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**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 March 31, 2011**

**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: not applicable

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

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

Accelerated filer

**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 March 31, 2011 was 136,739,971

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**DEEP WELL OIL & GAS, INC. (AND SUBSIDIARIES)**  
**(Exploration Stage Company)**  
**Consolidated Balance Sheets**  
**March 31, 2011 and September 30, 2010**

	March 31, 2011 (Unaudited)	September 30, 2010 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,231,486	\$ 103,550
Accounts receivable	215,423	195,751
Prepaid expenses	<u>59,928</u>	<u>86,717</u>
<b>Total Current Assets</b>	<b>1,506,837</b>	<b>386,018</b>
<b>Long Term Investments</b> (Note 6)	<b>263,151</b>	<b>247,473</b>
<b>Oil and gas properties</b> (Note 3)	<b>13,190,493</b>	<b>12,726,396</b>
<b>Property &amp; equipment net of depreciation</b> (Note 5)	<u><b>496,512</b></u>	<u><b>563,860</b></u>
<b>TOTAL ASSETS</b>	<b>\$ <u>15,456,993</u></b>	<b>\$ <u>13,923,747</u></b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 7,186	\$ 42,147
Accounts payable – related parties (Note 7)	161,493	86,774
Deposits on stock subscription (Note 8)	<u>–</u>	<u>48,555</u>
<b>Total Current Liabilities</b>	<b>168,679</b>	<b>177,476</b>
<b>Asset retirement obligations</b> (Note 9)	<u><b>417,671</b></u>	<u><b>386,934</b></u>
<b>TOTAL LIABILITIES</b>	<u><b>586,350</b></u>	<u><b>564,410</b></u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Common Stock:</b> (Note 10)		
Authorized: 300,000,000 shares at \$0.001 par value		
Issued and outstanding: 136,739,971 shares		
(September 30, 2010 – 106,774,258 shares) (Note 10)	136,739	106,773
<b>Additional paid in capital</b>	<b>26,974,759</b>	<b>24,743,763</b>
<b>Deficit accumulated during exploration stage</b>	<u><b>(12,240,855)</b></u>	<u><b>(11,491,199)</b></u>
<b>Total Shareholders' Equity</b>	<u><b>14,870,643</b></u>	<u><b>13,359,337</b></u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ <u>15,456,993</u></b>	<b>\$ <u>13,923,747</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 and Six Months Ended March 31, 2011, and 2010 and the Period from September 10, 2003**  
**(Inception of Exploration Stage) to March 31, 2011**

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010	Six Months Ended March 31, 2011	Six Months Ended March 31, 2010	September 10, 2003 to March 31, 2011
<b>Revenue</b>	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Expenses</b>					
General and Administrative	447,793	326,273	670,000	550,774	12,108,780
Depreciation and accretion	<u>41,302</u>	<u>54,418</u>	<u>82,278</u>	<u>108,581</u>	<u>462,184</u>
<b>Net loss from operations</b>	<b>(488,095)</b>	<b>(380,691)</b>	<b>(752,278)</b>	<b>(659,355)</b>	<b>(12,570,964)</b>
<b>Other income and expenses</b>					
Rental and other income	52	4,782	1,720	4,793	19,953
Interest income	640	290	1,090	4,340	207,162
Interest expense	—	—	—	—	(208,580)
Forgiveness of loan payable	—	—	—	—	287,406
Settlement of debt	—	—	—	—	24,866
Loss on disposal of assets	<u>(188)</u>	<u>—</u>	<u>(188)</u>	<u>—</u>	<u>(698)</u>
<b>Net loss and comprehensive loss</b>	<b>\$ <u>(488,591)</u></b>	<b>\$ <u>(375,619)</u></b>	<b>\$ <u>(749,656)</u></b>	<b>\$ <u>(650,222)</u></b>	<b>\$ <u>(12,240,855)</u></b>
<b>Net loss per common share</b>					
Basic and Diluted	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	
<b>Weighted Average Outstanding Shares (in thousands)</b>					
Basic and Diluted	<u>136,106</u>	<u>106,774</u>	<u>136,083</u>	<u>106,774</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 Six Months Ended March 31, 2011 and 2010 and the Period from September 10, 2003 (Inception of Exploration Stage) to March 31, 2011**

