

**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, 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

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 December 31, 2011 was 136,739,971.

## TABLE OF CONTENTS

**Page  
Number**

### **PART I – FINANCIAL INFORMATION**

ITEM 1.	CONSOLIDATED FINANCIAL STATEMENTS (unaudited)	
	Consolidated Balance Sheets	3
	Consolidated Statements of Operations and Comprehensive Loss	4
	Consolidated Statements of Cash Flows	5
	Notes to the Consolidated Financial Statements	6
ITEM 2.	MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	16
ITEM 3.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	21
ITEM 4.	CONTROLS AND PROCEDURES	21

### **PART II – OTHER INFORMATION**

ITEM 1.	LEGAL PROCEEDINGS	21
ITEM 1A.	RISK FACTORS	21
ITEM 2.	UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS	21
ITEM 3.	DEFAULTS UPON SENIOR SECURITIES	21
ITEM 4.	REMOVED AND RESERVED	21
ITEM 5.	OTHER INFORMATION	21
ITEM 6.	EXHIBITS	22
<b>SIGNATURES</b>		<b>23</b>

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

	<b>December 31, 2011</b>	September 30, 2011
	(Unaudited)	(Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 507,733	\$ 723,766
Accounts receivable net of allowance of \$368,753 (September 30, 2011 - \$350,298)	27,344	34,727
Accounts receivable – related party (Note 9)	49	2,522
Prepaid expenses	<u>42,089</u>	<u>48,298</u>
<b>Total Current Assets</b>	<b>577,215</b>	809,313
<b>Long term investments</b> (Note 8)	<b>253,153</b>	247,937
<b>Oil and gas properties</b> (Note 3)	<b>13,159,654</b>	13,140,951
<b>Property and equipment net of depreciation</b> (Note 7)	<u><b>400,967</b></u>	<u>425,895</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>14,390,989</u></b>	<b>\$ <u>14,624,096</u></b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 14,795	\$ 18,926
Accounts payable – related parties (Note 9)	<u>243,086</u>	<u>202,638</u>
<b>Total Current Liabilities</b>	<b>257,881</b>	221,564
<b>Asset retirement obligations</b> (Note 10)	<u><b>398,220</b></u>	<u>387,368</u>
<b>TOTAL LIABILITIES</b>	<u><b>656,101</b></u>	<u>608,932</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Common Stock:</b> (Note 11)		
Authorized: 300,000,000 shares at \$0.001 par value		
Issued and outstanding: 136,739,971 shares		
(September 30, 2011 – 136,739,971 shares) (Note 11)	136,739	136,739
<b>Additional paid in capital</b>	<b>27,099,965</b>	27,058,078
<b>Deficit accumulated during exploration stage</b>	<u><b>(13,501,816)</b></u>	<u>(13,179,653)</u>
<b>Total Shareholders' Equity</b>	<u><b>13,734,888</b></u>	<u>14,015,164</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ <u>14,390,989</u></b>	<b>\$ <u>14,624,096</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, 2011, and 2010 and the Period from September 10, 2003**  
**(Inception of Exploration Stage) to December 31, 2011**

	Three Months Ended December 31, 2011	Three Months Ended December 31, 2010	September 10, 2003 to December 31, 2011
<b>Revenue</b>	\$ <u>          –</u>	\$ <u>          –</u>	\$ <u>          –</u>
<b>Expenses</b>			
General and administrative	308,411	222,207	13,283,402
Depreciation and accretion	<u>31,393</u>	<u>40,976</u>	<u>573,439</u>
<b>Net loss from operations</b>	(339,804)	(263,183)	(13,856,841)
<b>Other income and expenses</b>			
Rental and other income	16,771	1,668	40,542
Interest income	934	450	211,017
Interest expense	–	–	(208,580)
Forgiveness of loan payable	–	–	287,406
Settlement of debt	–	–	24,866
Loss on disposal of assets	<u>(64)</u>	<u>          –</u>	<u>(226)</u>
<b>Net loss and comprehensive loss</b>	\$ <u>(322,163)</u>	\$ <u>(261,065)</u>	\$ <u>(13,501,816)</u>
<b>Net loss per common share</b>			
Basic and Diluted	\$ <u>          0.00</u>	\$ <u>          0.00</u>	
<b>Weighted Average Outstanding Shares (in thousands)</b>			
Basic and Diluted	<u>136,740</u>	<u>136,060</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, 2011 and 2010 and the Period from September 10, 2003  
(Inception of Exploration Stage) to December 31, 2011**

