b>(10,159,647)</b></u>
<b>Total Shareholders' Equity</b>	<u><b>14,416,286</b></u>	<u><b>14,690,889</b></u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ <u>14,802,178</u></b>	<b>\$ <u>15,083,173</u></b>

*See accompanying notes to the consolidated financial statements*

**DEEP WELL OIL & GAS, INC. (AND SUBSIDIARIES)**  
**(Exploration Stage Company)**  
**(Unaudited)**

**Consolidated Statements of Operations and Comprehensive Loss**  
**For the Three Months Ended December 31, 2009 and 2008 and the Period September 10, 2003 (Inception**  
**of Exploration Stage) to December 31, 2009**

	Three Months Ended December 31, 2009	Three Months Ended December 31, 2008	September 10, 2003 to December 31, 2009
<b>Revenue</b>	\$ <u>          –</u>	\$ <u>          –</u>	\$ <u>          –</u>
<b>Expenses</b>			
Administrative	224,501	900,527	9,621,009
Amortization and accretion	54,163	14,586	216,464
Share based compensation	<u>          –</u>	<u>      2,885</u>	<u>      923,142</u>
<b>Net loss from operations</b>	<b>(278,664)</b>	<b>(917,998)</b>	<b>(10,760,615)</b>
<b>Other income and expenses</b>			
Rental and other income	11	3,222	18,084
Interest income	4,050	16,696	205,099
Interest expense	–	–	(208,580)
Forgiveness of loan payable	–	–	287,406
Settlement of debt	–	–	24,866
Loss on disposal of asset	<u>          –</u>	<u>          –</u>	<u>      (510)</u>
<b>Net loss and comprehensive loss</b>	<b>\$ <u>(274,603)</u></b>	<b>\$ <u>(898,080)</u></b>	<b>\$ <u>(10,434,250)</u></b>
<b>Net loss per common share</b>			
Basic and Diluted	<b>\$ <u>(0.00)</u></b>	<b>\$ <u>(0.01)</u></b>	
<b>Weighted Average Outstanding Shares – stated in 1,000’s</b>			
Basic and Diluted	<b><u>106,774</u></b>	<b><u>96,363</u></b>	

*See accompanying notes to the consolidated financial statements*

**DEEP WELL OIL & GAS, INC. (AND SUBSIDIARIES)**  
**(Exploration Stage Company)**  
**(Unaudited)**

**Consolidated Statements of Shareholders' Equity**  
**For the Period September 10, 2003 (Inception of Exploration Stage) to December 31, 2009**

	Common Shares		Additional Paid in Capital	Capital Stock Subscriptions Received	Accumulated Deficit	Total
	Shares	Amount				
<b>Balance at September 10, 2003</b>	991,918	\$ 992	\$ (992)	\$ -	\$ -	-
<b>Issuance of common stock pursuant to bankruptcy agreement September 10, 2003</b>	36,019,556	36,019	13,981	-	-	50,000
<b>Net operating loss for the period September 10 to September 30, 2003</b>	-	-	-	-	(50,000)	(50,000)
<b>Balance at September 30, 2003</b>	37,011,474	37,011	12,989	-	(50,000)	-
<b>Return and cancellation of common shares</b>	(5,775,000)	(5,775)	5,775	-	-	-
<b>Net operating loss for the year ended September 30, 2004</b>	-	-	-	-	(525,754)	(525,754)
<b>Balance at September 30, 2004</b>	31,236,474	31,236	18,764	-	(575,754)	(525,754)
<b>Issuance of common stock Private placement March 10, 2005</b>						
- Shares	1,875,000	1,875	527,940	-	-	529,815
- Warrants (787,500)	-	-	205,185	-	-	205,185
<b>Share exchange June 7, 2005</b>						
- Shares	18,208,875	18,209	2,476,497	-	-	2,494,706
- Conversion rights of preferred shares of subsidiary	-	-	-	1,777,639	-	1,777,639
<b>Private placement August 12, 2005</b>						
- Shares	710,946	711	151,638	-	-	152,349
- Warrants (710,946)	-	-	132,030	-	-	132,030
<b>Common stock subscription received</b>	-	-	-	250,000	-	250,000
<b>Net operating loss for the year ended September 30, 2005</b>	-	-	-	-	(1,262,549)	(1,262,549)
<b>Balance at September 30, 2005</b>	52,031,295	52,031	3,512,054	2,027,639	(1,838,303)	3,753,421

*See accompanying notes to the consolidated financial statements*

**DEEP WELL OIL & GAS, INC. (AND SUBSIDIARIES)**  
**(Exploration Stage Company)**  
**(Unaudited)**

**Consolidated Statements of Shareholders' Equity (Continued)**  
**For the Period September 10, 2003 (Inception of Exploration Stage) to December 31, 2009**

	Common Shares		Additional Paid in Capital	Capital Stock Subscriptions Received	Accumulated Deficit	Total
	Shares	Amount				
<b>Balance carried forward at September 30, 2005</b>	52,031,295	52,031	3,512,054	2,027,639	(1,838,303)	3,753,421
<b>Issuance of common stock</b>						
<b>Private placement October 11, 2005</b>						
- Shares	3,150,000	3,150	667,266	(250,000)	-	420,416
- Warrants (3,150,000)	-	-	553,584	-	-	553,584
<b>Private placement January 13, 2006</b>						
- Shares	73,000	73	55,345	-	-	55,418
- Warrants (73,000)	-	-	46,402	-	-	46,402
<b>Exercise option agreement February 23, 2006</b>						
- Shares	4,707,750	4,708	640,277	(644,985)	-	-
<b>Exercise option agreement June 13, 2006</b>						
- Shares	2,867,250	2,867	389,960	(392,827)	-	-
<b>Warrants exercised July 28, 2006</b>	100,000	100	59,900	-	-	60,000
<b>Warrants exercised September 11, 2006</b>	50,000	50	29,950	-	-	30,000
<b>Options granted for services</b>	-	-	558,882	-	-	558,882
<b>Net operating loss for the year ended September 30, 2006</b>	-	-	-	-	(1,922,282)	(1,922,282)
<b>Balance at September 30, 2006</b>	62,979,295	62,979	6,513,620	739,827	(3,760,585)	3,555,841
<b>Settlement Agreement January 22, 2007</b>						
- Shares	1,600,000	1,600	433,950	-	-	435,550
<b>Exercise option agreement April 4, 2007</b>						
- Shares	5,400,000	5,400	734,427	(739,827)	-	-
<b>Private Placement May 25, 2007</b>						
- Shares	5,000,000	5,000	1,086,348	-	-	1,091,348
- Warrants (5,000,000)	-	-	758,652	-	-	758,652
<b>Private Placement June 22, 2007</b>						
- Shares	8,333,333	8,333	2,731,300	-	-	2,739,633
- Warrants (8,333,333)	-	-	1,676,492	-	-	1,676,492
- Special warrants (1,000,000)	-	-	283,875	-	-	283,875
<b>Private Placement July 11, 2007</b>						
- Shares	323,333	323	106,559	-	-	106,882
- Warrants (323,333)	-	-	66,397	-	-	66,397
- Special warrants (38,800)	-	-	11,021	-	-	11,021
<b>Subtotal carried forward</b>	83,635,961	83,635	14,402,641	-	(3,760,585)	10,725,691

*See accompanying notes to the consolidated financial statements*

**DEEP WELL OIL & GAS, INC. (AND SUBSIDIARIES)**  
**(Exploration Stage Company)**  
**(Unaudited)**

**Consolidated Statements of Shareholders' Equity (Continued)**  
**For the Period September 10, 2003 (Inception of Exploration Stage) to December 31, 2009**