	Six Months Ended March 31, 2011	Six Months Ended March 31, 2010	September 10, 2003 to March 31, 2011
<b>Cash Provided by (Used in):</b>			
<b>Operating Activities</b>			
Net loss	\$ (749,656)	\$ (650,222)	\$ (12,240,855)
Items not affecting cash:			
Share based compensation	210,962	–	1,134,104
Bad debts	–	–	352,194
Depreciation and accretion	82,278	108,581	462,185
Forgiveness of loan payable	–	–	(287,406)
Settlement of lawsuit	–	–	435,550
Commissions withheld from loans proceeds	–	–	121,000
Loss on disposal of asset	188	–	698
Net changes in non-cash working capital (Note 12)	<u>46,875</u>	<u>405,906</u>	<u>(462,295)</u>
	<u>(409,353)</u>	<u>(135,735)</u>	<u>(10,484,825)</u>
<b>Investing Activities</b>			
Purchase of property and equipment	(3,254)	–	(903,609)
Investment in oil and gas properties	(445,224)	(269,647)	(8,585,905)
Long term investments	(15,678)	(8,811)	(263,151)
Cash from acquisition of subsidiary	–	–	11,141
Return of costs from farmout agreement	–	–	961,426
	<u>(464,156)</u>	<u>(278,458)</u>	<u>(8,780,098)</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)
Deposit on stock subscription	(48,555)	–	–
Proceeds from issuance of common stock	2,050,000	–	21,269,499
Proceeds from debenture net of commissions	–	–	879,000
	<u>2,001,445</u>	<u>–</u>	<u>20,496,409</u>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>1,127,936</b>	<b>(414,193)</b>	<b>1,231,486</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>103,550</b>	<b>945,835</b>	<b>–</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 1,231,486</b>	<b>\$ 531,642</b>	<b>\$ 1,231,486</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**  
**March 31, 2011**

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**1. Nature of Business and Basis of Presentation**

**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, 2010.

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 Annual Report on Form 10-K for the year ended September 30, 2010.

**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 & Equipment**

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

Software	- 100%
Computer equipment	- 55%
Portable work camp	- 30%
Vehicles	- 30%
Road Mats	- 30%
Wellhead	- 25%
Office furniture and equipment	- 20%
Oilfield Equipment	- 20%
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 March 31, 2011, asset retirement obligations amount to \$417,671. The Company has posted bonds, where required, with the Government of Alberta based on the amount the government estimates the costs 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, a valuation allowance has been recorded against the future tax benefits of its losses 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 Income (Loss) Per Share**

Basic net income (loss) per share amounts are computed based on the weighted average number of shares actually outstanding. Diluted net income (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**

Financial instruments include cash and cash equivalents, accounts receivable, long term investments, investment in equity securities, accounts payable, accounts payable - related parties and asset retirement obligations. The fair value of these financial instruments approximates their carrying value because of the short-term maturity of these items unless otherwise noted. The fair value of the investment in equity securities cannot be determined as the market value is not readily obtainable. The equity securities are reported using the cost method.

## **Environmental Requirements**

At the report date, environmental requirements related to the oil and gas properties 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 January 2010, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2010-06, “Fair Value Measurements and Disclosures (Topic 820) - Improving Disclosures about Fair Value Measurements.” This ASU requires some new disclosures and clarifies some existing disclosure requirements about fair value measurement as set forth in Accounting Standards Codification (“ASC”) 820 (formerly SFAS No. 157). ASU 2010-06 amends ASC 820 (formerly SFAS No. 157) to now require: (1) a reporting entity should disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers; and (2) in the reconciliation for fair value measurements using significant unobservable inputs, a reporting entity should present separately information about purchases, sales, issuances, and settlements. In addition, ASU 2010-06 clarifies the requirements of existing disclosures. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Early application is permitted. The adoption of these accounting standards has not had a significant effect on the financial statement disclosures.