	<b>Three Months Ended December 31, 2011</b>	<b>Three Months Ended December 31, 2010</b>	<b>September 10, 2003 to December 31, 2011</b>
<b>Cash Provided by (Used in):</b>			
<b>Operating Activities</b>			
Net loss	\$ (322,163)	\$ (261,065)	\$ (13,501,816)
Items not affecting cash:			
Share based compensation	41,887	-	1,259,310
Bad debts	-	-	522,240
Depreciation and accretion	31,393	40,976	573,438
Forgiveness of loan payable	-	-	(287,406)
Settlement of lawsuit	-	-	435,549
Commissions withheld from loans proceeds	-	-	121,000
Loss on disposal of assets	64	-	226
Net changes in non-cash working capital (Note 13)	<u>52,382</u>	<u>35,802</u>	<u>(337,268)</u>
Net Cash (Used) in Operating Activities	<u>(196,437)</u>	<u>(184,287)</u>	<u>(11,214,727)</u>
<b>Investing Activities</b>			
Purchase of property and equipment	(860)	-	(904,469)
Investment in oil and gas properties	(13,520)	(138,931)	(8,588,894)
Long term investments	(5,216)	(6,432)	(253,153)
Cash from acquisition of subsidiary	-	-	11,141
Return of costs from farmout agreement	-	-	961,426
Net Cash (Used) in Investing Activities	<u>(19,596)</u>	<u>(145,363)</u>	<u>(8,773,949)</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
Net Cash Provided by Financing Activities	<u>-</u>	<u>2,001,445</u>	<u>20,496,409</u>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(216,033)</b>	<b>1,671,795</b>	<b>507,733</b>
<b>Cash and cash equivalents, beginning of period</b>	<b><u>723,766</u></b>	<b><u>103,550</u></b>	<b><u>-</u></b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ <u>507,733</u></b>	<b>\$ <u>1,775,345</u></b>	<b>\$ <u>507,733</u></b>
<b>Supplemental Cash Flow Information:</b>			
Cash paid for interest	\$ -	\$ -	

*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, 2011**

---

**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, 2011.

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, 2011.

**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.

## **Allowance for Doubtful Accounts**

The Company determines allowances for doubtful accounts based on aging of specific accounts. Accounts receivable are stated at the historical carrying amounts net of allowances for doubtful accounts and include only the amounts the Company deems to be collectable.

## **Property and 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 December 31, 2011, asset retirement obligations amount to \$398,220. 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 Method**

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 the basic and diluted per share amounts are the same.

## **Financial Instruments**

### **Fair Values**

Financial instruments include cash and cash equivalents, accounts receivable, accounts receivable - related party, long term investments, investment in equity securities, accounts payable and accounts payable - related parties. 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.

### **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 December 31, 2011, Northern's net payments due in Canadian dollars under this commitment are as follows:

2012	\$	33,869
2013	\$	45,158
2014	\$	45,158
2015	\$	45,158
2016	\$	45,158
2017	\$	45,158
Subsequent	\$	88,883

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 December 31, 2011, the Company has an interest in ten wells, which can be counted towards these requirements.

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, which can be counted towards these requirements.

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. 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, 2011 (September 30, 2011 - \$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 April 30, 2009, 1.5 sections of previously owned leases reverted back to the provincial government.

#### **4. Capitalization of Costs Incurred in Oil & Gas Activities**

The Company accounts for the cost of exploratory wells and continues to capitalize exploratory well costs after the completion of drilling as long as sufficient progress is being made in assessing the oil sands reserves to justify its completion as a producing well.

For the period ending December 31, 2011, the Company's management determined that sufficient progress has been made in assessing its oil sands reserves for continued capitalization of exploratory well costs. In relation to this sufficient progress assessment of its oil sands project the Company considered among other criteria; long lead times in getting regulatory approval for oil sands thermal recovery projects, road bans, winter access only properties and governmental and environmental regulations which can and often delay development of oil sands projects. Because of these and other factors, the Company's oil sands project can take significantly longer to complete than regular conventional drilling programs for lighter oil. To date the Company's geological, engineering and economic studies continue to lead them to believe that there is continuing progress toward bringing the project to commercial production. Therefore, the Company has continued to capitalize its costs associated with its oil sands project.