	Common Shares		Additional Paid in Capital	Capital Stock Subscriptions Received	Accumulated Deficit	Total
	Shares	Amount				
<b>Subtotal carried forward from previous page</b>	83,635,961	83,635	14,402,641	-	(3,760,585)	10,725,691
<b>Warrant Exchange September 4, 2007</b>						
- Share value transferred from warrants	-	-	11,467	-	-	11,467
- Warrants cancelled (500,000)	-	-	(130,276)	-	-	(130,276)
- Warrants issued (625,000)	-	-	118,809	-	-	118,809
<b>Warrant Exchange September 10, 2007</b>						
- Share value transferred from warrants	-	-	7,237	-	-	7,237
- Warrants cancelled (287,500)	-	-	(74,909)	-	-	(74,909)
- Warrants issued (359,375)	-	-	67,672	-	-	67,672
Options granted for services	-	-	246,643	-	-	246,643
<b>Net operating loss for the year ended September 30, 2007</b>	-	-	-	-	(1,435,664)	(1,435,664)
<b>Balance at September 30, 2007</b>	83,635,961	83,635	14,649,284	-	(5,196,249)	9,536,670
<b>August 12, 2008</b>						
- Warrants expired (560,946)	-	-	-	-	-	-
<b>Private Placement August 14, 2008</b>						
- Shares	10,638,297	10,638	3,099,429	-	-	3,110,067
- Warrants (10,638,297)	-	-	1,619,827	-	-	1,619,827
- Special warrants (2,000,000)	-	-	270,106	-	-	270,106
Options granted for services	-	-	111,815	-	-	111,815
<b>Net operating loss for the year ended September 30, 2008</b>	-	-	-	-	(2,796,055)	(2,796,055)
<b>Balance at September 30, 2008</b>	94,274,258	94,273	19,750,461	-	(7,992,304)	11,852,430
<b>October 11, 2008</b>						
- Warrants expired (3,150,000) (Note 8)	-	-	-	-	-	-
<b>Private Placement October 31, 2008</b>						
- Shares	12,500,000	12,500	3,247,870	-	-	3,260,370
- Warrants (12,500,000) (Note 8)	-	-	1,559,307	-	-	1,559,307
- Special warrants (2,000,000)(Note 8)	-	-	180,323	-	-	180,323
<b>January 13, 2009</b>						
- Warrants expired (73,000) (Note 8)	-	-	-	-	-	-
Options granted for services	-	-	5,802	-	-	5,802
<b>Net operating loss for the year ended September 30, 2009</b>	-	-	-	-	(2,167,343)	(2,167,343)
<b>Balance at September 30, 2009</b>	106,774,258	\$ 106,773	\$ 24,743,763	\$ -	\$ (10,159,647)	\$ 14,690,889

See accompanying notes to the consolidated financial statements

**DEEP WELL OIL & GAS, INC. (AND SUBSIDIARIES)**  
**(Exploration Stage Company)**  
**(Unaudited)**  
**Consolidated Statements of Shareholders' Equity (Continued)**  
**For the Period September 10, 2003 (Inception of Exploration Stage) to December 31, 2009**

	Common Shares		Additional Paid in Capital	Capital Stock Subscriptions Received	Accumulated Deficit	Total
	Shares	Amount				
<b>Subtotal carried forward from previous page</b>	106,774,258	106,773	24,743,763	-	(10,159,647)	14,690,889
<b>Net operating loss for the period ended December 31, 2009</b>	-	-	-	-	(274,603)	(274,603)
<b>Balance at December 31, 2009</b>	<u>106,774,258</u>	<u>\$ 106,773</u>	<u>\$ 24,743,763</u>	<u>\$ -</u>	<u>\$ (10,434,250)</u>	<u>\$ 14,416,286</u>

*See accompanying notes to the consolidated financial statements*



**DEEP WELL OIL & GAS, INC. (AND SUBSIDIARIES)**  
**(Exploration Stage Company)**  
**(Unaudited)**

**Consolidated Statements of Cash Flows**

**For the Three Months Ended December 31, 2009 and 2008 and the Period September 10, 2003 (Inception of Exploration Stage) to December 31, 2009**

	Three Months Ended December 31, 2009	Three Months Ended December 31, 2008	September 10, 2003 to December 31, 2009
<b>Cash Provided by (Used in):</b>			
<b>Operating Activities</b>			
Net loss	\$ (274,603)	\$ (898,080)	\$ (10,434,250)
Items not affecting cash:			
Stock based compensation	-	2,885	923,142
Bad debts	-	-	170,084
Amortization and accretion	54,163	14,586	216,464
Forgiveness of loan payable	-	-	(287,406)
Settlement of lawsuit	-	-	435,550
Commissions withheld from loans proceeds	-	-	121,000
Loss on disposal of asset	-	-	510
Net changes in non-cash working capital (Note 10)	466,759	(89,119)	(758,895)
	<u>246,319</u>	<u>(969,728)</u>	<u>(9,613,801)</u>
<b>Investing Activities</b>			
Purchase of property and equipment	-	(338,303)	(893,993)
Purchase of oil and gas properties	(103,705)	(2,285,737)	(7,745,697)
Long term investments	(1,957)	-	(78,993)
Cash from acquisition of subsidiary	-	-	11,141
Return of costs from farmout agreement	-	-	961,426
	<u>(105,662)</u>	<u>(2,624,040)</u>	<u>(7,746,116)</u>
<b>Financing Activities</b>			
Loan payable	-	-	275,852
Loan advance – related parties	-	-	(811,746)
Note payable repayment	-	-	(111,306)
Debenture repayment	-	-	1,004,890)
Proceeds from issuance of common stock	-	5,000,000	19,219,499
Proceeds from debenture net of commissions	-	-	879,000
	<u>-</u>	<u>5,000,000</u>	<u>18,446,409</u>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(140,657)</b>	<b>1,406,232</b>	<b>1,086,492</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>945,835</b>	<b>6,212,892</b>	<b>-</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 1,086,492</b>	<b>\$ 7,619,124</b>	<b>\$ 1,086,492</b>
<b>Supplemental Cash Flow Information:</b>			
Interest expense	\$ -	\$ -	

*See accompanying notes to the consolidated financial statements*

**DEEP WELL OIL & GAS, INC. (AND SUBSIDIARIES)**  
**(Exploration Stage Company)**  
**(Unaudited)**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2009**

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**1. Nature of Business**

Allied Devices Corporation (“Allied”) and its former subsidiaries were engaged in the manufacture and distribution of standard and custom precision mechanical assemblies and components throughout the United States.

On February 19, 2003, Allied filed a petition for bankruptcy in the United States Bankruptcy Court under Chapter 11 in the Eastern District of New York titled “Allied Devices Corporation, Case No. 03-80962-511.” The company emerged from bankruptcy pursuant to a Bankruptcy Court Order entered on September 10, 2003, with no remaining assets or liabilities and the Company name was changed from “Allied Devices Corporation” to Deep Well Oil & Gas, Inc.” (“Deep Well”).

Upon emergence from Chapter 11 proceedings, Deep Well adopted fresh-start reporting in accordance with the American Institute of Certified Public Accountants Statement of Position 90-7, Financial Reporting by Entities in Reorganization Under the Bankruptcy Code (SOP 90-7). In connection with the adoption of fresh-start reporting, a new entity was deemed created for financial reporting purposes. For financial reporting purposes, Deep Well adopted the provisions of fresh-start reporting effective September 10, 2003. In adopting the requirements of fresh-start reporting as of September 10, 2003, the company was required to value its assets and liabilities at fair value and eliminate any accumulated deficit as of September 10, 2003. Deep Well emerged from Chapter 11 proceedings with no assets and liabilities pursuant to the Bankruptcy Order. Because the current business, heavy oil and gas exploration, has no relevance to the predecessor company, there is no basis for financial comparisons between Deep Well’s current operations and the predecessor company.