### 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, valuation 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 March 31, 2011, Northern’s net payments due in Canadian dollars under this commitment are as follows:

2011	\$	22,578
2012	\$	45,158
2013	\$	45,158
2014	\$	45,158
2015	\$	45,158
2016	\$	45,158
Subsequent	\$	134,042

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 44 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 March 31, 2011, the Company has an interest in ten wells, which can be counted towards this obligation.

The Company has identified 2 other wells drilled on these leases, which may be included in the satisfaction of this requirement. The Company has also acquired and processed 25 miles of seismic on the leases.

The Company follows the successful efforts method of accounting for costs of oil and gas properties. Under this method, only those exploration and development costs that relate directly to specific oil and gas reserves are capitalized; costs that do not relate directly to specific reserves are charged to expense. 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 periods ended March 31, 2011 (September 30, 2010 - \$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. and Andora Energy Corporation (at the time "Signet" was a 100% owned subsidiary company of Andora Energy Corporation) and resolved their differences and certain collateral matters. The settlement includes but is 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.

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

There was \$464,097 of an additional investment made to our oil and gas properties in the six months ended March 31, 2011.

#### 4. Investment in Equity Securities

On February 25, 2005, the company acquired an interest in Signet Energy Inc. (formerly Surge Global Energy, Inc.) as a result of a Farmout Agreement. These shares are carried at a nominal value using the cost method.

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 3.91%.

#### 5. Property & Equipment

	<b>March 31, 2011</b>		
	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
Computer equipment	\$ 30,655	\$ 26,488	\$ 4,167
Office furniture and equipment	33,198	16,259	16,939
Software	5,826	5,826	-
Leasehold improvements	4,935	1,942	2,993
Portable work camp	170,580	84,309	86,271
Vehicles	38,077	18,820	19,257
Oilfield equipment	154,713	53,429	101,284
Road mats	364,614	180,210	184,404
Wellhead	3,254	102	3,152
Tanks	96,085	18,040	78,045
	<u>\$ 901,937</u>	<u>\$ 405,425</u>	<u>\$ 496,512</u>

	September 30, 2010		
	Cost	Accumulated Depreciation	Net Book Value
Computer Equipment	\$ 31,460	\$ 25,607	\$ 5,853
Office furniture and equipment	33,476	14,580	18,896
Software	5,826	5,826	–
Leasehold improvements	4,935	1,612	3,323
Portable work camp	170,580	69,085	101,495
Vehicles	38,077	15,421	22,656
Oilfield equipment	154,713	42,175	112,538
Road Mats	364,614	147,669	216,945
Tanks	96,085	13,931	82,154
	<u>\$ 899,766</u>	<u>\$ 335,906</u>	<u>\$ 563,860</u>

There was \$70,414 of depreciation expense for the period ended March 31, 2011 (September 30, 2010 - \$195,261).

## 6. Long Term Investments

Long term investments consist of cash held in trust by the Energy Resources Conservation Board (“ERCB”) which bears interest at a rate of prime minus 0.375% and has no stated date of maturity. These investments are required by the ERCB to ensure there are sufficient future cash flows to meet the expected future asset retirement obligations, and are restricted for this purpose.

## 7. Significant Transactions With Related Parties

Accounts payable – related parties was \$161,493 for the period ended March 31, 2011 (September 30, 2010 - \$86,774) resulted from fees payable to corporations owned by directors. This amount is unsecured, non-interest bearing, and has no fixed terms of repayment.

As of March 31, 2011, officers, directors, their families, and their controlled entities have acquired 52.08% of the Company’s outstanding common capital stock. This percentage does not include unexercised warrants or stock options.

