

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

**FORM 10-K**

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
**For the fiscal year ended September 30, 2012**

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**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

**None**

Name of each exchange on which registered

**None**

Securities registered pursuant to Section 12(g) of the Act:

**Common Stock, \$0.001 par value per share**

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 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 Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 Act).

Yes  No

The aggregate market value of the registrant's common stock held by non-affiliates computed by reference to the price at which the common equity was sold on March 30, 2012 was approximately \$5.2 million.

As of December 31, 2012, the Issuer had outstanding approximately 179,597,113 shares of common stock, \$0.001 par value per share.

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## GLOSSARY AND ABBREVIATIONS

The following are defined terms and abbreviations used herein:

**API Gravity** – a specific gravity scale developed by the American Petroleum Institute for measuring the density or specific gravity (heaviness) of petroleum liquids, expressed in degrees. The higher the number, the lighter the oil.

**Barrel** – the common unit for measuring petroleum, including heavy oil. One barrel contains approximately 159 L.

**Battery** – equipment to process or store crude oil from one or more wells.

**Bbl or Bbls** – means barrel or barrels.

**Bitumen** – a heavy, viscous form of crude oil that generally has an API gravity of less than 10 degrees.

**Cdn** – means Canadian dollars.

**Celsius** – a temperature scale that registers the freezing point of water as 0 degrees and the boiling point as 100 degrees under normal atmospheric pressure. Room temperature is between 20 degrees and 25 degrees Celsius.

**Cold Flow** – a production technique where the oil is simply pumped out of the sands not using a Thermal Recovery Technique.

**Conventional Crude Oil** – crude oil that flows naturally or that can be pumped without being heated or diluted.

**Core** – a cylindrical rock sample taken from a formation for geological analysis.

**Crude Oil** – oil that has not undergone any refining. Crude oil is a mixture of hydrocarbons with small quantities of other chemicals such as sulphur, nitrogen and oxygen. Crude oil varies radically in its properties, namely specific gravity and viscosity.

**Cyclic Steam Stimulation (“CSS”) or Horizontal Cyclic Steam Stimulation (“HCSS”)** – a thermal in situ recovery method, which consists of a three-stage process involving high-pressure steam injected into the formation for several weeks through vertical or horizontal wells. The heat softens the oil while the water vapor helps to dilute and separate the oil from the sand grains. The pressure also creates channels through which the oil can flow more easily to the well. When a portion of the reservoir is thoroughly saturated, the steam is turned off and the reservoir maybe left to “soak” a short period of time. This is followed by the production phase, when the oil flows, or is pumped, up the same wells to the surface. When production rates decline, another cycle of steam injection begins. This process is sometimes called “huff-and-puff” recovery and can be done utilizing vertical or horizontal wells.

**Darcy (Darcies)** – a measure of rock permeability (the degree to which natural gas or crude oil can move through the rocks).

**Density** – the heaviness of crude oil, indicating the proportion of large, carbon-rich molecules, generally measured in kilograms per cubic metre (kg/m<sup>3</sup>) or degrees on the American Petroleum Institute (API) scale.

**Development Well** – a well drilled within an area of a natural gas or oil reservoir to the depth of a stratigraphic horizon to which proven reserves have been assigned.

**Diluents** – light petroleum liquids used to dilute bitumen and heavy oil so they can flow through pipelines.

**Drill Stem Test (“DST”)** – a method of formation testing. The basic drill stem test tool consists of a packer or packers, valves or ports that may be opened and closed from the surface, and two or more pressure-recording devices. The tool is lowered on the drill string to the zone to be tested. The packer or packers are set to isolate and test the zone from the drilling fluid column.

**Drill String** – the column, or string, of drill pipe with attached tool joints that transmits fluid and rotational power from the drilling rig on the surface to the drill collars and the bit. Often, the term is loosely applied to include both drill pipe and drill collars.

**Enhanced Oil Recovery** – any method that increases oil production by using techniques or materials that are not part of normal pressure maintenance or water flooding operations. For example, natural gas can be injected into a reservoir to “enhance” or increase oil production.

**Energy Resources Conservation Board (“ERCB”)** – The ERCB is responsible for the development of Alberta’s oil (including oil sands) and gas resources. The ERCB regulates the safe, responsible, and efficient development of Alberta’s energy resources which include oil, natural gas, oil sands, coal, and pipelines.

**Exploratory Well** – a well drilled to find and produce natural gas or oil in an unproven area, to find a new reservoir in a field previously found to be productive of natural gas or oil in another reservoir, or to extend a known reservoir.

**Farmout** – an arrangement whereby the owner (the “Farmor”) of a lease assigns some ownership portion (or all) of the lease(s) to another company (the “Farmee”) in return for the Farmee paying for the drilling on at least some portion of the lease(s) under the Farmout.

**Gross Acre/Hectare** – a gross acre is an acre in which any portion of a working interest is owned. 1 acre = 0.404685 hectares. 1 hectare = 2.471054 acres.

**Heavy Oil** – oil having an API gravity less than 22.3 degrees.

**Horizontal Well** – the drilling of a well that deviates from the vertical and travels horizontally through a producing layer of a reservoir.

**In situ** – In the oil sands context (*In situ* means “in place” in Latin), *In situ* methods such as SAGD or CSS through horizontal or vertical wells maybe required to produce the oil if the oil sands deposits are too deep to mine from the surface.

**Lease** – a legal document giving an operator the right to drill for or produce oil or gas; also, the land on which a lease has been obtained.

**License of Occupation (“LOC”)** – a surface crown agreement issued by the Alberta Department of Sustainable Resources Development granting the mineral producer the right to occupy public lands for an approved purpose, usually issued primarily for access roads or to construct access roads, but may also be issued for other purposes.

**Light Crude Oil** – liquid petroleum which has a low density and flows freely at room temperature. Also called conventional oil, it has an API gravity of at least 22 degrees and a viscosity less than 100 centipoise (cP).

**Mbbl or Mbbls** – means one thousand barrels or thousands of barrels.

**MMbbl or MMbbls** – means one million barrels or millions of barrels.

**Mineral Surface Lease (MSL)** – a surface crown agreement issued by the Alberta Department of Sustainable Resources Development granting the mineral producer the right to construct a well site on publicly owned land.

**Net Acre/Hectare** – a net acre is the result that is obtained when the fractional ownership working interest of a lease is multiplied by gross acres of that lease.

**Oil Sands** – naturally occurring mixtures of bitumen, water, sand and clay that are found mainly in three areas of Alberta - Athabasca, Peace River and Cold Lake. A typical sample of oil sand might contain about 12% bitumen by weight.

**Pay Zone (Net Oil Pay)** – the producing part of a formation.

**Permeability** – the capacity of a reservoir rock to transmit fluids; or how easily fluids can pass through a rock. The unit of measurement is the darcy or millidarcy.

**Porosity** – the capacity of a reservoir to store fluids, the volume of the pore space within a reservoir, measured as a percentage.

**Primary Recovery** – the production of oil and gas from reservoirs using the natural energy available in the reservoirs and pumping techniques.

**Saturation** – the relative amount of water, oil, and gas in the pores of a rock, usually as a percentage of volume.

**SEC** – means United States Securities and Exchange Commission.

**Section** – in reference to a parcel of land, meaning an area of land comprising approximately 640 acres.

**Solution Gas** – natural gas that is found “in solution” within crude oil in underground reservoirs. When the oil comes to the surface, the gas expands and comes out of the solution.