This report has been prepared showing the name “Deep Well Oil & Gas, Inc. (and Subsidiaries)” (“the Company”) and the post split common stock, with \$0.001 par value, from inception. The accumulated deficit has been restated to zero and dated September 10, 2003, with the statement of operations to begin on that date.

**Basis of Presentation**

The interim consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”) have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate so as to make the information presented not misleading.

These interim consolidated financial statements follow the same significant accounting policies and methods of application as the Company’s annual consolidated financial statements for the year ended September 30, 2009.

These statements reflect all adjustments, consisting of normal recurring adjustments which, in the opinion of management, are necessary for a fair presentation of the information contained therein. However, the results of operations for the interim periods may not be indicative of results to be expected for the full fiscal year. It is suggested that these consolidated financial statements be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Form 10-K for the year ended September 30, 2009.

**2. Summary of Significant Accounting Policies**

**Basis of Consolidation**

These consolidated financial statements include the accounts of two wholly owned subsidiaries: (1) Northern Alberta Oil Ltd. (“Northern”) from the date of acquisition, being June 7, 2005, incorporated under the Business Corporations Act (Alberta), Canada; and (2) Deep Well Oil & Gas (Alberta) Ltd., incorporated under the Business Corporations Act (Alberta), Canada on September 15, 2005. All inter-company balances and transactions have been eliminated.

## **Cash and Cash Equivalents**

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents.

## **Property and Equipment**

Property and equipment are stated at cost less accumulated amortization. Amortization expense is computed using the declining balance method over the estimated useful life of the asset. Only half of the amortization rate is taken in the year of acquisition. The following is a summary of the estimated useful life used in computing amortization expense:

Computer equipment	- 55%
Office furniture and equipment	- 20%
Software	- 100%
Portable work camp	- 30%
Vehicles	- 30%
Oilfield equipment	- 20%
Roads mats	- 30%
Tanks	- 10%

Expenditures for major repairs and renewals that extend the useful life of the asset are capitalized. Minor repair expenditures are charged to expense as incurred. Leasehold improvements are amortized over the greater of five years or the remaining life of the lease agreement.

## **Long-Lived Assets**

The Company reviews for the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. Impairment is measured as the amount by which the assets' carrying value exceeds its fair value.

## **Asset Retirement Obligations**

The Company accounts for asset retirement obligations by recording the estimated future cost of the Company's plugging and abandonment obligations. The asset retirement obligation is recorded when there is a legal obligation associated with the retirement of a tangible long-lived asset and the fair value of the liability can reasonably be estimated. Upon initial recognition of an asset retirement obligation, the Company increases the carrying amount of the long-lived asset by the same amount as the liability. Over time, the liabilities are accreted for the change in their present value through charges to oil and gas production and well operations costs. The initial capitalized costs are depleted over the useful lives of the related assets through charges to depreciation, depletion, and amortization. If the fair value of the estimated asset retirement obligation changes, an adjustment is recorded to both the asset retirement obligation and the asset retirement cost. Revisions in estimated liabilities can result from revisions of estimated inflation rates, escalating retirement costs, and changes in the estimated timing of settling asset retirement obligations. As at December 31, 2009, asset retirement obligations amount to \$370,424. The Company has posted bonds, where required, with the Government of Alberta based on the amount the government estimates the cost of abandonment and reclamation to be.

## **Foreign Currency Translation**

The functional currency of the Canadian subsidiaries is the United States dollar; however, the Canadian subsidiaries transact in Canadian dollars. Consequently, monetary assets and liabilities are remeasured into United States dollars at the exchange rate on the balance sheet date and non-monetary items are remeasured at the rate of exchange in effect when the assets are acquired or obligations incurred. Revenues and expenses are remeasured at the average exchange rate prevailing during the period. Foreign currency transaction gains and losses are included in results of operations.

## **Accounting Methods**

The Company recognizes income and expenses based on the accrual method of accounting.

## **Dividend Policy**

The Company has not yet adopted a policy regarding payment of dividends.

## **Financial, Concentration and Credit Risk**

The Company does not have any concentration or related financial credit risk as most of the Company's funds are maintained in a financial institution which has its deposits fully guaranteed by the Government of Alberta and the accounts receivable are considered to be fully collectable.

## **Income Taxes**

The Company utilizes the liability method of accounting for income taxes. Under the liability method, deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. An allowance against deferred tax assets is recorded when it is more likely than not that such tax benefits will not be realized.

Due to the uncertainty regarding the Company's profitability, the future tax benefits of its losses have been fully reserved for and no net benefit has been recorded in the consolidated financial statements.

## **Revenue Recognition**

The Company is in the business of exploring for, developing, producing, and selling crude oil and natural gas. Crude oil revenue is recognized when the product is taken from the storage tanks on the lease and delivered to the purchaser. Natural gas revenues are recognized when the product is delivered into a third party pipeline downstream of the lease. Occasionally the Company may sell specific leases, and the gain or loss associated with these transactions will be shown separately from the profit or loss from the operations or sales of oil and gas products.

## **Advertising and Market Development**

The Company expenses advertising and market development costs as incurred.

## **Basic and Diluted Net Loss Per Share**

Basic net loss per share amounts are computed based on the weighted average number of shares actually outstanding. Diluted net loss per share amounts are computed using the weighted average number of common shares and common equivalent shares outstanding as if shares had been issued on the exercise of the common share rights, unless the exercise becomes antidilutive and then only the basic per share amounts are shown in the report.

## **Financial Instruments**

### **Fair Values**

The fair values of the Company's cash and cash equivalents, accounts receivable, accounts payable and accounts payable - related parties approximate their carrying values due to the short-term nature of these financial instruments.

## **Environmental Requirements**

At the report date, environmental requirements related to the mineral claims acquired are unknown and therefore an estimate of any future cost cannot be made.

## **Share-Based Compensation**

The Company accounts for stock options granted to directors, officers, employees and non-employees using the fair value method of accounting. The fair value of stock options for directors, officers and employees are calculated at the date of grant and is expensed over the vesting period of the options on a straight-line basis. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date at which the performance commitment is reached. The Company uses the Black-Scholes model to calculate the fair value of stock options issued, which requires certain assumptions to be made at the time the options are awarded, including the expected life of the option, the expected number of granted options that will vest and the expected future volatility of the stock. The Company reflects estimates of award forfeitures at the time of grant and revises in subsequent periods, if necessary; when forfeiture

rates are expected to change.

### **Recently Adopted Accounting Standards**

In September 2006, the FASB issued SFAS No. 157, *Accounting for Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value within generally accepted accounting principles, and expands required disclosure about fair value measurements. SFAS No. 157 does not expand the use of fair value in any new circumstances. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. However, on February 12, 2008, the FASB issued FASB Staff Position (“FSP”) SFAS No. 157-2, *Effective Date of FASB Statement No. 157*, which delayed the effective date of SFAS No. 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). This FSP partially defers the effective date of SFAS No. 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for items within the scope of this FSP. Effective October 1, 2009, the Company will adopt SFAS No. 157 except as it applies to those non-financial assets and non-financial liabilities as noted in FSP FAS No. 157-b. The adoption of SFAS No. 157 has not had a material effect on the Company’s results of operations, financial position or cash flows.