The company made payments totalling \$118,841 to two related parties for professional fees and consulting services during the period ended March 31, 2011 (September 30, 2010 - \$246,347).

## 8. Deposits of Stock Subscription

The Company received no amounts for the period ended March 31, 2011 (September 30, 2010 - \$48,555) in deposits for stock, for which the Company received subsequent subscription agreements.

## 9. 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 March 31, 2011, the Company estimates the undiscounted cash flows related to asset retirement obligation to total approximately \$688,256 (September 30, 2010 - \$531,055). The fair value of the liability at March 31, 2011 is estimated to be \$417,671 (September 30, 2010 - \$386,934) 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:

	March 31, 2011	September 30, 2010
Balance, beginning of year	\$ 386,934	\$ 358,235
Liabilities incurred	–	–
Effect of foreign exchange	23,070	14,749
Accretion expense	7,667	13,950
<b>Balance, end of year</b>	<u>\$ 417,671</u>	<u>\$ 386,934</u>

## 10. 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.

On March 9, 2010, 984,375 warrants previously granted on March 10, 2005 expired.

On May 25, 2010, 5,000,000 warrants previously granted on May 25, 2007 expired.

On June 22, 2010, 8,333,333 warrants previously granted on June 22, 2007 expired.

On July 11, 2010, 323,333 warrants previously granted on July 11, 2007 expired.

On November 9, 2010, the Company completed two private placements for an aggregate of 29,285,713 units at a price of \$0.07 per unit for an aggregate of \$2,050,000 (including the Deposit received prior to September 30, 2010 of \$48,555). Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of \$0.105 per common share for a period of three years from the date of closing, provided that if the closing price of the Common Shares of the Company on the principal market on which the shares trade is equal to or exceeds US\$1.00 for 30 consecutive trading days, the warrant term shall automatically accelerate to the date which is 30 calendar days following the date that written notice has been given to the warrant holders. The warrants expire on November 9, 2013.

On March 23, 2011, the Board approved the issuance of 500,000 restricted common shares valued at \$70,000 to be issued to a new director as an incentive to join our Board. Also, on March 23, 2011, the Board approved issuance of 180,000 restricted common shares valued at \$25,200 to be issued on April 1, 2011 to a contractor as compensation for services provided to us during the period from April 1, 2010 to March 31, 2011. These transactions have been recorded on our Balance Sheets under Shareholders' Equity at the fair value of the common shares issued.

There were 57,462,810 warrants outstanding as of March 31, 2011 (September 30, 2010 – 28,177,097), which were valued at \$4,687,992 (September 30, 2010 - \$3,924,459) as of March 31, 2011.

## 11. 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 was approved by a majority of shareholders at the February 24, 2010 general meeting of shareholders. The Plan, is 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.

On November 28, 2010, all of the stock options granted to Dr. Horst A. Schmid, Portwest Investments Ltd., Mr. Curtis James Sparrow, Concorde Consulting, Trebax Projects Ltd., Mr. Cyrus Spaulding, Mr. Donald E.H. Jones and Mr. Moses Ling, expired unexercised. In total 2,727,500 options granted to directors and former directors and their controlled companies expired and no further options were granted.

On March 23, 2011, the Board approved to decrease the exercise price of the stock options to purchase 36,000 shares of common stock of Deep Well previously granted to an employee of the Company on September 20, 2007. The exercise price of the stock option is reduced from \$0.47 per common share to \$0.14 per common share, effective immediately. All other terms and conditions of the option agreement will remain unchanged. The options expire on September 20, 2012.

On March 23, 2011, the Company granted its directors, Dr. Horst A. Schmid, Mr. Said Arrata, Mr. Satya Das, Mr. David Roff, Mr. Curtis Sparrow and Mr. Malik Youyou, options to purchase 450,000 shares each of common stock at an exercise price of \$0.14 per common share, 150,000 vesting immediately and the remaining vesting one-third on March 23, 2012, and one-third on March 23, 2013, with a five-year life.