**Specific Gravity** – The ratio of the heaviness of a substance compared to that of the same volume of water.

**Steam-Assisted Gravity Drainage (“SAGD”)** – pairs of horizontal wells (an upper well and a lower well) are drilled into an oil sands formation and steam is injected continuously into the upper well. As the steam heats the oil sands formation, the bitumen softens and drains into the lower well, from which it is brought to the surface.

**Thermal Recovery** – a type of improved recovery in which heat is introduced into a reservoir to lower the viscosity of heavy oils and to facilitate their flow into producing wells. The pay zone may be heated by injecting steam (steam drive) or by injecting air and burning a portion of the oil in place (in situ combustion).

**Upgrading** – the process that converts bitumen and heavy oil into a product with a density and viscosity similar to conventional light crude oil.

**Viscosity** – a measure of a fluid’s resistance to flow. To simplify, the oil’s viscosity represents the measure for which the oil wants to stay put when pushed by moving mechanical components. It varies greatly with temperature. The more viscous the oil the greater the resistance and the less easy it is for it to flow. Centipoise (cp) is the common unit for expressing absolute viscosity. Viscosity matters to producers because the oil’s viscosity at reservoir temperature determines how easily oil flows to the well for extraction.

## CURRENCY EXCHANGE RATES

Our functional currency is the US dollar. Therefore, our accounts are reported in United States dollars. However, our Canadian subsidiaries maintain their accounts and records in Canadian dollars. As a result the Canadian dollar amounts are converted according to our stated foreign currency translation accounting policy, except where otherwise indicated, all dollar amounts herein are stated in United States dollars.

The following table sets forth the rates of exchange for the Canadian dollar, expressed in US dollars, in effect at the end of the following periods and the average rates of exchange during such periods, based on the noon rates of exchange for such periods as reported by the Bank of Canada.

Year ending September 30,	2012	2011	2010	2009
Rate at end of year	\$ 0.9927	\$ 0.9626	\$ 0.9711	\$ 0.9327
Average rate for the year	\$ 1.0166	\$ 1.0140	\$ 0.9609	\$ 0.8472

Unless the context indicates another meaning, the terms “Company,” “Deep Well,” “we,” “us” and “our” refer to Deep Well Oil & Gas, Inc. and its subsidiaries through which it conducts business. For definitions of some terms used throughout this report, see “Glossary and Abbreviations”.

## PART I

### ITEM 1. BUSINESS

We are 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 oil sands land base that we presently own in the Peace River oil sands area in North Central Alberta. Our principal office is located at Suite 700, 10150 – 100 Street, Edmonton, Alberta 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 our common stock trades on the OTCQB marketplace under the symbol DWOG. We maintain a web site at [www.deepwelloil.com](http://www.deepwelloil.com). The contents of our website are not part of this annual report on Form 10-K.

#### **Formation of Organization**

Deep Well Oil & Gas, Inc. was originally incorporated on July 18, 1988 under the laws of the state of Nevada as Worldwide Stock Transfer, Inc. On October 25, 1990, Worldwide Stock Transfer, Inc. changed its name to Illustrious Mergers, Inc. On June 18, 1991, a company known as Allied Devices Corporation was merged with and into Illustrious Mergers, Inc. and its name was at that time changed to Allied Devices Corporation. On August 19, 1996, a company called Absolute Precision, Inc. was merged with and into Allied Devices Corporation and it retained its name as Allied Devices Corporation.

On February 19, 2003, Allied Devices Corporation filed a Petition for Relief under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court in and for the Eastern District of New York titled *In re: Allied Devices Corporation, et al.*, Chapter 11, Case No. 03-80962-511 (hereinafter referred to as the “Bankruptcy Action”).

On September 10, 2003, after notice to all creditors and a formal hearing, U.S. Bankruptcy Judge Melanie L. Cyganowski issued an “Order Confirming Liquidating Plan of Reorganization” in the Bankruptcy Action (hereinafter referred to as “Bankruptcy Order”). In conjunction with that Bankruptcy Order, Allied Devices Corporation’s (hereinafter referred to as the “Predecessor Company”) liabilities, among other things, were paid off and extinguished. The Bankruptcy Order, among other things, implemented a change of control and a group of new investors took control of the Predecessor Company and changed its name to Deep Well Oil & Gas, Inc.

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). For financial reporting purposes, Deep Well adopted the provisions of fresh-start reporting effective September 10, 2003. All periods presented prior to September 10, 2003, have been designated Predecessor Company.

Deep Well has two wholly owned subsidiaries under which it conducts its operations: (1) Northern Alberta Oil Ltd. (hereinafter referred to as “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. (hereinafter referred to as “Deep Well Alberta”), incorporated under the Business Corporations Act (Alberta), Canada on September 15, 2005.

## **Business Development**

On April 26, 2004, Northern (formerly known as Mikwec Energy Canada, Ltd. and later acquired by Deep Well) signed a Joint Operating Agreement with Pan Orient Energy Ltd. (formerly known as Maxen Petroleum Inc. hereinafter referred to as “Pan Orient”) to provide for the manner of conducting operations on three Peace River oil sands leases for a total of 32 sections covering 20,243 gross acres (8,192 gross hectares). The 32 sections were acquired jointly on April 23, 2004, with Northern having an 80% working interest and Pan Orient having a 20% working interest in the joint lands.

On August 18, 2004, Deep Well and Pan Orient jointly participated in a public offering of Crown Oil Sands Rights held by the Alberta Department of Energy, in which the joint parties successfully bid on three Peace River oil sands leases for a total of 31 sections covering 19,610 gross acres (7,936 gross hectares). Deep Well acquired an undivided 80% working interest and Pan Orient acquired an undivided 20% working interest in the joint property.

On February 25, 2005, Deep Well and Northern signed a farmout agreement (hereinafter referred to as the “Farmout Agreement”) with Surge Global Energy, Inc. (hereinafter referred to as “Surge US”) and Signet Energy Inc. (formerly known as Surge Global Energy Canada Ltd., and hereinafter referred to as “Signet”) (collectively, “Surge”). Signet subsequently merged with 1350826 Alberta Ltd. a wholly owned subsidiary of Andora Energy Corporation, and subsequently 1350826 Alberta Ltd. amalgamated with Andora Energy Corporation (hereinafter referred to as “Andora”, a company 71.8% owned by Pan Orient as of November 26, 2012). This Farmout Agreement allowed Surge to earn up to a 40% working interest in the farmout lands (50% of our share). And on November 26, 2007, pursuant to the Minutes of Settlement between us, Andora and Signet, Signet acquired 40% of our working interest in 12 sections on two oil sands leases. As part of the transfer to Signet of the 40% working interest, two of the original oil sands leases were split into four oil sands leases.

On June 7, 2005, Deep Well acquired 100% of the common shares of Northern in exchange for 18,208,875 shares of Deep Well’s common stock. Under the terms of the agreement, Deep Well acquired one hundred percent (100%) of Northern’s issued and outstanding common stock and obtained exclusive options to acquire one hundred percent (100%) of Northern’s preferred stock. The agreement provided that one hundred percent (100%) of Northern’s common and preferred shareholders would exchange their Northern shares for newly issued shares of Deep Well’s restricted common stock. Deep Well, through its acquisition of Northern, acquired an 80% working interest in three Peace River oil sands leases, one oil sands permit and one petroleum and natural gas license for a total of 38.5 sections covering 24,355 gross acres (9,856 gross hectares). Through this acquisition our Company more than doubled its acreage position in the Peace River oil sands to 43,965 gross acres (17,792 gross hectares).