FSP EITF 03-6-1, *“Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities”* (“FSP EITF 03-6-1”). In June 2008, the FASB issued FSP EITF 03-6-1. Under this FSP, unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents, whether they are paid or unpaid, are considered participating securities and should be included in the computation of earnings per share pursuant to the two-class method. FSP EITF 03-6-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years. In addition, all prior period earnings per share data presented should be adjusted retrospectively and early application is not permitted. The adoption of FSP EITF 03-6-1 has not had a material effect on the earnings per share disclosures.

### **Recently Issued Accounting Standards**

On December 31, 2008, the SEC issued the final rule, *“Modernization of Oil and Gas Reporting”* (“Final Rule”). The Final Rule adopts revisions to the SEC’s oil and gas reporting disclosure requirements and is effective for annual reports on Forms 10-K for years ending on or after December 31, 2009. Early adoption of the Final Rule is prohibited. The revisions are intended to provide investors with a more meaningful and comprehensive understanding of oil and gas reserves to help investors evaluate their investments in oil and gas companies. The amendments are also designed to modernize the oil and gas disclosure requirements to align them with current practices and changes in technology. Revised requirements in the SEC’s Final Rule include, but are not limited to:

- Oil and gas reserves must be reported using the average price over the prior 12 month period, rather than year-end prices;
- Companies will be allowed to report, on an optional basis, probable and possible reserves;
- Non-traditional reserves, such as oil and gas extracted from coal and shales, will be included in the definition of “oil and gas producing activities”;
- Companies will be permitted to use new technologies to determine proved reserves, as long as those technologies have been demonstrated empirically to lead to reliable conclusions with respect to reserve volumes;
- Companies will be required to disclose, in narrative form, additional details on their proved undeveloped reserves (PUDs), including the total quantity of PUDs at year end, any material changes to PUDs that occurred during the year, investments and progress made to convert PUDs to developed oil and gas reserves and an explanation of the reasons why material concentrations of PUDs in individual fields or countries have remained undeveloped for five years or more after disclosure as PUDs;
- Companies will be required to report the qualifications and measures taken to assure the independence and objectivity of any business entity or employee primarily responsible for preparing or auditing the reserves estimates.

The Company is currently evaluating the potential impact of the Final Rule. The SEC is discussing the Final Rule with the FASB staff to align FASB accounting standards with the new SEC rules. These discussions may delay the required compliance date.

## Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of the assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used in preparing these consolidated financial statements.

Significant estimates by management include valuations of oil and gas properties including valuations of accounts receivable, useful lives of long-lived assets, asset retirement obligations, valuation of share-based compensation, and the realizability of future income taxes.

### 3. Oil and Gas Properties

The Company has acquired interests in certain oil sands properties located in North Central Alberta, Canada. The terms include certain commitments related to oil sands properties that require the payments of rents as long as the leases are non-producing. As of December 31, 2009, Northern's net payments due in Canadian dollars under this commitment are as follows:

2010	\$ 33,868
2011	\$ 45,158
2012	\$ 45,158
2013	\$ 45,158
2014	\$ 45,158
2015	\$ 45,158
Subsequent	\$ 182,784

The Government of Alberta owns this land and the Company has acquired the rights to perform oil and gas activities on these lands. If the Company meets the conditions of the 15-year leases the Company will then be permitted to drill on and produce oil from the land into perpetuity. These conditions give the Company until the expiration of the leases to meet the following requirements on its primary oil sands leases:

- a) drill 68 wells throughout the 68 sections; or
- b) drill 41 wells within the 68 sections and having acquired and processed 2 miles of seismic on each other undrilled section.

The Company plans to meet the second of these conditions. As at December 31, 2009, ten of these wells have been drilled.

The Company follows the successful efforts method of accounting for costs of oil and gas properties. Under this method, acquisition costs of oil and gas properties and costs of drilling and equipping development wells are capitalized. Costs of drilling exploratory wells are initially capitalized and, if subsequently determined to be unsuccessful, are charged to expenses. All other exploration costs, including geological and geophysical costs and carrying and maintenance costs, are charged to exploration expenses when incurred. Producing, non-producing and unproven properties are assessed annually, or more frequently as economic events indicate, for potential impairment.

This consists of comparing the carrying value of the asset with the asset's expected future undiscounted cash flows without interest costs. Estimates of expected future cash flows represent management's best estimate based on reasonable and supportable assumptions. Proven oil and gas properties are reviewed for impairment on a field-by-field basis. No impairment losses were recognized for the period ended December 31, 2009 (December 31, 2008 - \$nil).

Capitalized costs of proven oil and gas properties are depleted using the unit-of-production method when the property is placed in production.

Substantially all of the Company's oil and gas activities are conducted jointly with others. The accounts reflect only the Company's proportionate interest in such activities.

On November 26, 2007, the Company entered into a settlement agreement with Signet Energy Inc. ("Signet" a 100% owned subsidiary company of Andora Energy Corporation) and Andora Energy Corporation and resolved their differences and certain collateral matters. The settlement includes but was not limited to:

- a) The Farmout Agreement dated February 25, 2005, and the Amended Farmout Agreement, being effectively terminated concurrently with the execution of the settlement;
- b) Signet being regarded as having earned a 40% working interest in a total of twelve sections;
- c) Signet transferring registered title to 57.5 unearned sections of the farmout lands, as defined in the Farmout Agreement, back to the Company;
- d) Signet having acknowledged that the Company is not responsible for any royalty assumed by the Company on behalf of Signet in the Farmout Agreement; and
- e) A joint discontinuance of the remaining minor litigation issues amongst all the parties.

As of November 19, 2008, the Company converted its Signet shares into 2,241,558 shares of Andora, which represents an equity interest in Andora of approximately 4.05%. Since these shares represent a beneficial ownership in additional Sawn Lake oil sands properties and were acquired as a result of a Farmout Agreement related to those properties, their value is included under oil and gas properties.

On April 30, 2009, 1.5 sections of previously owned leases reverted back to the provincial government.

#### 4. Property and Equipment

	<b>December 31, 2009</b>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Computer equipment	\$ 31,460	\$ 20,316	\$ 11,144
Office furniture and equipment	33,476	11,035	22,441
Software	5,826	5,826	-
Leasehold improvements	4,935	989	3,946
Portable work camp	170,580	36,462	134,118
Vehicles	38,077	8,139	29,938
Oilfield equipment	148,352	21,511	126,841
Road mats	364,614	77,937	286,677
Tanks	96,085	7,086	88,999
	<u>\$ 893,405</u>	<u>\$ 189,301</u>	<u>\$ 704,104</u>

	<b>September 30, 2009</b>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Computer equipment	\$ 31,460	\$ 18,552	\$ 12,908
Office furniture and equipment	33,476	9,856	23,620
Software	5,826	5,826	-
Leasehold improvements	4,935	781	4,154
Portable work camp	170,580	25,587	144,993
Vehicles	38,077	5,712	32,365
Oilfield equipment	148,352	14,835	133,517
Road mats	364,614	54,692	309,922
Tanks	96,085	4,804	91,281
	<u>\$ 893,405</u>	<u>\$ 140,645</u>	<u>\$ 752,760</u>

#### 5. Long Term Investments

Long term investments consist of cash held in trust by the Energy Resources Conservation Board which bears interest at a rate of prime minus 0.375% and has no stated date of maturity.

## 6. Significant Transactions With Related Parties

Accounts payable – related parties was \$3,500 for the period ended December 31, 2009 (September 30, 2009 - \$nil). The amount is unsecured, non-interest bearing, and had no fixed terms of repayment.