For the Company's exploratory wells, drilling costs are capitalized on the balance sheet under "Oil and Gas Properties" line item, pending a determination of whether potentially economic oil sands reserves have been discovered by the drilling effort to justify completion of the find as a producing well. The Company periodically assesses the exploration and drilling capitalized costs for impairment and once a determination is made that a well is of no potential economic value, the costs related to that well are expensed as dry hole and reported in exploration expense.

The following table illustrates capitalized costs relating to oil and gas – producing activities for two periods ended December 31, 2011 and September 30, 2011:

	<u>December 31, 2011</u>	<u>September 30, 2011</u>
Unproved Oil and Gas Properties	\$ 13,186,239	\$ 13,165,546
Proved Oil and Gas Properties	-	-
Accumulated Depreciation	<u>(26,585)</u>	<u>(24,595)</u>
Net Capitalized Cost	<u>\$ 13,159,654</u>	<u>\$ 13,140,951</u>

#### **5. Exploration Activities**

The following table presents information regarding the Company's costs incurred in the oil and gas property acquisition, exploration and development activities for two periods ended December 31, 2011 and September 30, 2011:

	<u>December 31, 2011</u>	<u>September 20, 2011</u>
Acquisition of Properties:		
Proved	\$ -	\$ -
Unproved	20,693	422,362
Exploration costs	47,153	163,914
Development costs	-	-

#### **6. Investment in Equity Securities**

On February 25, 2005, the Company acquired an interest in Signet Energy Inc. ("Signet" formerly Surge Global Energy, Inc.) as a result of a Farmout Agreement. As of November 19, 2008, the Company converted its Signet shares into 2,241,558

shares of Andora Energy Corporation (“Andora”), which represents an equity interest in Andora of approximately 3.9% as of December 31, 2011, which is Andora’s fiscal year end. These shares are carried at a nominal value using the cost method and their value is included under oil and gas properties on our balance sheet.

## **7. Property and Equipment**

	<b>December 31, 2011</b>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Computer equipment	\$ 31,084	\$ 28,095	\$ 2,989
Office furniture and equipment	33,199	18,894	14,305
Software	5,826	5,826	–
Leasehold improvements	4,936	2,410	2,526
Portable work camp	170,580	104,862	65,718
Vehicles	38,077	23,407	14,670
Oilfield equipment	154,713	69,184	85,529
Road mats	364,614	224,142	140,472
Wellhead	3,254	585	2,669
Tanks	96,085	23,996	72,089
	<u>\$ 902,368</u>	<u>\$ 501,401</u>	<u>\$ 400,967</u>

	<b>September 30, 2011</b>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Computer Equipment	\$ 30,655	\$ 28,060	\$ 2,595
Office furniture and equipment	33,199	18,141	15,058
Software	5,826	5,826	–
Leasehold improvements	4,936	2,277	2,659
Portable work camp	170,580	99,533	71,047
Vehicles	38,077	22,218	15,859
Oilfield equipment	154,713	64,682	90,031
Road Mats	364,614	212,752	151,862
Wellhead	3,254	407	2,847
Tanks	96,085	22,148	73,937
	<u>\$ 901,939</u>	<u>\$ 476,044</u>	<u>\$ 425,895</u>

There was \$25,727 of depreciation expense for the period ended December 31, 2011 (September 30, 2011 - \$141,031).

## **8. 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.

## **9. Significant Transactions With Related Parties**

Accounts receivable – related party was \$49 as of December 31, 2011 (September 30, 2011 - \$2,522) for rents receivables from a corporation owned by a director. This amount is unsecured, non-interest bearing and has no fixed terms of repayment. The balance was repaid subsequent to year end.

Accounts payable – related parties was \$243,086 as of December 31, 2011 (September 30, 2011 - \$202,638) for fees payable to corporations owned by directors. This amount is unsecured, non-interest bearing, and has no fixed terms of repayment.

As of December 31, 2011, officers, directors, their families, and their controlled entities have acquired 52.19% of the Company’s outstanding common capital stock. This percentage does not include unexercised warrants or stock options.

The Company incurred expenses totalling \$80,611 to two related parties for professional fees and consulting services during the period ended December 31, 2011 (September 30, 2011 - \$209,117).