On September 15, 2005, Deep Well Alberta was incorporated in order to hold Deep Well’s Canadian oil sands leases, which it acquired on August 18, 2004, other than the oil sands leases already held by Northern.

On April 4, 2007, Deep Well acquired the remaining preferred shares of Northern not already owned by it, resulting in Northern becoming a 100% wholly owned subsidiary of Deep Well.

On November 19, 2008, we entered into an arrangement whereby Deep Well Alberta and Northern exchanged their 755,000 and 6,795,000 common shares of Signet, respectively, into 224,156 and 2,017,402 common shares of Andora, respectively. Andora is our joint venture partner in some of our Sawn Lake oil sands project.

On April 30, 2009, the Alberta Department of Energy approved our application to convert 5 sections of our oil sands permit to a 15-year primary lease. By drilling on these lands where the permits were set to expire, we have preserved title to 5 sections and now have a primary lease, which is valid for an additional 15 years.

Effective December 3, 2012, Deep Well, through its subsidiaries, Deep Well Alberta and Northern, entered into and subsequently closed upon a Purchase and Sale agreement with Deep Well’s former joint venture partner, 1132559 Alberta Ltd. (“113”), pursuant to which we acquired 113’s 10% working interest in most of the Sawn Lake oil sands properties where Deep Well already owned working interests. After this acquisition, Deep Well, through its subsidiaries, Deep Well Alberta and Northern, now has a 90% working interest in 51 contiguous sections on seven oil sands leases where we are the operator, an 80% working interest in 5 sections on one oil sands lease, and a 50% working interest in an additional 12 contiguous sections on two oil sands leases in the Peace River oil sands area of Alberta, Canada. This transaction increased Deep Well’s net acres in the Sawn Lake oil sands properties from 31,376 to 35,360 net acres (12,698 to 14,310 net hectares).

## **Principal Product**

At this time, our primary interest is the exploration for and production of oil in the Peace River oil sands area located in North Central Alberta, Canada. We are engaged in the identification, acquisition, exploration and development of oil and gas prospects. Our immediate focus is the oil sands leases we hold in the Peace River oil sands area. Our main objective is to develop our existing oil sands lease holdings as well as identify and develop other commercially viable oil and gas properties. Exploration and development for commercially viable production of any oil and gas company includes a high degree of risk which careful evaluation, experience and factual knowledge may not eliminate. Currently we have no production from our properties.

## ***Sawn Lake Project – Peace River Oil Sands, Alberta, Canada***

Currently, Deep Well, through its subsidiaries, Northern and Deep Well Alberta, has a 90% working interest in 51 contiguous sections on seven oil sands leases where we are the operator, an 80% working interest in 5 sections on one oil sands lease, and a 50% 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 35,360 net acres (14,310 net hectares). The focus of our Company's operations is to exploit the heavy oil reservoir to establish proven reserves and to determine the best technology under which oil can be produced from our Sawn Lake project in order to initiate production and generate positive cash flow.

Previously, we successfully completed a drilling program and drilled six vertical wells. In addition, we have a working interest in three horizontal wells, which were previously drilled by our former farmout partner under our Farmout Agreement dated February 25, 2005, and an interest in two wells that we subsequently acquired. Since then we have been evaluating the options for production available to us to determine the preferable course of action. Drilling on 80% and now 90% owned lands has opened new avenues for testing and further development of our Sawn Lake project. We have put together and have been working with a team of independent reservoir engineers, facility engineers, environmental consultants and drilling and completions engineers to move forward on the development of our reservoir using horizontal cyclic steam stimulation ("HCSS") as the recovery method. It is anticipated that we will develop a thermal pilot project on our properties followed by a commercial expansion project. We are currently waiting on approval from the ERCB of our revised thermal in-situ recovery application.

### **Market and Distribution of Product**

We anticipate our principal target market to be refiners, remarketers and other companies, some of which have pipeline facilities near our properties. In the event pipeline facilities are not conveniently available, we intend to truck our oil to alternative storage, refining or pipeline facilities. In such a case, if our production were enough to justify our own pipeline facilities we would consider building the necessary additional pipeline facilities.

We intend to sell our oil and gas production under both short-term (less than one year) and long-term (one year or more) agreements at prices negotiated with third parties. Under both short-term and long-term contracts, typically either the entire contract (in the case of short-term contracts) or the price provisions of the contract (in the case of long-term contracts) are renegotiated in intervals ranging in frequency from daily to annual. At this time we have no production and therefore no short-term or long-term contracts. We will adopt specific sales and marketing plans once production is achieved.

Market pricing for bitumen is seasonal, with lower prices in and around the calendar year-end being the norm due to lower demand for asphalt and other bitumen-derived products. By necessity, bitumen is regularly blended with diluent in order to facilitate its transportation through pipelines to North American markets. As such, the effective field price for bitumen is also directly impacted by the input cost of the diluent required, the demand and price of which is also seasonal in nature (higher in winter as colder temperatures necessitate more diluent for transportation). Consequently, bitumen pricing is usually weakest in and around December 31 and not reflective of the annual average realized price or the economics of the "business" overall. We have been advised that, to price bitumen, marketers apply formulas that take as a reference point the prices published for crude oil of particular qualities such as "Western Canadian Select", "Brent Crude Oil", "Crude Bitumen 9 API Plant Gate", "Edmonton light", "Lloydminster blend", or the more internationally known "West Texas Intermediate" (hereinafter referred to as "WTI").

The price of oil and natural gas sold is determined by negotiation between buyers and sellers. An order from the National Energy Board (hereinafter referred to as "NEB") is required for oil and gas exports from Canada. The NEB is a federal agency which was formed in 1959 by the Parliament of Canada to regulate oil, gas and electric utility industries. The NEB monitors the supply and demand of oil, as it does with natural gas, to ensure quantities exported do not exceed the surplus remaining after Canadian requirements have been met. Any oil export to be made pursuant to an export contract that exceeds a certain duration or quantity requires an exporter to obtain authorization from the NEB. Natural gas exported from Canada is also subject to similar regulation by the NEB. Exporters are free to negotiate prices and other terms with purchasers provided that the export contracts meet certain criteria prescribed by the NEB. The government of Alberta also regulates the volume of natural gas, which may be removed from the province for consumption elsewhere based on such factors as reserve availability, transportation arrangements and market considerations.

### **Competitive Business Conditions**

We operate in a highly competitive environment, competing with major integrated and independent energy companies for desirable oil and natural gas properties as well as for the equipment, labour and materials required to develop and operate those properties. Many of our competitors have longer operating histories and substantially greater financial and other resources greater than ours. Many of these companies not only explore for and produce crude oil and natural gas, but also carry on refining operations and market petroleum and other products on a worldwide basis. Our larger competitors, by reason of their size and relative financial strength, can more easily access capital markets than we can and may enjoy a competitive advantage, whereas we may incur higher costs or be unable to acquire and develop desirable properties at costs we consider reasonable because of this competition. Larger competitors may be able to absorb the burden of any changes in laws and regulation in the jurisdictions in which we do business and handle longer periods of reduced prices of gas and oil more easily than we can. Our competitors may be able to pay more for



productive oil and natural gas properties and may be able to define, evaluate, bid for and purchase a greater number of properties and prospects than we can. Our ability to acquire additional properties in the future will depend upon our ability to conduct efficient operations, evaluate and select suitable properties, implement advanced technologies and consummate transactions in a highly competitive environment.