Officers, directors, their families, and their controlled entities have acquired 39.74% of the Company's outstanding common capital stock. This percentage does not include unexercised warrants or stock options.

## 7. Asset Retirement Obligations

The total future asset retirement obligation is estimated by management based on the Company's net working interests in all wells and facilities, estimated costs to reclaim and abandon wells and facilities and the estimated timing of the costs to be incurred in future periods. At December 31, 2009, the Company estimates the undiscounted cash flows related to asset retirement obligation to total approximately \$531,055 (September 30, 2009 - \$531,055). The fair value of the liability at December 31, 2009 is estimated to be \$370,423 (September 30, 2009 - \$358,235) using a risk free rate of 3.74% and an inflation rate of 2%. The actual costs to settle the obligation are expected to occur in approximately 35 years.

Changes to the asset retirement obligation were as follows:

	<u>December 31,</u> <u>2009</u>	<u>September 30,</u> <u>2009</u>
Balance, beginning of year	\$ 358,235	\$ –
Liabilities incurred	–	345,320
Effect of foreign exchange	8,780	–
Accretion expense	3,409	12,915
<b>Balance, end of year</b>	<b><u>370,424</u></b>	<b><u>358,235</u></b>

## 8. Share Capital

On October 11, 2008, 3,150,000 warrants previously granted on October 11, 2005 expired.

On October 31, 2008, the Company completed a private placement of 12,500,000 units at a price of \$0.40 per unit for \$5,000,000. Each unit consists of one common share, one common share purchase warrant and a fractional warrant for an aggregate of 2,000,000 common shares. Each warrant entitles the holder to purchase one additional common share at a price of \$0.60 per common share for a period of three years from the date of closing. Each of the 2,000,000 fractional warrants entitles the holder to purchase one additional common share at a price of \$0.80 per common share for a period of three years from the date of closing. The warrants and fractional warrants expire on October 31, 2011.

On January 13, 2009, 73,000 warrants previously granted on January 13, 2006 expired.

The warrants outstanding as of December 31, 2009, were 42,818,138 (September 30, 2009 – 42,818,138) and are valued at \$6,612,481 (September 30, 2009 - \$6,612,481).

## 9. Stock Options

On November 28, 2005, the Board of Directors (the "Board") of Deep Well adopted the Deep Well Oil & Gas, Inc. Stock Option Plan (the "Plan"). The Plan has not yet been ratified by the shareholders, which it must be to become effective. The Plan, which will be administered by the Board, permits options to acquire shares of the Company's common stock (the "Common Shares") to be granted to directors, senior officers, and employees of the Company and its subsidiaries, as well as certain consultants and other persons providing services to the Company or its subsidiaries.

The maximum number of shares which may be reserved for issuance under the Plan may not exceed 10% of the Company's issued and outstanding Common Shares, subject to adjustment as contemplated by the Plan. The aggregate number of Common Shares with respect to which options may be vested to any one person (together with their associates) in any one year, together with all other incentive plans of the Company, may not exceed 500,000 Common Shares and in total may not exceed 2% of the total number of Common Shares outstanding.

For the period ended December 31, 2009, the Company recorded \$nil (September 30, 2009 - \$5,802) of compensation



expense based on its use of the Black-Scholes model to estimate the grant-date fair value of these unit option awards. No options were exercised during the period ended December 31, 2009, therefore, the intrinsic value of the options exercised during the period ended December 31, 2009 is nil. As of December 31, 2009, there was no remaining unrecognized compensation cost related to the non-vested portion of these unit option awards. Compensation expense is based upon straight-line amortization of the grant-date fair value over the vesting period of the underlying unit option. Since the Company is a relatively new public company and has minimal trading history, it has used an estimated volatility of approximately 138% for the period ended December 31, 2009 based on the trading history available.

Range of Exercise Prices	Shares Underlying Options Outstanding			Shares Underlying Options Exercisable	
	Shares Underlying Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Shares Underlying Options Exercisable	Weighted Average Exercise Price
\$0.47 at December 31, 2009	276,000	2.72	\$ 0.47	276,000	\$ 0.47
\$0.71 at December 31, 2009	3,102,500	1.02	0.71	3,102,500	0.71
	<u>3,378,500</u>	<u>1.16</u>	<u>\$ 0.69</u>	<u>3,378,500</u>	<u>\$ 0.69</u>

The aggregate intrinsic value of exercisable options as of December 31, 2009, was \$nil (September 30, 2009 - \$nil).

The following is a summary of stock option activity as at December 31, 2009:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Fair Market Value
Balance, September 30, 2009 and December 31, 2009	<u>3,378,500</u>	<u>\$ 0.69</u>	<u>\$ 0.27</u>
Exercisable, September 30, 2009 and December 31, 2009	<u>3,378,500</u>	<u>\$ 0.69</u>	<u>\$ 0.27</u>

The following table summarizes the status of the Company's non-vested stock options since October 1, 2005:

	Non-Vested Options	
	Number of Shares	Weighted Average Exercise Price
Non-vested at September 30, 2008	102,000	\$ 0.70
Vested	(102,000)	0.71
Non-vested at September 30, 2009 and December 31, 2009	<u>—</u>	<u>\$ —</u>

### Measurement Uncertainty

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. Stock options and the warrants attached to the units issued by the Company are non-transferable. Option pricing models require the input of subjective assumptions including expected share price volatility. The fair value estimate can vary materially as a result of changes in the assumptions.

### 10. Changes in Non-Cash Working Capital

	Three Months Ended December 31, 2009	Three Months Ended December 31, 2008
Accounts receivable	\$ 474,769	\$ (254,519)
Prepaid expenses	10,571	(345,397)
Accounts payable	(18,581)	510,797
	<u>\$ 466,759</u>	<u>\$ (89,119)</u>

## 11. Commitments

### Compensation to Directors

Since the acquisition of Northern Alberta Oil Ltd., the Company and Northern have entered into the following contracts with the following companies for the services of their officers:

- 1) Portwest Investments Ltd., a company owned 100% by Dr. Horst A. Schmid, for providing services to the Company as Chief Executive Officer and President for \$12,500 Cdn per month.
- 2) Concorde Consulting, a company owned 100% by Mr. Curtis J. Sparrow, for providing services as Chief Financial Officer to the Company for \$15,000 Cdn per month.

### Rental Agreement

On December 1, 2008, the Company signed an office lease agreement commencing January 1, 2009 and expiring on December 31, 2013. The annual payments are as follows:

2010	\$	38,250
2011	\$	41,438
2012	\$	42,500
2013	\$	42,500
2014	\$	10,625

## 12. Legal Actions

### I.G.M. Resources Corp vs. Deep Well Oil & Gas, Inc., et al

On March 10, 2005, I.G.M. Resources Corp. ("the Plaintiff") filed against Classic Energy Inc., 979708 Alberta Ltd., Deep Well Oil & Gas, Inc., Nearshore Petroleum Corporation, Mr. Steven P. Gawne, Rebekah Gawne, Gawne Family Trust, 1089144 Alberta Ltd., John F. Brown, Diane Lynn McClafin, Cassandra Doreen Brown, Elissa Alexandra Brown, Brown Family Trust, Priority Exploration Ltd., Northern Alberta Oil Ltd. and Gordon Skulmoski ("the Defendant") a Statement of Claim in the Court of Queen's Bench of Alberta Judicial District of Calgary. This suit is a part of a series of lawsuits or actions undertaken by the Plaintiff against some of the other above defendants.