For the period ended March 31, 2011, the Company recorded share based compensation expense related to stock options in the amount of \$115,762 (September 30, 2010 - nil) as 2,700,000 of new stock options have been issued. No options were exercised during the period ended March 31, 2011, therefore, the intrinsic value of the options exercised during the period ended March 31, 2011 is nil. As of March 31, 2011, there was remaining unrecognized compensation cost of \$217,934 related to the non-vested portion of these unit option awards. Compensation expense is based upon straight-line depreciation of the grant-date fair value over the vesting period of the underlying unit option.

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 March 31, 2011	240,000	1.47	\$ 0.47	240,000	\$ 0.47
\$0.14 at March 31, 2011	2,736,000	4.93	0.14	2,736,000	0.14
\$0.71 at March 31, 2011	375,000	0.57	0.71	375,000	0.71
	<u>3,351,000</u>	<u>4.20</u>	<u>\$ 0.23</u>	<u>3,351,000</u>	<u>\$ 0.23</u>

The aggregate intrinsic value of exercisable options as of March 31, 2011, was \$27,360 (September 30, 2010 - \$nil).

The following is a summary of stock option activity as at March 31, 2011:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Fair Market Value
Balance, September 30, 2010	3,378,500	\$ 0.69	\$ 0.27
Options forfeited November 28, 2010	(2,727,500)	0.71	0.27
Options issued March 23, 2011	<u>2,700,000</u>	<u>0.14</u>	<u>0.12</u>
Balance, March 31, 2011	<u>3,351,000</u>	<u>\$ 0.23</u>	<u>\$ 0.15</u>
Exercisable, March 31, 2011	<u>3,351,000</u>	<u>\$ 0.23</u>	<u>\$ 0.15</u>

The following table summarizes the activity of the Company's non-vested stock options since September 30, 2008:

	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, 2010	<u>—</u>	<u>\$ —</u>
Non-vested at March 31, 2011	<u>1,800,000</u>	<u>\$ 0.14</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.

## 12. Changes in Non-Cash Working Capital

	<u>Six Months Ended</u> <u>March 31, 2011</u>	<u>Six Months Ended</u> <u>March 31, 2010</u>
Accounts receivable	\$ (19,672)	\$ 446,907
Prepaid expenses	26,789	(38,686)
Accounts payable	39,758	(2,315)
	<u>\$ 46,875</u>	<u>\$ 405,906</u>

## 13. 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 November 20, 2007 and On December 1, 2008, the Company entered into two office lease agreements commencing December 1, 2007 and January 1, 2009 and expiring on November 30, 2012 and December 31, 2013, respectively. The annual payments are as follows:

2011	\$ 36,690
2012	\$ 73,380
2013	\$ 47,647
2014	\$ 10,625

## 14. 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 in which 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 March 31, 2011, no contingent liability has been recorded, as the Company believes that a successful outcome for the Plaintiff is remote.

### **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 March 31, 2011, no contingent liability has been recorded, as the Company believes that a successful outcome for the Plaintiff is remote.

## 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 consolidated financial statements and related notes. For the purpose of this discussion, unless the context requires another meaning, the terms: "Deep Well," "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 or 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, 2010, filed with the Securities and Exchange Commission on December 27, 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. along with the subsidiaries through which it conducts business, is an emerging independent junior oil and gas exploration and development company headquartered in Edmonton, Alberta, Canada. Our immediate corporate focus is to develop the existing land base that we presently control 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 OTCQB marketplace under the symbol DWOG. We maintain a website at [www.deepwelloil.com](http://www.deepwelloil.com).

On April 21, 2010, we announced our quotation on the OTCQB marketplace. This graduation from the "Pink Sheets – Current Information" tier recognizes the progress that we have made in meeting our reporting requirements under the Securities Exchange Act of 1934. The OTCQB is a new market that only lists companies that are up to date in their filing requirements under the Securities Exchange Act of 1934.