Competitive conditions may be substantially affected by various forms of energy legislation and/or regulation considered from time to time by the government of Canada and other countries as well as factors that we cannot control, including international political conditions, overall levels of supply and demand for oil and gas, and the markets for synthetic fuels and alternative energy sources.

### **Customers**

As we remain in the exploration stage, we have not yet generated any revenues from production, nor do we have any customers at this time. We anticipate our principal target customers to be refiners, remarketers and other companies.

### **Royalty Agreements**

Through the acquisition of Northern, we potentially became a party to the following:

On December 12, 2003, Nearshore Petroleum Corporation (hereinafter referred to as “Nearshore”) entered into a royalty agreement with Mikwec Energy Canada, Ltd. (now known as Northern) that potentially encumbers six oil sands leases covering 23,405 gross acres (9,472 gross hectares) located within our Sawn Lake properties (hereinafter the “Royalty Agreement”). Nearshore claimed a 6.5% gross overriding royalty from Northern on the leased substances on the land interests which Northern holds in the above six oil sands leases. Nearshore was a private corporation incorporated in Alberta, Canada, and was owned and controlled by Mr. Steven P. Gawne and his wife, Mrs. Rebekah J. Gawne, who each owned 50% of Nearshore. Mr. Steven P. Gawne was formerly the President, Chief Executive Officer and Director of Deep Well from February 6, 2004 to June 29, 2005. Nearshore has purportedly transferred part or all of this Royalty Agreement to other parties.

On February 28, 2005, Deep Well, Northern and Surge Global Energy, Inc. and Signet (collectively “Surge” now known as Andora) agreed that our Company would be responsible for the portion of the claimed 6.5% royalty payable by Surge, if any, on lands earned under the February 25, 2005 Farmout Agreement. This liability could arise by virtue of a Royalty Agreement between Northern and Nearshore dated December 12, 2003. This potential obligation of our Company was further modified on November 26, 2007, when it was agreed between our Company and Andora that our Company would not be liable or obligated to pay any of this claimed portion of the royalty due, if any, on the 3% portion of the royalty acquired by Andora.

### **Government Approval and Crown Royalties**

***Exploration and Production.*** Our operations are subject to Canadian federal and provincial governmental regulations. Such regulations include: requiring approval and licenses for the drilling of wells, regulating the location of wells and the method and ability to produce wells, surface usage and the restoration of land upon which wells have been drilled, the plugging and abandoning of wells and the transportation of production from wells. Our operations are also subject to various conservation regulations, including the regulation of in-situ recovery processes, the size of spacing units, the number of wells which may be drilled in a unit, the unitization or pooling of oil and gas properties, the rate of production allowable from oil and gas wells, and the ability to produce oil and gas.

***The North American Free Trade Agreement.*** The North American Free Trade Agreement (hereinafter referred to as “NAFTA”) grants Canada the freedom to determine whether exports to the United States or Mexico will be allowed. In making this determination, Canada must ensure that any export restrictions do not (i) reduce the proportion of energy exported relative to the supply of the energy resource; (ii) impose an export price higher than the domestic price; or (iii) disrupt normal channels of supply. All parties to NAFTA are also prohibited from imposing minimum export or import price requirements.

***Investment Canada Act.*** The Investment Canada Act requires notification and/or review by the Government of Canada in certain cases, including but not limited to, the acquisition of control of a Canadian Business by a non-Canadian. In certain circumstances, the acquisition of a working interest in a property that contains recoverable reserves will be treated as the acquisition of an interest in a “business” and may be subject to either notification or review, depending on the size of the interest being acquired and the asset size of the business.

***Crown Royalties and Incentives.*** Each province and the federal government of Canada have legislation and regulations governing land tenure, royalties, production rates and taxes, environmental protection and other matters under their respective jurisdictions. The royalty regime is a significant factor in the profitability of oil and natural gas production. Royalties payable on production from lands other than Crown lands are determined by negotiations between the parties. Crown royalties are determined by government regulation and are generally calculated as a percentage of the value of the gross production with the royalty rate dependent in part upon prescribed reference prices, well productivity, geographical location, field discovery date and the type and quality of the petroleum product produced. From time to time, the governments of Canada and Alberta have established incentive programs such as royalty rate

reductions, royalty holidays, tax credits and drilling royalty credits. These incentives are for the purpose of encouraging oil and natural gas exploration or enhanced recovery projects. These incentives generally increase cash flow.

Effective January 1, 2009, oil sands royalties in Alberta are calculated using a sliding scale for royalty rates ranging from 1% to 9% pre-payout and 25% to 40% post-payout depending on the world oil price. Project “payout” refers to the point in which we earn sufficient revenues to recover all of the allowed costs for the project plus a return allowance. The base royalty starts at 1% and increases for every dollar the world oil price, as reflected by the WTI, is priced above \$55 per barrel, to a maximum of 9% when oil is priced at \$120 per barrel or greater. The net royalty starts at 25% and increases for every dollar oil is priced above \$55 per barrel to 40% when oil is priced at \$120 or higher.

### **Research and Development**

We had no material scientific research and development costs for the fiscal years ended September 30, 2012, 2011 and 2010.

### **Environmental Laws and Regulations**

The oil and natural gas industry is subject to environmental laws and regulations pursuant to Canadian local, provincial and federal legislation. Environmental legislation provides for restrictions and prohibitions on releases or emissions of various substances produced or utilized in association with certain oil and gas industry operations. In addition, legislation requires that well and facility sites be monitored, abandoned and reclaimed to the satisfaction of provincial authorities. A breach of such legislation may result in the imposition of fines and penalties. Under these laws and regulations, we could be liable for personal injury, clean-up costs and other environmental and property damages as well as administrative, civil and criminal penalties. Accordingly, we could be liable or could be required to cease production on properties if environmental damage occurs. Although we maintain insurance coverage, the costs of complying with environmental laws and regulations in the future may harm our business. Furthermore, future changes in environmental laws and regulations could occur that result in stricter standards and enforcement, larger fines and liability, and increased capital expenditures and operating costs, any of which could have a material adverse effect on our financial condition or results of operations. We maintain commercial property and general liability insurance coverage on the properties we operate. We also maintain operators extra expense insurance which provides coverage for well control incidents specifically relating to regaining control of a well, seepage, pollution, clean-up and containment. No coverage is maintained with respect to any fine or penalty required to be paid due to a violation of the regulations set out by the federal and provincial regulatory authorities. We are committed to meeting our responsibilities to protect the environment and anticipate making increased expenditures of both a capital and expense nature as a result of the increasingly stringent laws relating to the protection of the environment.