The Plaintiff was and still is a minority shareholder of 979708 Alberta Ltd. ("979708"). 979708 was in the business of discovering, assembling and acquiring oil and gas prospects. In 2002 and 2003, 979708 acquired oil and gas prospects in the Sawn Lake area of Alberta. On or about the 14<sup>th</sup> of July, 2003, all or substantially all the assets of 979708 were sold to Classic Energy Inc. The Plaintiff claims the value of the assets sold was far in excess of the value paid for those assets. On April 23, 2004, Northern Alberta Oil Ltd., purchased Classic Energy Inc.'s assets, some of which are under dispute by the Plaintiff. On June 7, 2005, Deep Well acquired all of the common shares of Northern thereby giving Deep Well an indirect beneficial interest in the assets the Plaintiff is claiming an interest.

The Plaintiff seeks an order setting aside the transaction and returning the assets to 979708, compensation in the amount of \$15,000,000 Cdn, a declaration of trust declaring that Northern and Deep Well hold all of the assets acquired from 979708 and any property acquired by use of such assets, or confidential information of 979708, in trust for the Plaintiff.

This lawsuit has been stayed pending the outcome of the other litigation by the Plaintiff against some of the above defendants other than Deep Well and Northern. The Company believes the claims are without merit and will vigorously defend against them. As at December 31, 2009, no contingent liability has been recorded, as a successful outcome for the Plaintiff is unlikely.

### Hardie & Kelly vs. Brown et al

On June 2, 2006, Hardie and Kelly ("the Plaintiff"), Trustee of the Estate of John Forbes Brown, filed against John Forbes Brown, a bankrupt, Diane Lynn McClafin, 1089144 Alberta Ltd., and Deep Well ("the Defendants") an Amended Statement of Claim in the Court of Queen's Bench of Alberta Judicial District of Calgary. John Forbes Brown was a former officer and then sub-contractor of Deep Well before and during the time he was assigned into bankruptcy on July 12, 2004. The Plaintiff claims, in addition to other issues unrelated to Deep Well, that John Forbes Brown received 4,812,500 Deep Well shares as a result of his employment at Deep Well and that John Forbes Brown improperly assigned these shares to the numbered

company as a ruse entered into on the eve of insolvency by John Forbes Brown in order to facilitate the hiding of assets from his creditors and the trustee of his bankruptcy. The Plaintiff further claims that on August 23, 2004, John Forbes Brown advised the Plaintiff that he in fact owned the above shares and did not disclose this ownership in his filed bankruptcy statement of affairs.

The Plaintiff further claims that John Forbes Brown would lodge the said shares with his lawyer until such time as these shares could be transferred to the Plaintiff. The Plaintiff further claims that, unbeknownst to them, John Forbes Brown surreptitiously removed the shares from his lawyer's office and delivered them to Deep Well so that Deep Well could cancel them. The Plaintiff claims that Deep Well conspired with John Forbes Brown to defraud the creditors of John Forbes Brown by taking receipt and cancelling the said shares. The Plaintiff claims that consideration paid by Deep Well for the said shares was invested in the home owned by John Forbes Brown and his wife. The Plaintiff seeks: (1) an accounting of the proceeds and benefits derived by the dealings of the shares; (2) the home owned by John Forbes Brown and his wife, to be held in trust on behalf of the Plaintiff and an accounting of proceeds related to this trust; (3) damages from the Defendants because of their actions; (4) a judgement for \$15,612,645 Cdn; (5) an order to sell John Forbes Brown's home; and (6) interest and costs.

Deep Well plans to vigorously defend itself against the Plaintiff's claims. As at December 31, 2009, no contingent liability has been recorded, as a successful outcome for the Plaintiff is unlikely.

### **13. Subsequent Events**

The Company has evaluated subsequent events from the balance sheet date through January 31, 2010 and has found no material events to report.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our Company's consolidated financial statements and related notes. For the purpose of this discussion, unless the context indicates another meaning, the terms: "Company," "we," "us" and "our" refer to Deep Well Oil & Gas, Inc. and its subsidiaries. This discussion includes forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. Our actual results, performance or achievements could differ materially from those anticipated in the forward-looking statements as a result of certain factors including risks discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations – "Forward-Looking Statements" below and elsewhere in this report, and under the heading "Risk Factors" and "Environmental Laws and Regulations" disclosed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2009, filed with the Securities and Exchange Commission on January 13, 2010.

*Our consolidated financial statements and information are reported in U.S. dollars and are prepared based upon United States generally accepted accounting principles ("US GAAP").*

### General Overview

Deep Well Oil and Gas, Inc. ("Deep Well"), along with its subsidiaries, is an emerging independent junior oil and gas exploration and development company headquartered in Edmonton, Alberta, Canada. Our Company's immediate corporate focus is to develop the existing land base that it presently controls in the Peace River Oil Sands area in Alberta, Canada. Our principal office is located at Suite 700, 10150 - 100 Street, Edmonton, Alberta, Canada T5J 0P6, our telephone number is (780) 409-8144, and our fax number is (780) 409-8146. Deep Well Oil & Gas, Inc. is a Nevada corporation and trades on the pink sheets under the symbol DWOG. We maintain a website at [www.deepwelloil.com](http://www.deepwelloil.com).

### Results of Operations for the Three Months Ended December 31, 2009

Our Company is an exploration stage company and as such does not have commercial production at any of its properties and, accordingly, it currently does not generate cash from operations. Since the inception of our current business plan, our operations have consisted primarily of various exploration and start-up activities relating to our properties, which included acquiring lease holdings by acquisitions and public offerings, seeking institutional investors, locating joint venture partners, acquiring and analyzing seismic data, engaging various firms to comply with leasehold conditions and environmental regulations as well as project management, and developing our long term business strategies. For the three months ended December 31, 2009, and for the comparable period, we generated no revenues from operations.

	<b>Three Months Ended December 31, 2009</b>	Three Months Ended December 31, 2008	September 10, 2003 to December 31, 2009
<b>Revenue</b>	\$ <u>                  –</u>	\$ <u>                  –</u>	\$ <u>                  –</u>
<b>Expenses</b>			
Administrative	\$ <b>224,501</b>	\$ 900,527	\$ 9,621,009
Amortization and accretion	<b>54,163</b>	14,586	216,464
Share based compensation	<u>                  –</u>	<u>                  2,885</u>	<u>                  923,142</u>
<b>Net loss from operations</b>	<b>(278,664)</b>	(917,998)	(10,760,615)
<b>Other income and expenses</b>			
Rental and other income	<b>11</b>	3,222	18,084
Interest income	<b>4,050</b>	16,696	205,099
Interest expense	–	–	(208,580)
Forgiveness of loan payable	–	–	287,406
Settlement of debt	–	–	24,866
Loss on disposal of asset	<u>                  –</u>	<u>                  –</u>	<u>                  (510)</u>
<b>Net loss and comprehensive loss</b>	<b>\$ <u>(274,603)</u></b>	<b>\$ <u>(898,080)</u></b>	<b>\$ <u>(10,434,250)</u></b>

Our net loss and comprehensive loss for the three months ended December 31, 2009, was \$274,603 compared to a net loss and comprehensive loss of \$898,080 for the three months ended December 31, 2008. This difference was due primarily to a decrease of \$676,026 in general and administrative expenses.

For the three months ended December 31, 2009, interest income from term deposits decreased by \$12,646 compared to the three months ended December 31, 2008. This difference was due primarily to reduced interest rates and a decrease in the size of the term deposits.