## **10. 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, 2011, the Company estimates the undiscounted cash flows related to asset retirement obligation to total approximately \$640,870 (September 30, 2011 - \$644,226). The fair value of the liability at December 31, 2011 is estimated to be \$398,220 (September 30, 2011 - \$387,368) 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, 2011</u>	<u>September 30, 2011</u>
Balance, beginning of year	\$ 387,368	\$ 386,934
Liabilities incurred	-	-
Effect of foreign exchange	7,176	(5,490)
Disposal	-	(6,839)
Accretion expense	3,676	12,763
<b>Balance, end of year</b>	<b>\$ 398,220</b>	<b>\$ 387,368</b>

## **11. Common Stock**

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 \$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 of Directors (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 the 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 the Company during the period from April 1, 2010 to March 31, 2011. These transactions have been recorded on in the Balance Sheets under Shareholders' Equity at the fair value of the common shares issued.

On August 14, 2011, 12,638,297 warrants previously granted on August 14, 2008 expired unexercised.

On October 31, 2011, 14,500,000 warrants previously granted on October 31, 2008 expired unexercised.

There were 30,324,513 warrants outstanding as of December 31, 2011, (September 30, 2011 - 44,824,513), which have a historical fair market value of \$1,058,429.

## **12. Stock Options**

On November 28, 2005, the Board of Deep Well adopted the Deep Well Oil & Gas, Inc. Stock Option Plan (the "Plan"). The Plan was approved by the 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 previously 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.

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.

On October 25, 2011, 375,000 stock options previously granted on October 25, 2006 to Mr. David Roff expired unexercised.

For the period ended December 31, 2011, the Company recorded share based compensation expense related to stock options in the amount of \$41,887 (September 30, 2011 – \$199,081) on the 2,700,000 stock options issued March 23, 2011. No options were exercised during the period ended December 31, 2011, therefore, the intrinsic value of the options exercised during the period ended December 31, 2011 is \$nil. As of December 31, 2011, there was remaining unrecognized compensation cost of \$92,728 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 December 31, 2011	240,000	0.72	\$ 0.47	240,000	\$ 0.47
\$0.14 at December 31, 2011	2,736,000	4.18	0.14	936,000	0.14
	<u>2,976,000</u>	<u>3.90</u>	<u>\$ 0.17</u>	<u>1,176,000</u>	<u>\$ 0.17</u>

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

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

	Number of Shares	Weighted Average Exercise Price	Weighted Average Fair Market Value
Balance, September 30, 2011	3,351,000	\$ 0.23	\$ 0.15
Options expired October 25, 2011	<u>(375,000)</u>	<u>0.71</u>	<u>0.27</u>
Balance, December 31, 2011	<u>2,976,000</u>	<u>\$ 0.17</u>	<u>\$ 0.13</u>
Exercisable, December 31, 2011	<u>1,976,000</u>	<u>\$ 0.21</u>	<u>\$ 0.15</u>

The following table summarizes the activity of the Company's non-vested stock options since September 30, 2011:

	Non-Vested Options	
	Number of Shares	Weighted Average Exercise Price
Non-vested at September 30, 2011	1,800,000	\$ 0.14
Non-vested at December 31, 2011	1,800,000	\$ 0.14

### 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. The following assumptions are used in the Black-Scholes option-pricing model:

**Expected Term** – Expected term of 5 years represents the period that the Company's stock-based awards are expected to be outstanding.

**Expected Volatility** – Expected volatilities are based on historical volatility of the Company's stock, adjusted where determined by management for unusual and non-representative stock price activity not expected to recur. The expected volatility used was 116%.

**Expected Dividend** – The Black-Scholes valuation model calls for a single expected dividend yield as an input. The Company currently pays no dividends and does not expect to pay dividends in the foreseeable future.

**Risk-Free Interest rate** – The Company bases the risk-free interest rate on the implied yield currently available on U.S. Treasury zero-coupon issues with an equivalent remaining term. The risk-free rate used was 2.07%.

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

	Three Months Ended December 31, 2011	Three Months Ended December 31, 2010
Accounts receivable	\$ 9,856	\$ (7,082)
Prepaid expenses	6,209	38,430
Accounts payable	36,317	4,454
	<u>\$ 52,382</u>	<u>\$ 35,802</u>

### 14. 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 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 due in Canadian dollars are as follows:

2012	\$ 55,035
2013	\$ 47,647
2014	\$ 10,625

## **15. Legal Actions**

### **IGM 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 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 December 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 December 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 indicates 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 and Results of Operations – "Forward-Looking Statements" below and elsewhere in this report, and under the heading "Risk Factors" and "Environmental Laws and Regulations" in our annual report on Form 10-K for the fiscal year ended September 30, 2011, filed with the Securities and Exchange Commission on December 29, 2011.