Alberta’s new climate change regulation, effective July 1, 2007, requires Alberta facilities that emit more than 100,000 tonnes of greenhouse gases a year to reduce emissions intensity by 12 per cent. Companies have four choices to meet their reductions: 1.) they can make operating improvements to their operations that will result in greenhouse gas emission reductions; 2.) purchase Alberta based offset credits; 3.) contribute to the Climate Change and Emissions Management Fund; and 4.) purchase or use emission performance credits, also called EPCs, these credits are generated by facilities that have gone beyond the 12% mandatory intensity reduction. EPCs can be banked for future use or sold to other facilities that need to meet the reduction target.

On June 18, 2009, the Canadian government passed the new Environmental Enforcement Act (“EEA”). The EEA was created to strengthen and amend nine existing Statutes that relate to the environment and to enact provisions respecting the enforcement of certain Statutes that relate to the environment. The EEA amends various enforcement, offence, penalty and sentencing provisions to deter offenders from committing offences under the EEA by setting minimum and maximum fines for serious offences. The EEA also gives enforcement officers new powers to investigate cases and grants courts new sentencing authorities that ensure penalties reflect the seriousness of the pollution and wildlife offences. The EEA also expands the authority to deal with environmental offenders by: 1.) specifying aggravating factors such as causing damage to wildlife or wildlife habitat, or causing damage that is extensive, persistent or irreparable; 2.) providing fine ranges that are higher for corporate offenders than for individuals; 3.) doubling fine ranges for repeat offenders; 4.) authorizing the suspension and cancellation of licenses, permits or other authorizations upon conviction; 5.) requiring corporate offenders to report convictions to shareholders; and 6.) mandating the reporting of corporate offences on a public registry.

### **Employees**

Our Company currently has two prime subcontractors and three full-time employees. For further information on our subcontractors see “Compensation Arrangements for Executive Officers” under Item 11 “Executive Compensation”. We expect to hire from time to time more employees, independent consultants, and contractors during the stages of implementing our plans.

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

*An investment in our common stock is speculative and involves a high degree of risk and uncertainty. You should carefully consider the risks described below, together with the other information contained in our reports filed with the SEC, including the consolidated financial statements and notes thereto of our Company before deciding to invest in our common stock. The risks described below are not the only ones facing our Company. Additional risks not presently known to us, or that we presently consider*

*immaterial may also adversely affect our Company. If any of the following risks occur, our business, financial condition and results of operations and the value of our common stock could be materially and adversely affected.*

***Any Development Of Our Resources Will Be Subject To Crown Royalties.*** The royalty regime of Alberta is a significant factor in the profitability of oil and natural gas production in Alberta, Canada. Crown royalties are determined by government regulation and are generally calculated as a percentage of the value of the gross production with the royalty rate dependent in part upon prescribed reference prices, well productivity, geographical location, field discovery date and the type and quality of the petroleum product produced. From time to time, the governments of Canada and Alberta have established incentive programs such as royalty rate reductions, royalty holidays, tax credits, drilling royalty credits and well incentive programs. These incentives are for the purpose of encouraging oil and natural gas exploration or enhanced recovery projects. These incentives generally increase cash flow. Penalties and interest may be charged to us if we fail to remit royalties on our production to the Crown as prescribed in the regulation.

***We Are An Exploration Stage Company Implementing A New Business Plan.*** We are an exploration stage Company with only a limited operating history upon which to base an evaluation of our current business and future prospects, and we have just begun to implement our business plan. Since our inception, we have suffered recurring losses from operations and have been dependent on new investment to sustain our operations. During the years ended September 30, 2012 and 2011 we reported net losses of \$1,095,050 and \$1,688,454 respectively.

***The Successful Implementation Of Our Business Plan Is Subject To Risks Inherent In The Heavy Oil Business.*** Our heavy oil operations are subject to the economic risks typically associated with exploration, development and production activities, including the necessity of significant expenditures to locate and acquire properties and to drill exploratory wells. In addition, the cost and timing of drilling, completing and operating wells is often uncertain. In conducting exploration and development activities, the presence of unanticipated pressure or irregularities in formations, miscalculations or accidents may cause our exploration, development and production activities to be unsuccessful. This could result in a total loss of our investment in a particular property. If exploration efforts are unsuccessful in establishing proven reserves and exploration activities cease, the amounts accumulated as unproven costs will be charged against earnings as impairments. Our exploitation and development of oil and gas reserves depends upon access to the areas where our operations are to be conducted. We conduct a portion of our operations in regions where we are only able to do so on a seasonal basis. Unless the surface is sufficiently frozen, we are unable to access our properties, drill or otherwise conduct our operations as planned. In addition, if the surface thaws earlier than expected, we must cease our operations for the season earlier than planned. Our operations are affected by road bans imposed from time to time during the break-up and thaw period in the spring. Road bans are also imposed due to spring-break up, heavy rain, mud, rock slides and periods of high water, which can restrict access to our well sites and potential production facility sites. Our inability to access our properties or to conduct our operations as planned will result in a shutdown or slow down of our operations, which will adversely affect our business.

***We Rely On Independent Experts And Technical Or Operational Service Providers Over Whom We May Have Limited Control.*** The success of our business is dependent upon the efforts of various third parties that we do not control. We rely upon various companies to assist us in identifying desirable oil prospects to acquire and to provide us with technical assistance and services. We also rely upon the services of geologists, geophysicists, chemists, engineers and other scientists to explore and analyze oil prospects to determine a method in which the oil prospects may be developed in a cost-effective manner. In addition, we rely upon the owners and operators of oil drilling equipment to drill and develop our prospects to production. Although we have developed relationships with a number of third-party service providers, we cannot assure that we will be able to continue to rely on such persons. If any of these relationships with third-party service providers are terminated or are unavailable on commercially acceptable terms, we may not be able to execute our business plan. Our limited control over the activities and business practices of these third parties, any inability on our part to maintain satisfactory commercial relationships with them or their failure to provide quality services could materially and adversely affect our business, results of operations and financial condition.

***Our Interests Are Held In The Form Of Leases That We May Be Unable To Retain.*** Our Sawn Lake property is held under leases and working interests in leases. These leases we are a party to are for a fixed term of 15 years, but contain a provision that allows us to extend the term of the lease so long as we meet the minimum level of evaluation as set out by the Government of Alberta tenure guidelines. If we or the holder of a lease fails to meet the specific requirements of the lease regarding delay or non-payment of rental payments or we or the holder of the lease fail to meet the minimum level of evaluation some or all of our leases may terminate or expire. There can be no assurance that any of the obligations required to maintain each lease will be met. The termination or expiration of our leases or the working interests relating to leases may reduce our opportunity to exploit a given prospect for oil production and thus have a material adverse effect on our business, results of operations and financial condition.

***We Expect Our Operating Expenses To Increase Substantially In The Future And We May Need To Raise Additional Funds.*** We have a history of net losses and expect that our operating expenses will increase substantially over the next 12 months as we continue to implement our business plan. In addition, we may experience a material decrease in liquidity due to unforeseen capital calls or other events and uncertainties. As a result, we may need to raise additional funds, and such funds may not be available on favourable terms, if at all. If we cannot raise funds on acceptable terms, we may not be able to execute our business plan, take advantage of future opportunities or respond to competitive pressures or unanticipated requirements. This may seriously harm our business, results of operations and financial condition.