### Results of Operations for the Six Months Ended March 31, 2011

We are an exploration stage company and as such do not have commercial production on any of our properties and, accordingly, we currently do 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 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 six months ended March 31, 2011, and for the comparable period in the prior year, we generated no revenues from operations.

	Six Months Ended March 31, 2011	Six Months Ended March 31, 2010	September 10, 2003 to March 31, 2011
<b>Revenue</b>	\$ <u>                    –</u>	\$ <u>                    –</u>	\$ <u>                    –</u>
<b>Expenses</b>			
General and Administrative	\$ <u>          670,000</u>	\$ <u>          550,774</u>	\$ <u>         12,108,780</u>
Depreciation and Accretion	<u>          82,278</u>	<u>          108,581</u>	<u>          462,184</u>
<b>Net Loss from Operations</b>	<b>(752,278)</b>	<b>(659,355)</b>	<b>(12,570,964)</b>
<b>Other Income and Expenses</b>			
Rental and Other Income	<u>          1,720</u>	<u>          4,793</u>	<u>         19,953</u>
Interest Income	<u>          1,090</u>	<u>          4,340</u>	<u>         207,162</u>
Interest Expense	<u>                    –</u>	<u>                    –</u>	<u>         (208,580)</u>
Forgiveness of Loan Payable	<u>                    –</u>	<u>                    –</u>	<u>         287,406</u>
Settlement of Debt	<u>                    –</u>	<u>                    –</u>	<u>         24,866</u>
Loss on Disposal of Asset	<u>          (188)</u>	<u>                    –</u>	<u>          (698)</u>
<b>Net Loss and Comprehensive Loss</b>	<b>\$ <u>         (749,656)</u></b>	<b>\$ <u>         (650,222)</u></b>	<b>\$ <u>         (12,240,855)</u></b>

Our net loss and comprehensive loss for the six months ended March 31, 2011 was \$749,656 compared to a net loss and comprehensive loss of \$650,222 for the six months ended March 31, 2010. This difference was primarily due to an increase of



\$119,226 in general and administrative expenses due to an increase of \$115,762 in share-based compensation expense as a result of the issuance of stock options granted to our directors. On March 23, 2011, we granted each of our director's options to purchase 450,000 shares of common stock at an exercise price of \$0.14 per common share, 150,000 vesting immediately and half of the remaining options vesting on each of March 23, 2012 and March 23, 2013. Each option will expire on March 23, 2016. For further information, see Note 11 in the Consolidated Financial Statements as reported in this quarterly report on Form 10-Q for the period ending March 31, 2011.

For the six months ended March 31, 2011, our depreciation and accretion expense decreased by \$26,303 from the comparable period ending March 31, 2010, which was primarily due to a decrease in depreciation expense on the value of our assets. No significant asset purchases were made in the six months ended March 31, 2011 and there was no significant change for accretion expense for the six months ended March 31, 2011.

For the six months ended March 31, 2011, interest income decreased by \$3,250 from the comparable period ending March 31, 2010, which was primarily due to not receiving interest from term deposits we had in the prior comparable period and interest owed to us on goods and services tax credits held by Canada Revenue Agency. Our rental and other income for the six months ended March 31, 2011 decreased by \$3,073 from the comparable period ending March 31, 2010, due to a decrease on income earned from the rental of our roads located on our oil sands leases.

## **Operations**

Deep Well, through its subsidiaries Northern Alberta Oil Ltd. ("Northern") and Deep Well Oil & Gas (Alberta) Ltd., currently has an 80% working interest in 56 contiguous sections of oil sands leases, and a 40% working interest in an additional 12 contiguous sections of oil sands leases in the Peace River oil sands area of Alberta, Canada. Our oil sands leases cover 43,015 gross acres (17,408 gross hectares) of land.