*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 & Gas, Inc., along with its 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 market that requires companies to be up to date in their filing requirements under the Securities Exchange Act of 1934.

### Results of Operations for the Three Months Ended December 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 three months ended December 31, 2011, and for the comparable period in the prior year, we generated no revenues from operations.

	<b>Three Months Ended December 31, 2011</b>	Three Months Ended December 31, 2010	September 10, 2003 to December 31, 2011
<b>Revenue</b>	\$ <u>                    –</u>	\$ <u>                    –</u>	\$ <u>                    –</u>
<b>Expenses</b>			
General and administrative	\$ <b>308,411</b>	\$ 222,207	\$ 13,283,402
Depreciation and accretion	<u>31,393</u>	<u>40,976</u>	<u>573,439</u>
<b>Net loss from operations</b>	<b>(339,804)</b>	(263,183)	(13,856,841)
<b>Other income and expenses</b>			
Rental and other income	<b>16,771</b>	1,668	40,542
Interest income	<b>934</b>	450	211,017
Interest expense	–	–	(208,580)
Forgiveness of loan payable	–	–	287,406
Settlement of debt	–	–	24,866
Loss on disposal of assets	<u>(64)</u>	–	<u>(226)</u>
<b>Net loss and comprehensive loss</b>	<b>\$ <u>(322,163)</u></b>	<b>\$ <u>(261,065)</u></b>	<b>\$ <u>(13,501,816)</u></b>



For the quarter ended December 31, 2011, our general and administrative expenses increased by \$86,204 from the quarter ended December 31, 2010, which increase was primarily due to (i) \$41,887 of share-based compensation charged to expense, which was related to vested stock options that were granted to our directors, and (ii) \$47,153 for operations charged to expense primarily for engineering fees to further evaluate our properties. For the quarter ending December 31, 2011, our general and administrative expenses, excluding share-based compensation expense of \$47,887 and \$47,153 in operations charged to expense, were \$219,371. For the quarter ended December 31, 2010 our general and administrative expenses were \$222,207. No share based compensation expense was recorded in the quarter end December 31, 2010. Based on this analysis our general and administrative costs remained relatively the same compared to our December 31, 2010 quarter-end. On March 23, 2011, our Board of Directors granted our directors, Dr. Horst A. Schmid, Mr. Said Arrata, Mr. Satya Das, Mr. David Roff, Mr. Curtis James Sparrow and Mr. Malik Youyou, options to purchase 450,000 shares 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 an expiration date of March 23, 2016.

For the quarter ended December 31, 2011, depreciation and accretion expense decreased by \$9,583 compared to the quarter ended December 31, 2010, which was due to the depreciating value of our assets. Depreciation expense is computed using the declining balance method over the estimated useful life of the asset. In compliance with our accounting policy, only half of the depreciation is taken in the year of acquisition. No significant asset purchases were made in the quarter ended December 31, 2011.

For the quarter ended December 31, 2011, rental and other income increased by \$15,103 compared to the quarter ended December 31, 2010, which was primarily due to an increase in income earned from subleasing a portion of our office space and other one-time fees.

For the quarter ended December 31, 2011, interest income increased by \$450 compared to the quarter ended December 31, 2010, which was primarily due to an increase in interest income received from our cash held in banks.

As a result of the above transactions, our net loss and comprehensive loss from operations for the quarter ended December 31, 2011 increased by \$61,098 compared to the quarter ended December 31, 2010. As discussed above, this increase was due to share-based compensation charged to expense and operations charged to expense primarily for engineering fees to further evaluate our properties.

## **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 on seven oil sands leases where we are the operator and a 40% working interest in an additional 12 contiguous sections on two oil sands leases in the Peace River oil sands area of Alberta, Canada. These nine oil sands leases cover 43,015 gross acres (17,408 gross hectares) with Deep Well having 31,376 net acres (12,698 net hectares).

Currently we have in place joint operating agreements with two other joint interest partners to manage our joint oil sands leases, all based on the 1990 Canadian Association of Petroleum Landmen (“CAPL”) Operating Procedure. Under these agreements our joint oil sands leases were evaluated seismically, geologically and by drilling to establish the continuity and the distribution of the crude bituminous-bearing Bluesky reservoir zone across our joint lands.