***Our Ability To Produce Sufficient Quantities Of Oil From Our Properties May Be Adversely Affected By A Number Of Factors Outside Of Our Control.*** The business of exploring for and producing oil and gas involves a substantial risk of investment loss. Drilling oil wells involves the risk that the wells may be unproductive or that, although productive, the wells may not produce oil in economic quantities. Other hazards such as unusual or unexpected geological formations, pressures, fires, blowouts, loss of circulation of drilling fluids or other conditions may substantially delay or prevent completion of any well. Adverse weather conditions can also hinder drilling operations. A productive well may become uneconomic due to pressure depletion, water encroachment, mechanical difficulties, etc., which impair or prevent the production of oil and/or gas from the well. There can be no assurance that oil will be produced from the properties in which we have interests. Marketability of any oil that we acquire or discover may be influenced by numerous factors beyond our control. The marketability of our production will depend on the proximity of our reserves to and the capacity of, third party facilities and services, including oil and natural gas gathering systems, pipelines, trucking or terminal facilities, and processing facilities. The unavailability or insufficient capacity of these facilities and services could force us to shut-in producing wells, delay the commencement of production, or discontinue development plans for some of our properties, which would adversely affect our financial condition and performance. There may be periods of time when pipeline capacity is inadequate to meet our oil transportation needs. During periods when pipeline capacity is inadequate, we may be forced to reduce production or incur additional expense as existing production is compressed to fit into existing pipelines. Other risk factors include availability of drilling and related equipment, market fluctuations of prices, taxes, royalties, land tenure, allowable production and environmental protection. We cannot predict how these factors may affect our business.

***We Do Not Control All Of Our Operations.*** We do not operate all of our properties and we therefore have limited influence over the testing, drilling and production operations of those properties. Andora currently operates 12 of our 68 sections in which we have a working interest. Currently, Deep Well, through its subsidiaries, Northern and Deep Well Alberta, currently has a 90% working interest in 51 contiguous sections on seven oil sands leases, an 80% working interest in 5 contiguous sections on one oil sands leases, where we are the operator of the 80% and 90% leases. We also have a 50% working interest in an additional 12 contiguous sections on two oil sands leases that Andora operates. These nine oil sands leases cover 43,015 gross acres (17,408 gross hectares) where Deep Well currently has 35,360 net acres (14,310 net hectares). All nine oil sands leases are located in the Peace River oil sands area of Alberta, Canada. Our lack of operational control of the 12 sections Andora currently operates could result in the following:

- Andora might initiate exploration or development on a faster or slower pace than we prefer;
- Andora might propose to drill more wells or build more facilities on a project than we have funds for or that we deem appropriate, which could mean that we are unable or decline to participate in the project or share in the revenues generated by the project;
- If Andora refuses to initiate a project on these 12 sections, we might be unable to pursue a project on those sections unless we directly pay the entire cost thereof. In such a scenario, the Joint Operating Agreements governing the relationship of the joint interest owners in Sawn Lake allow us to recoup the costs which we pay on behalf of other non-participating joint owners in addition to penalties because of their non-participation.

Any of these events could materially reduce the value of those properties affected.

***We Are Party To Some Lawsuits And Will Be Adversely Affected If We Are Found To Be Liable In Connection With Any Legal Proceedings.*** We are party to some lawsuits described in this annual report on Form 10-K under the heading “Legal Proceedings”. We intend to vigorously defend ourselves against the claims made in the lawsuits, and while we believe that the likelihood of an adverse outcome is remote we cannot predict the outcome of these proceedings, the commencement or outcome of any future proceedings against us, or whether any such proceeding would lead to monetary damages that would have a material adverse effect on our financial position.

***Aboriginal Peoples May Make Claims Regarding The Lands On Which Our Operations Are Conducted.*** Aboriginal peoples have claimed aboriginal title and rights to a substantial portion of western Canada. Since aboriginal peoples have filed a claim claiming aboriginal title or rights to the lands on which some of our properties are located, and if such a claim is successful, it could have a material adverse effect on our operations.

The ERCB governs our operations in Alberta, Canada and they have implemented a new directive (Directive 056) that the Alberta Government issued its First Nations Consultation Policy on Land Management and Resource Development on May 16, 2005. The ERCB expects that all industry applicants must adhere to this policy and the consultation guidelines. These requirements and expectations apply to the licensing of all new energy developments and all modifications to existing energy developments, as covered in Directive 056. In the policy, the Alberta Government has developed consultation guidelines to address specific questions about how consultation for land management and resource development should occur in relation to specific activities. Prior to filing an application, the applicant must address all questions, objections, and concerns regarding the proposed development project and attempt to resolve them. This includes concerns and objections raised by members of the public, industry, government representatives, First Nations, Métis, and other interested parties. This process can cause significant delays in obtaining a drilling permit for exploration and/or a production well license for both oil and gas.

***Our Operations Are Subject To A Wide Range of Environmental Legislation and Regulation From All Levels Of Government Of Which We Have No Control.*** Environmental legislation imposes, among other things, restrictions, liabilities and obligations in connection with the generation, handling, storage, transportation, treatment and disposal of hazardous substances and waste and in connection with spills, releases and emissions of various substances to the environment. As well, environmental regulations are imposed on the qualities and compositions of the products sold and imported. Environmental legislation also requires that wells, facility sites and other properties associated with our operations be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. In addition, certain types of operations, including exploration and development projects and significant changes to certain existing projects, may require the submission and approval of environmental impact assessments. Compliance with environmental legislation can require significant expenditures, and failure to comply with environmental legislation may result in the imposition of fines and penalties and liability for clean up costs and damages. We cannot assure that the costs of complying with environmental legislation in the future will not have a material adverse effect on our financial condition or results of operations. We anticipate that changes in environmental legislation may require, among other things, reductions in emissions to the air from its operations and result in increased capital expenditures. Future changes in environmental legislation could occur and result in stricter standards and enforcement, larger fines and liability, and increased capital expenditures and operating costs, which could have a material adverse effect on our results of operations and financial condition.

***Market Fluctuations In The Prices Of Oil Could Adversely Affect Our Business.*** Prices for oil tend to fluctuate significantly in response to factors beyond our control. These factors include, but are not limited to, the continued threat of war in the Middle East and actions of the Organization of Petroleum Exporting Countries and its maintenance of production constraints, the U.S. economic environment, weather conditions, the availability of alternate fuel sources, transportation interruption, the impact of drilling levels on crude oil and natural gas supply, and the environmental and access issues that could limit future drilling activities for the industry.

Changes in commodity prices may significantly affect our capital resources, liquidity and expected operating results. Price changes directly affect revenues and can indirectly impact expected production by changing the amount of funds available to reinvest in exploration and development activities. Reductions in oil and gas prices not only reduce revenues and profits, but could also reduce the quantities of reserves that are commercially recoverable. Significant declines in prices could result in non-cash charges to earnings due to impairment.

Changes in commodity prices may also significantly affect our ability to estimate the value of producing properties for acquisition and divestiture and often cause disruption in the market for oil producing properties, as buyers and sellers have difficulty agreeing on the value of the properties. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation of projects. We expect that commodity prices will continue to fluctuate significantly in the future.