Previously, we successfully completed a drilling program and drilled 6 vertical wells. In addition, we have an interest in 3 horizontal wells, which were previously drilled by our former farmout partner, and an interest in two wells that we acquired. Since then we have been evaluating the options for production available to us to determine the preferable course of action. Drilling on 80% owned lands has opened new avenues for testing and further development of the Sawn Lake project. 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.

In September 2009, we submitted an application to the Alberta Energy Resources Conservation Board ("ERCB") for a commercial bitumen recovery scheme to evaluate the 12-14-092-13W5 well for potential development using Cyclic Steam Stimulation ("CSS") and later added the 6-22-092-13W5 well to the application. On October 14, 2010, this application was approved by the ERCB to conduct one CSS production test on one of the wells to evaluate the oil sands resource using this secondary recovery technology. The CSS process involves steam injection into a well for a period of up to 30 days, potentially a "soaking" period, followed by production of heavy oil for up to 50 days or more. This CSS production test is not only for the production of heavy oil from the Bluesky zone of the Sawn Lake project but it will also aid in quantifying our oil reserves.

In July 2010, Chapman Petroleum Engineering Ltd. performed an independent technical evaluation of the heavy oil properties on some of our Sawn Lake properties. The report confirmed the suitability for thermal recovery methods. In addition, Chapman Petroleum Engineering Ltd. identified a new hydrocarbon bearing zone up-hole from the Bluesky zone presently being concentrated on by our Company. This secondary heavy oil zone is in the Peace River formation. It is a clastic unit of lower cretaceous age found at a shallower depth than the Bluesky zone. It is approximately 35 meters thick and is a massive, very fine to medium grain sandstone conformably deposited on the Harmon Shale. We intend to continue the development of the Bluesky reservoir and at the same time we intend to evaluate this newly discovered reservoir by coring future wells within this zone.

On November 9, 2010, we completed two private placement financings for aggregate cash proceeds of \$2,050,000. We intend to use the majority of the net proceeds from these private placements to conduct engineering, construction and other operations for its recently approved CSS production test.

We have appointed Pioneer Land and Environmental to proceed with the environmental studies mandated by Alberta regulations before we can embark on a five to seven well production pilot project as an interim step toward full scale commercial production. Our geological studies lead us to conclude that our working interest can support full commercial production. We are fully committed to best practices in environmental stewardship to assure sustainable development of our in-situ heavy oil holdings.

## Liquidity and Capital Resources

As of March 31, 2011, our total assets were \$15,456,993 compared to \$13,923,747 on September 30, 2010. The increase in our total assets was primarily due to cash received from the November 9, 2010 private placements of our common stock. Our total liabilities as of March 31, 2011 were \$586,350 compared to \$564,410 on September 30, 2010.

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

	<b>Six Months Ended</b>	<b>Year Ending</b>
	<b>March 31, 2011</b>	<b>September 30, 2010</b>
Current Assets	\$ <b>1,506,837</b>	\$ 386,018
Current Liabilities	<b>168,679</b>	177,476
Working Capital	\$ <b>1,338,158</b>	\$ 208,542

As of March 31, 2011, our working capital was \$1,338,158. The increase in our working capital from our September 30, 2010 year-end was primarily due to the cash received from the November 9, 2010 private placements of our common stock. Currently we have no long-term debt.

As reported on our Consolidated Statement of Cash Flows under “Financing Activities”, on November 9, 2010 we completed two private placements to two investors of an aggregate of 29,285,713 units (“Units”) at a price of \$0.07 per Unit, for total cash proceeds of \$2,050,000 (including a deposit received prior to September 30, 2010 of \$48,555). Each Unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.105 per share for a period of three years from the date of closing, provided that if the closing price of our common shares on the principal market on which our shares trade is equal to or exceeds \$1.00 for thirty consecutive trading days, the warrant term will automatically accelerate to the date that is thirty calendar days following the date that written notice has been given to the warrant holder. The units were issued pursuant to Regulation S under the Securities Act of 1933, as amended. No commission or finders fees were payable in connection to these private placements. We intend to use the majority of the net proceeds from the private placements to conduct engineering, construction and other operations for our recently approved CSS production test. We did not raise any funds during the comparable period ended March 31, 2010.