During our winter drilling season of 2008/2009 we successfully completed a drilling program and met our objectives by drilling six vertical wells, three of which were drilled on our oil sands permit in order to provide technical data to support the required Alberta Department of Energy regulation to convert our 5-year oil sands permit into a 15-year primary lease. The other three wells were drilled further to the North of any of our existing wells confirming the continuation of the main reservoir trend to the northwest. These wells were drilled to a depth of approximately 700 meters each. Along with the acquisition of road infrastructure on our properties, we acquired a well on our oil sands lease that was previously drilled and cased for heavy oil production in the Bluesky reservoir zone by an unrelated third party. In addition, we have a 40% working interest in three horizontal wells, which were previously drilled by our former farmout partner and are pending further evaluation and the development of an exploitation plan with our joint interest partner. All of our exploratory wells were logged, cored and analyzed by independent expert service providers.

In September 2009, we submitted an application to the Energy Resources Conservation Board (“ERCB”) for a commercial bitumen recovery scheme to evaluate one of our wells for potential development using Cyclical Steam Stimulation (“CSS”). Over a year later in October 2010, this application was approved by the ERCB. We have since put together a team of reservoir, drilling and completions engineers, along with project management and environmental consultants to assist us in the development of our pilot project using in-situ recovery technology. The CSS process involves steam injection into a well for a period of up to 60 days, potentially a “soaking” period of up to 5 days, followed by production of heavy oil for up to 60 days or more. This CSS thermal recovery scheme is not only for the production of heavy oil from the Bluesky reservoir zone of our Sawn Lake project but it will also aid in quantifying proven and probable reserves of oil.

In July 2010 and June 2011, it was determined through two separate independent reservoir engineering firms that our exploratory

wells have found sufficient quantities of heavy oil in place to justify the completion of our wells for future production. It was also confirmed that our properties are suitable for employing thermal recovery methods on them. In addition, another hydrocarbon bearing zone was identified up-hole from the Bluesky reservoir zone presently being concentrated on by our Company. This secondary heavy oil zone is in the Peace River formation. We intend to continue the development of the larger Bluesky reservoir and at the same time we intend to evaluate this newly discovered reservoir by coring future wells where they intersect this zone.

In December 2010 and January 2011, two separate independent reservoir engineering firms prepared National Instrument 51-101 (a Canadian evaluation engineering standard) compliant resource appraisal reports for one of our joint venture partners. These reports evaluated the resource of some of our Sawn Lake joint properties and included an economic evaluation of the oil sands leases in the Sawn Lake area based on using thermal recovery to exploit the resource.

In 2011, we evaluated the options for production available to us to determine the preferable course of action for our Sawn Lake project. Drilling on 80% owned lands has opened new avenues for testing and further development of our Sawn Lake project. We have worked with two independent reservoir engineering companies to prepare a reservoir modeling simulation studies to determine the preferred method for us to develop our reservoir. Following these reservoir models and the recommendation of our reservoir engineers, we intend to develop a thermal pilot project on our properties, followed by a commercial expansion project. To further this goal in 2011, we engaged environmental consultants to proceed with the environmental studies mandated by Alberta environmental regulations before we can embark on our proposed thermal pilot project. The development progress of our properties is governed by several factors, such as federal and provincial governmental regulations.

Our proposed pilot project will be located on the Northern half of section 10-92-13W5 and has good road access on most of Penn West Petroleum Ltd.'s ("Penn West") hard packed roads. Section 10-92-13W5 is approximately 3 kilometers away from the nearest Penn West hard packed road. We intend to upgrade our existing winter road to section 10-92-13W5 to an all-weather road. We intend to acquire the remaining road and build it as an all-weather road up to the proposed pilot project site. We plan to upgrade and or build the all-weather road to our proposed pilot project well site location during the initial phase of the project development.

### Liquidity and Capital Resources

As of December 31, 2011, our total assets were \$14,390,989. The decrease in our total assets from September 30, 2011 was primarily due to cash used to pay for costs relating to our CSS pilot project, which included engineering fees to evaluate our properties and general office expenses. Our total liabilities as of December 31, 2011 were \$656,101. The increase in our total liabilities from September 30, 2011 was primarily due to an increase in accounts payable relating to fees we accrued that were payable to executive officers of our Company. As of December 31, 2011, our working capital was \$319,334.