***Our Stock Price Could Decline.*** Our common stock is traded on the OTCQB marketplace. There can be no assurance that an active public market will continue for our common stock or that the market price for our common stock will not decline below its current price. Such price may be influenced by many factors, including but not limited to, investor perception of us and our industry and general economic and market conditions. The trading price of our common stock could be subject to wide fluctuations in response to announcements of our business developments or our competitors, quarterly variations in operating results, and other events or factors. In addition, stock markets have experienced extreme price volatility in recent years. This volatility has had a substantial effect on the market prices of companies, at times for reasons unrelated to their operating performance. Such broad market fluctuations may adversely affect the price of our common stock. Our stock price may decline as a result of future sales of our shares or the perception that such sales may occur.

***We Could Be Subject To SEC Penalties If We Do Not File All Of Our SEC Reports.*** Although we are presently up to date in our filings, in the past we have not filed all of our annual and quarterly reports required to be filed by us with the U.S. Securities and Exchange Commission (“SEC”), in a timely manner. It is possible that the SEC could take enforcement action against us, including potentially the de-registration of our securities, if we fail to file our annual and quarterly reports in a timely manner as required by the SEC. If the SEC were to take any such actions, it could adversely affect the liquidity of trading in our common stock and the amount of information about our Company that is publicly available.

***Broker-Dealers Are Not Permitted To Solicit Trades In Our Common Stock.*** Our common stock is considered to be a “penny stock” because it meets one or more of the definitions of “penny stock” in the Exchange Act Rule 3a51-1. The principal result or effect of being designated a “penny stock” is that securities broker-dealers cannot recommend the stock and may only trade in it on an unsolicited basis.

***Risks Related To Broker-Dealer Requirements Involving Penny Stocks / Risks Affecting Trading and Liquidity.*** Section 15(g) of the Securities Exchange Act of 1934, as amended, and Rule 15g-2 promulgated thereunder by the SEC require broker-dealers dealing in penny stocks to provide potential investors with a document disclosing the risks of penny stocks and to obtain a manually signed and dated written receipt of the document before effecting any transaction in a penny stock for the investor’s account. These rules may have the effect of reducing the level of trading activity in the secondary market, if and when one develops.

Potential investors in our common stock are urged to obtain and read such disclosure carefully before purchasing any shares that are deemed to be “penny stock.” Moreover, SEC Rule 15g-9 requires broker-dealers in penny stocks to approve the account of any investor for transactions in such stocks before selling any penny stock to that investor. This procedure requires the broker-dealer to (i)

obtain from the investor information concerning his or her financial situation, investment experience and investment objectives; (ii) reasonably determine, based on that information, that transactions in penny stocks are suitable for the investor and that the investor has sufficient knowledge and experience as to be reasonably capable of evaluating the risks of penny stock transactions; (iii) provide the investor with a written statement setting forth the basis on which the broker-dealer made the determination in (ii) above; and (iv) receive a signed and dated copy of such statement from the investor, confirming that it accurately reflects the investor's financial situation, investment experience and investment objectives. Pursuant to the Penny Stock Reform Act of 1990, broker-dealers are further obligated to provide customers with monthly account statements. Compliance with the foregoing requirements may make it more difficult for investors in our stock to resell their shares to third parties or to alternatively dispose of them in the market or otherwise.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

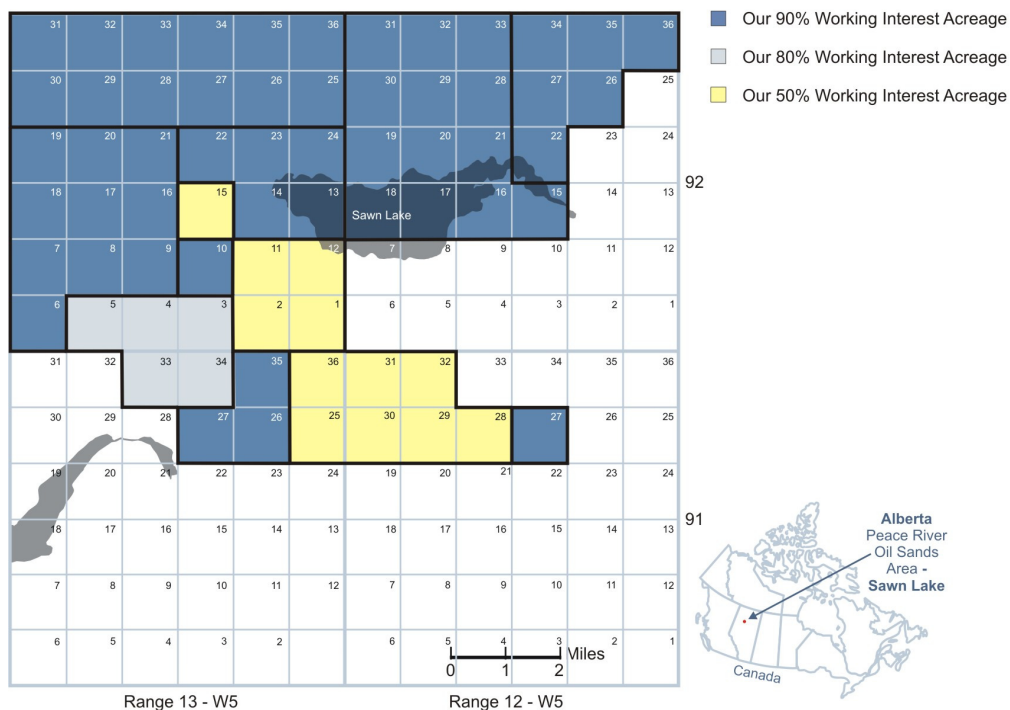
**Office Leases**

We lease and maintain office space in Edmonton, Alberta for corporate and administrative operations; the lease expires on December 31, 2013. We also lease and maintain office space in Calgary, Alberta; this lease expired on November 30, 2012 and will not be renewed.

**Oil and Gas Properties**

*Acreage*

Currently, Deep Well, through its subsidiaries, Northern and Deep Well Alberta, has a 90% working interest in 51 sections on seven oil sands leases, an 80% working interest in 5 sections on one oil sands lease, and a 50% working interest in an additional 12 sections on two oil sands leases in the Peace River oil sands area of Alberta all of these sections are contiguous. These nine oil sands leases cover 43,015 gross acres (17,408 gross hectares). Of the 68 contiguous sections on nine oil sands leases, Andora is the operator of 12 sections on two oil sands leases in which we have a 50% working interest, and we are the operator on 56 sections on seven leases where we have working interest of either 80% or 90%. For further information, see Oil and Gas Properties on our Balance Sheet included in this annual report on Form 10-K.



Effective December 3, 2012, we entered into and subsequently closed upon a purchase and sale agreement with 113, one of our former joint venture partners, pursuant to which we acquired 113's 10% working interest in 8 oil sands leases in the Sawn Lake heavy oil reservoir in the Peace River area of Alberta. The following table summarizes our gross and net developed and undeveloped oil and natural gas rights under lease as of December 31, 2012.