As reported on our Consolidated Statement of Cash Flows under “Operating Activities”, we had a decrease of \$359,031 in net changes in non-cash working capital for the six months ended March 31, 2011 from the comparable period ended March 31, 2010, which was primarily due to \$193,594 being written-off to bad debt. This write-off was money owed to us by one of our joint venture co-owners and we are continuing to pursue our remedies to collect the money owed to us. Accounts receivable for the six months ended March 31, 2011 also decreased from the comparable period ended March 31, 2010 due to payments received from our joint venture co-owners for joint operations. Also for the six months ended March 31, 2011, we reported an increase of \$210,962 in share-based compensation expense as a result of the issuance of stock options granted to our directors and shares issued to a new director as an incentive to join our Board and shares issued to a contractor as compensation for services provided to our Company. For the six months ended March 31, 2011, our depreciation and accretion expense decreased by \$26,303 from the comparable period ended March 31, 2010, which was primarily due to a decrease in depreciation expense on the value of our assets. No significant asset purchases were made in the six months ended March 31, 2011 and no significant change incurred for accretion expense.

As reported on our Consolidated Statement of Cash Flows, cash used in investing activities for the six months ended March 31, 2011 increased by \$185,698 from the comparable period ended March 31, 2010, which was primarily due to an increase on investment in oil and gas properties from cash used to pay for engineering fees to evaluate our properties. We also recorded \$15,678 in interest from long term investments, which are held in trust by the ERCB, compared to \$8,811 in interest received from long term investments for the comparable period ended March 31, 2010. These investments are required by the ERCB to ensure there are sufficient future cash flows to meet the expected future asset retirement obligations, and are restricted for this purpose.

Our cash and cash equivalents for the period ended March 31, 2011, was \$1,231,486. 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 sale of common stock upon the exercise of certain warrants, realizing gross proceeds of approximately \$21.6 million in cash. In our 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 57,462,810 warrants outstanding with exercise prices ranging from \$0.105 to \$1.20. These warrants expiration dates range from August 14, 2011 to November 9, 2013. If all of these warrants are exercised we may realize aggregate cash proceeds of approximately \$22.9 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 operations, 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.

### **Forward-Looking Statement**

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;
- our ability to receive approvals from the ERCB for additional tests to further evaluate the wells on our lands;
- 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, 2010, 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, 2010, filed with the Securities and Exchange Commission on December 27, 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 4. CONTROLS AND PROCEDURES**

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

As of the end of our fiscal quarter ended March 31, 2011, 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 Exchange Act of 1934) 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 completely 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 March 31, 2011, there were no changes in our internal control over financial reporting that would have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **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, 2010, filed with the Securities and Exchange Commission on December 27, 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, 2010, filed with the Securities and Exchange Commission on December 27, 2010.

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

None.

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

None.

### **ITEM 4. (REMOVED AND RESERVED)**

### **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 May 18, 2011

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

Date May 18, 2011

**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., certifies that:

1. I have reviewed this Quarterly Report on Form 10-Q of Deep Well Oil & Gas, Inc. for the quarterly period ended March 31, 2011;
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: May 18, 2011

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., certifies that:

1. I have reviewed this Quarterly Report on Form 10-Q of Deep Well Oil & Gas, Inc. for the quarterly period ended March 31, 2011;
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: May 18, 2011

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 of Deep Well Oil & Gas, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2011 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: May 18, 2011

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 of Deep Well Oil & Gas, Inc. (the “Company“) on Form 10-Q for the period ended March 31, 2011 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: May 18, 2011

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