## **Operations**

Our Company successfully completed its 2008/2009 winter drilling program and met its objectives by drilling 6 wells, 3 of which were drilled on our Oil Sands permit in order to provide technical data to support the required Department of Energy regulation to convert our Oil Sands permit into a 15-year primary lease. In addition, three wells were drilled further to the north of the above-mentioned 3 wells and the 3 horizontal wells which were previously drilled by our former farmout partner. These three northern wells continued the delineation of the main reservoir trend and we believe confirmed that the main reservoir continues north. We are evaluating the options for production available to us to determine on a course of action. Drilling on these 80% owned lands has opened new avenues for testing and further development of the Sawn Lake project. On the 12 sections of the jointly held lands, in which we have a 40% working interest, our Company is exploring different plans of action with Andora Energy Corporation, the operator of these 12 sections. The focus of our Company's drilling program is to define the heavy oil reservoir to establish reserves and to determine the best technology under which oil can be produced from the Sawn Lake project in order to initiate production and generate cash flow.

We are currently in the process of evaluating various enhanced recovery technologies for a test well project, which is subject to regulatory approval, Board of Directors approval, financing, successful reservoir evaluation and modeling, and other risks associated with the Oil Sands industry.

Deep Well, through its subsidiaries Northern Alberta Oil Ltd. ("Northern") and Deep Well Oil & Gas (Alberta) Ltd., currently have a 100% working interest in 15 sections of Petroleum and Natural Gas licenses ("P&NG") in the Peace River area of Alberta, Canada, an 80% working interest in 56 contiguous sections of Oil Sands development leases, and a 40% working interest in an additional 12 contiguous sections of Oil Sands development leases in the Peace River Oil Sands area of Alberta, Canada. Our P&NG licenses and Oil Sands development leases cover 52,505 gross acres (21,248 gross hectares).

On April 2, 2008, our Company participated in a public offering of Crown Petroleum and Natural Gas Rights held by the Alberta Department of Energy, in which we successfully bid on 1 P&NG license covering 3,796 gross acres (1,536 gross hectares) for a total of 6 sections in the Ochre area. Our Company acquired an undivided 100% working interest in these 6 sections located in the Peace River Oil Sands area approximately fourteen miles west of our Sawn Lake properties.

On December 4, 2008, as operator, we successfully spudded the first well of six wells to be drilled in our 2008/2009 winter drilling program. This well is located at 12-14-092-13W5 in North Central Alberta and was drilled to a vertical depth of 680 meters. The well was logged, cased, and completed for bluesky heavy oil production, with perforated intervals from 644.5m to 649.5m. We have recently submitted an application with the Energy Resources Conservation Board for a commercial bitumen recovery scheme to evaluate the 12-14-092-13W5 well for potential development using Cyclic Steam Stimulation. Currently this application is pending.

On December 15, 2008, as operator, we successfully spudded the second well of our six well 2008/2009 winter drilling program. This well is located at 9-16-092-13W5 in North Central Alberta and was drilled to a vertical depth of 680 meters. The well was logged, cased, and completed for bluesky heavy oil production, with perforated intervals from 638.5m to 643.5m. This well is currently being tested.

On January 8, 2009, as operator, we successfully spudded the third well of our six well 2008/2009 winter drilling program. This well is located at 10-33-091-13W5 in North Central Alberta and was drilled to a vertical depth of 708 meters. This well determined the southern edge of the Bluesky reservoir of our Sawn Lake Project.

On January 16, 2009, as operator, we successfully spudded the fourth well of our six well 2008/2009 winter drilling program. This well is located at 7-5-092-13W5 in North Central Alberta and was drilled to a vertical depth of 718 meters. The well was logged and cased for bluesky heavy oil production, and is pending further evaluation and the development of an exploitation plan with our joint interest partners.

On January 25, 2009, as operator, we successfully spudded the fifth well of our six well 2008/2009 winter drilling program. This well is located at 8-4-092-13W5 in North Central Alberta and was drilled to a vertical depth of 725 meters. The well was logged and cased for bluesky heavy oil production, and is pending further evaluation and the development of an exploitation plan with our joint interest partners.

On February 2, 2009, as operator, we successfully spudded the sixth well of our six well 2008/2009 winter drilling program. This well is located at 6-22-092-13W5 in North Central Alberta and was drilled to a vertical depth of 660 meters. The well was logged and

cased for bluesky heavy oil production, and is pending further evaluation and the development of an exploitation plan with our joint interest partners.

On December 1, 2008, in conjunction with our 2008/2009 winter drilling program, we acquired existing road infrastructure from Paramount Resources Ltd. (“Paramount”) through a transfer of title of 6 Paramount P&NG properties to us. These 6 P&NG properties, of which 2 were expected to immediately expire and 4 are expected to expire within 6 months, cover 11,387 gross acres (4,608 gross hectares) of which 3,796 gross acres (1,536 gross hectares) overlay our Sawn Lake Oil Sands leases. These properties included the transfer of 7 mineral surface leases (proposed well sites or “MSLs”) and 4 licenses of occupation (access roads or “LOCs”) totalling 12 km of roads that were transferred to us, along with 2 vertical wells, 1 of which is located on our Sawn Lake Oil Sands lease and the other located approximately 2.5 miles north of our Sawn Lake Oil Sands lease. The well located on our Sawn Lake Oil Sands lease was drilled to a vertical depth of 737 meters and was cased for bluesky heavy oil production. Perforated intervals were from 681.5m to 684.5m and 684.5m to 685.0m. This well’s status is drilled and cased for future bitumen production.

Effective February 1, 2009, we acquired an LOC that totaled 8.7 km of an existing road from Penn West Petroleum Ltd.

On May 5, 2009, our Company was informed by the Alberta Department of Energy that it had approved our application to convert 5 sections of our Oil Sands permit to a 15-year primary lease. By drilling on these lands, where the permits were set to expire, we have preserved title to 5 sections and now have a primary lease, which is valid for an additional 15 years.

### **Liquidity and Capital Resources**

As of December 31, 2009, our Company’s total assets were \$14,802,178 compared to \$17,431,278 as of December 31, 2008. The decrease in our total assets was due to a decrease in cash and cash equivalents. Our total liabilities as of December 31, 2009, were \$385,892 compared with \$1,474,043 as of December 31, 2008. The decrease in our total liabilities was due primarily to a decrease in operation expenses incurred in the period ending December 31, 2009.

Our working capital (current liabilities subtracted from current assets) is as follows:

	<b>Three Months Ended December 31, 2009</b>	<b>Three Months Ended December 31, 2008</b>	<b>Year Ending September 30, 2009</b>
Current Assets	\$ 1,687,342	\$ 8,831,696	\$ 2,032,025
Current Liabilities	15,468	1,474,043	34,049
Working Capital	<u>\$ 1,671,874</u>	<u>\$ 7,357,653</u>	<u>\$ 1,997,976</u>

At December 31, 2009, our Company had working capital of \$1,671,874 compared to our working capital of \$7,357,653 at December 31, 2008. Our working capital decrease was due primarily to the decrease in cash and cash equivalents used to fund our 2008/2009 winter drilling program. Currently we have no long-term debt.

Our cash and cash equivalents for the period ending December 31, 2009 was \$1,086,492 compared to \$7,619,124 for the comparable period ending December 31, 2008. Our Company has raised sufficient funds to conduct our operations during the fiscal years 2005, 2006, 2007, 2008 and 2009. Since March 10, 2005, we have financed our business operations through a loan, fees derived from the farmout of some of our lands, private offerings of our common stock and the exercise of certain warrants, realizing gross proceeds of approximately \$19.6 million. In these offerings, we sold units comprised of common stock and warrants to purchase additional common stock, and as a result of these offerings, we currently have an aggregate of 42,818,138 warrants outstanding with exercise prices ranging from \$0.40 to \$1.20. If all of these warrants are exercised we may realize aggregate proceeds of approximately \$30.9 million. However, the warrant holders have complete discretion as to when or if the warrants are exercised before they expire and we cannot guarantee that the warrant holders will exercise any of the warrants.