Our working capital (current liabilities subtracted from current assets) as of December 31, 2011 and September 31, 2011 was as follows:

	<b>Three Months Ended December 31, 2011</b>	Year Ending September 30, 2011
Current Assets	\$ 577,215	\$ 809,313
Current Liabilities	257,881	221,564
Working Capital	<u>\$ 319,334</u>	<u>\$ 587,749</u>

As reported on our Consolidated Statement of Cash Flows under "Operating Activities", for the quarter ended December 31, 2011, we incurred an increase of \$41,887 in share-based compensation, which was related to the issuance of stock options granted to our directors on March 23, 2011. We did not record any incurred share-based compensation in the quarter ended December 31, 2010. For further information, see Note 12 to our consolidated financial statements included in this quarterly report on Form 10-Q. For the quarter ended December 31, 2011, our depreciation and accretion expense decreased by \$9,583 from the quarter ended December 31, 2010, which was primarily due to a decrease in depreciation expense on our assets. No significant asset purchases were made in the quarter ended December 31, 2011. For the quarter ended December 31, 2011 we had an increase of \$16,580 in net changes in non-cash working capital from the quarter ended December 31, 2010, which was primarily due to (i) an increase in accounts payable relating to fees we accrued that were payable to executive officers of our Company, and (ii) a decrease in prepaid expenses held as retainers for future services to be rendered to our Company.

As reported on our Consolidated Statement of Cash Flows under "Investing Activities", we had a decrease of \$125,411 on investment in our oil and gas properties for the quarter ended December 31, 2011 from the quarter ended December 31, 2010, which was primarily due to a decline in our field operations. For the quarter ended December 31, 2011, no additional money was required to be deposited with the ERCB to be held in trust. These investments are required by the ERCB to ensure there are sufficient future cash to meet the expected future asset retirement obligations, and are restricted for this purpose.

As reported on our Consolidated Statement of Cash Flows under “Financing Activities”, we did not enter into any agreements for cash proceeds from the issuance of our common stock for the quarter ended December 31, 2011. For the quarter ended December 31, 2010, we received cash proceeds from two private placements we completed in November 2010, in connection with which we issued an aggregate of 29,285,713 shares of common stock to two investors, at a price of \$0.07 per common share, for total gross cash proceeds of \$2,050,000, of which we had previously received a \$48,555 deposit that was recorded in our consolidated financial statements in respect of our fiscal year ended September 30, 2010.

Our cash and cash equivalents for the period ending December 31, 2011 was \$507,733 compared to \$1,775,345 from the quarter ended December 31, 2010, which decrease was primarily due to cash used to pay for costs relating to our CSS pilot project, which included engineering fees to evaluate our properties and general office expenses. 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 other securities, and the sale of our common stock upon the exercise of certain warrants, realizing gross proceeds of approximately \$21.6 million in cash. In some of these offerings, we sold units comprised of common stock and warrants to purchase additional common stock, and as a result of these offerings, we have an aggregate of 30,324,513 warrants outstanding as of December 31, 2011 with exercise prices ranging from \$0.105 to \$1.20 per share and are exercisable into 30,324,513 common shares of our Company stock. The warrants expiration dates range from June 22, 2012 to November 9, 2013. If all of these warrants are exercised we may realize aggregate cash proceeds of approximately \$4.3 million. However, the warrant holders have complete discretion as to when and 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 equity securities. 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 our 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.

#### **Cautionary Note Regarding Forward-Looking Statements**

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, often 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 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, 2011, filed with the SEC on December 29, 2011. 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 or amendments thereto 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 December 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 Securities 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 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 Securities and Exchange Commission 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, 2011, there were no changes in our internal control over financial reporting that 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, 2011, filed with the Securities and Exchange Commission on December 29, 2011.

### **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, 2011, filed with SEC on December 29, 2011.

### **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**

#### ***Information to be Reported on Form 8-K***

We reported all information that was required to be disclosed on Form 8-K during the period covered by this quarterly report on Form 10-Q.

**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.
	101	Interactive Data Files

## 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 14, 2012

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

Date February 14, 2012

**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, 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: February 14, 2012

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, 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: February 14, 2012

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 December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Dr. Horst A. Schmid, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (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 14, 2012

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 December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Mr. Curtis James Sparrow, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (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 14, 2012

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