For our long-term operations we anticipate that, among other alternatives, we may raise funds during the next 24 months through sales of our common stock. We also note that if we issue more shares of our common stock, our stockholders may experience dilution in the percentage of their ownership of common stock. We may not be able to raise sufficient funding from stock sales for long-term operations and if so, we may be forced to delay our business plans until adequate funding is obtained. We believe debt financing will not be an alternative for funding our Company, as we are an exploration stage Company and due to the risky nature of our business.

### **Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements.

## **Cautionary Statements for Purposes of the Safe Harbor Provisions of the Private Securities Litigation Reform Act**

This Quarterly Report on Form 10-Q, including all referenced exhibits, contains “forward-looking statements” within the meaning of the United States federal securities laws. All statements other than statements of historical facts included or incorporated by reference in this report, including, without limitation, statements regarding our future financial position, business strategy, projected costs and plans and objectives of management for future operations, are forward-looking statements. The words “may,” “believe,” “intend,” “will,” “anticipate,” “expect,” “estimate,” “project,” “future,” “plan,” “strategy,” or “continue,” and other expressions that are predictions of or indicate future events and trends and that do not relate to historical matters, identify forward-looking statements. For these statements, Deep Well claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. The forward-looking statements in this Quarterly Report on Form 10-Q include, among others, statements with respect to:

- our current business strategy;
- our future financial position and projected costs;
- our projected sources and uses of cash;
- our plan for future development and operations;
- our drilling and testing plans;
- our proposed enhanced oil recovery test well project;
- the sufficiency of our capital in order to execute our business plan;
- resource estimates; and
- the timing and sources of our future funding.

Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties, and other factors, which may cause the actual results to differ materially from the anticipated future results expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those set forward in the forward-looking statements include, but are not limited to:

- changes in general business or economic conditions;
- changes in legislation or regulation that affect our business;
- our ability to obtain necessary regulatory approvals and permits;
- opposition to our regulatory requests by various third parties;
- actions of aboriginals, environmental activists and other industrial disturbances;
- the costs of environmental reclamation of our lands;
- availability of labor or materials or increases in their costs;
- the availability of sufficient capital to finance our business plans on terms satisfactory to us;
- adverse weather conditions and natural disasters;
- risks associated with increased insurance costs or unavailability of adequate coverage;
- volatility of oil and natural gas prices;
- competition;
- changes in labor, equipment and capital costs;
- future acquisitions or strategic partnerships;
- the risks and costs inherent in litigation;
- imprecision in estimates of reserves, resources and recoverable quantities of oil and natural gas;
- product supply and demand;
- fluctuations in currency and interest rates; and
- the additional risks and uncertainties, many of which are beyond our control, referred to elsewhere in this Quarterly Report on Form 10-Q, in our Annual Report on Form 10-K for the fiscal year ended September 30, 2009, and in our other SEC filings.

The preceding bullets outline some of the risks and uncertainties that may affect our forward-looking statements. For a full description of risks and uncertainties, see the sections entitled “Risk Factors” and “Environmental Laws and Regulations” of our Annual Report on Form 10-K for the fiscal year ended September 30, 2009, filed with the Securities and Exchange Commission on January 13, 2010. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, estimated or expected. Any forward looking statement speaks only as of the date on which it was made and, except as required by law, we disclaim any obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. However, any further disclosures made on related subjects in subsequent reports on Forms 10-K, 10-Q, 8-K and any other SEC filing should be consulted.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are a smaller reporting company as defined by Rule 12b-2 under the Exchange Act and therefore we are not required to provide the information required under this item.

### **ITEM 4T. CONTROLS AND PROCEDURES**

#### **Disclosure Controls and Procedures**

As of the end of our fiscal quarter ended December 31, 2009, an evaluation of the effectiveness of our “disclosure controls and procedures” (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934), as amended, was carried out under the supervision and with the participation of our principal executive officer and principal financial officer. Based upon that evaluation, our principal executive officer and principal financial officer have concluded that as of the end of that quarter, our disclosure controls and procedures were not effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

#### **Changes in Internal Control Over Financial Reporting**

During the fiscal quarter ended December 31, 2009, there were changes and improvements in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. During the fiscal quarter ended December 31, 2009, we continued to implement our formalization and centralization of our accounts payable functions and multi-currency accounting software.

## **PART II. OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

There have been no new material developments in our litigation proceedings from those disclosed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2009, filed with the Securities and Exchange Commission on January 13, 2010.

### **ITEM 1A. RISK FACTORS**

There have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2009, filed with the Securities and Exchange Commission on January 13, 2010.

### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

### **ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

None.



**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

<b>Exhibit No.</b>		<b>Description</b>
	31.1	Certification of President and Chief Executive Officer pursuant to Rule 13a-14(a).
	31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a).
	32.1	Certification of President and Chief Executive Officer pursuant to 18 U.S.C. Section 1350.
	32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

### DEEP WELL OIL & GAS, INC.

By /s/ Horst A. Schmid  
Dr. Horst A. Schmid  
Chief Executive Officer and President  
(Principal Executive Officer)

Date February 12, 2010

By /s/ Curtis James Sparrow  
Mr. Curtis James Sparrow  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

Date February 12, 2010

**Certification of Chief Executive Officer  
Pursuant to Section 302 of the Sarbanes-Oxley Act and Rule 13a-14(a) or 15d-14(a) under the  
Securities Exchange Act of 1934**

I, Dr. Horst A. Schmid, President and Chief Executive Officer of Deep Well Oil & Gas, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Deep Well Oil & Gas, Inc. for the quarterly period ended December 31, 2009;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 12, 2010 \_\_\_\_\_

By: /s/ Horst A. Schmid \_\_\_\_\_

Dr. Horst A. Schmid

President and Chief Executive Officer

**Certification of Chief Financial Officer**  
**Pursuant to Section 302 of the Sarbanes-Oxley Act and Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934**

I, Mr. Curtis James Sparrow, Chief Financial Officer of Deep Well Oil & Gas, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Deep Well Oil & Gas, Inc. for the quarterly period ended December 31, 2009;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 12, 2010 \_\_\_\_\_

By: /s/ Curtis James Sparrow \_\_\_\_\_  
Mr. Curtis James Sparrow  
Chief Financial Officer

**Certification Pursuant To  
18 U.S.C. Section 1350,  
As Adopted Pursuant To  
Section 906 Of The Sarbanes-Oxley Act Of 2002**

In connection with the Quarterly Report on Form 10-Q of Deep Well Oil & Gas, Inc. (the “Company”) for the period ended December 31, 2009 filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Dr. Horst A. Schmid, President and Chief Executive Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: February 12, 2010

By: /s/ Horst A. Schmid  
Dr. Horst A. Schmid  
President and Chief Executive Officer

**Certification Pursuant To  
18 U.S.C. Section 1350,  
As Adopted Pursuant To  
Section 906 Of The Sarbanes-Oxley Act Of 2002**

In connection with the Quarterly Report on Form 10-Q of Deep Well Oil & Gas, Inc. (the “Company“) for the period ended December 31, 2009 filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Mr. Curtis James Sparrow, Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: February 12, 2010

By: /s/ Curtis James Sparrow  
Mr. Curtis James Sparrow  
Chief Financial Officer