**OIL SANDS RIGHTS as of December 31, 2012**

	<b>Gross Hectares</b>	<b>Net Hectares</b>	<b>Gross Acres</b>	<b>Net Acres</b>
<b>Oil Sands Developed Acreage</b>				
Sawn Lake – Peace River oil sands area, Alberta, Canada	None	None	None	None
Total	None	None	None	None
<b>Oil Sands Undeveloped Acreage</b>				
Sawn Lake – Peace River oil sands area, Alberta, Canada				
51 sections <sup>(1)</sup>	13,056	11,750	32,261	29,035
5 sections <sup>(2)</sup>	1,280	1,024	3,163	2,530
12 sections <sup>(3)</sup>	3,072	1,536	7,591	3,795
Total	17,408	12,698	43,015	31,376
<b>TOTAL HECTARES/ACRES</b>	<b>17,408</b>	<b>14,310</b>	<b>43,015</b>	<b>35,360</b>
<sup>(1)</sup> 90% working interest.				
<sup>(2)</sup> 80% working interest				
<sup>(3)</sup> 50% working interest.				

A developed acre is considered to mean those acres spaced or assignable to productive wells; a gross acre is an acre in which a working interest is owned, and a net acre is the result that is obtained when the fractional ownership working interest of a lease is multiplied by gross acres of that lease. The number of net acres is the sum of the fractional working interests owned in gross acres expressed as whole numbers and fractions thereof.

Undeveloped acreage is considered to be those lease acres on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil or natural gas, regardless of whether or not that acreage contains proven reserves, but does not include undrilled acreage held by production under the terms of a lease. As is customary in the oil and gas industry, we can generally retain our interest in undeveloped acreage by drilling activity that establishes commercial production sufficient to maintain the leases, or by paying delay rentals during the remaining primary term of such a lease. The oil sands leases in which we have an interest are for a primary term of 15 years, and if we meet the Minimum Level of Evaluation (“MLE”) as set out by the Alberta Government oil sands tenure guidelines we can continue these leases beyond their primary term for an indefinite period.

The Government of Alberta owns the land and we have acquired the rights to perform oil and gas activities on the land. If we meet the conditions of the 15-year leases we will be permitted to drill on and produce oil from the land into perpetuity. These conditions give us until the expiration of the leases to meet the following requirements on our primary oil sands leases:

- a) drill 68 wells throughout the 68 sections; or
- b) drill 44 wells within the 68 sections if we have acquired and processed 2 miles of seismic on all other undrilled sections.

We plan to meet the second of these conditions. As at December 31, 2012, we have an interest in ten wells, which can be counted toward these requirements.

We have also identified 2 other wells drilled on these leases, which may be included in the satisfaction of the MLE requirements. We have also acquired and processed 25 miles of seismic on the leases, which can be counted toward the MLE requirements.

***Reserves, Production and Delivery Commitments***

We did not engage in any sustained production activities during the years ending September 30, 2012, 2011 and 2010 nor did we have any proven reserves at the end of such periods. We do not have any obligations under existing delivery commitment contracts or agreements calling for the provision of fixed and determinable quantities of oil and gas over the next three years, and have therefore not filed any information or reports with any federal authority or agency containing estimates of total proven developed or undeveloped net oil or gas reserves.

### ***Drilling Activity***

We had no drilling activity during the years ended September 30, 2012, 2011 and 2010. Our last drilling activity was in the 2009 year end, during which we drilled 6 wells used to delineate our reservoir and plan for our HCSS thermal recovery project.

### ***Present Activities***

Currently we have in place joint operating agreements with one joint interest partner to manage our joint oil sands leases, which are 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.

Effective December 3, 2012, we entered into and subsequently closed upon a purchase and sale agreement with 113, one of our former joint venture partners, pursuant to which we acquired 113’s 10% working interest in the Sawn Lake heavy oil reservoir in the Peace River area of Alberta. This acquisition increased our net acreage from 12,698 net hectares to 14,310 net hectares, an increase of 12.7%.

During the year ended September 30, 2012, we evaluated the options for production available to us to determine the preferable course of action for our Sawn Lake project. Being able to drill on lands now owned 90% by us has opened new avenues for testing and further development of our Sawn Lake project. We have worked with three independent reservoir engineering and modeling companies to prepare analyses of the Sawn Lake Bluesky reservoir resulting in the reservoir modeling simulation studies to determine the optimum strategy for us to develop our reservoir. Following these reservoir models and the recommendation of our independent reservoir engineers, we intend to develop a thermal recovery project on our properties, followed by a commercial expansion project. To further this goal our environmental consultants have completed an environmental assessment, as mandated by Alberta environmental regulations, in and around our proposed thermal recovery project located on our now 90% owned lands. We have also engaged drilling, completion and facilities engineers who have begun the planning and pre-drilling work for our HCSS pad site facility and horizontal well paths on the North half of section 10-92-13W5M. The development progress of our properties is governed by several factors such as federal and provincial governmental regulations. Long lead times in getting regulatory approval for thermal recovery projects are commonplace in our industry. Road bans, winter access only roads and environmental regulations can and often do delay development of similar projects. Because of these and other factors, our oil sands project can take significantly longer to complete than regular conventional drilling programs for lighter oil. To date; our geological, engineering and economic studies lead us to believe that our working interest can support full profitable commercial production.

On February 3, 2012, we submitted an application to the ERCB to modify our previously approved in-situ pilot project for a well to test thermal production on our Sawn Lake oil sands leases. This modification seeks to change the vertical CSS well earlier approved, into a thermal recovery project to test 2 wells that use a horizontal application of CSS.

On April 16, 2012, we received a reserves report as of December 31, 2011 from DeGolyer & MacNaughton Canada Limited (“DeGolyer”), an independent third party reservoir engineering firm. This report estimated the heavy oil reserves from the working interests held by our subsidiaries in the Peace River Oil Sands area of Alberta. DeGolyer estimated and assigned probable and possible reserves on the north half square mile of land located on section 10-92-13W5 designated for our horizontal CSS recovery project. This half square mile of land covers 316 gross acres (128 gross hectares) of land. DeGolyer has estimated that in that portion alone there are probable reserves of 7,806,000 barrels of heavy oil and probable plus possible reserves of 9,370,000 barrels attributable to our working interests before adjusting for any Provincial or potential royalties. These estimated probable plus possible reserves are classified as undeveloped at this time. Proved reserves cannot be assigned until production begins.

Proved Reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, under existing economic conditions, operating methods, and governmental regulations.

Probable Reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered.

Possible Reserves are those additional reserves that are less certain to be recovered than probable reserves.

Statements of reserves are only estimates and may not correspond to the ultimate quantities of oil discovered.

Our proposed thermal recovery project will be located on the north half of section 10-92-13W5, which has good road access on hard packed roads recently built by Penn West Petroleum Ltd. (“Penn West”). The proposed thermal recovery project location is approximately 1.4 kilometers away from the nearest Penn West road. We intend to upgrade our existing winter road to section 10-92-13W5 to an all-weather road. We also intend to acquire the remaining road and build it as an all-weather road up to the proposed thermal recovery project site.



### *Past Activities*

On April 26, 2004, Northern (now a 100% owned subsidiary of Deep Well) signed a Joint Operating Agreement with Pan Orient to provide for the manner of conducting operations on three Peace River oil sands leases for a total of 32 sections covering 20,243 gross acres (8,192 gross hectares). The 32 sections were acquired jointly on April 23, 2004, with Northern having an 80% working interest and Pan Orient having a 20% working interest in the joint lands.

On August 18, 2004, Deep Well and Pan Orient jointly participated in a public offering of Crown Oil Sands Rights held by the Alberta Department of Energy, in which the joint parties successfully bid on three Peace River oil sands leases for a total of 31 sections covering 19,610 gross acres (7,936 gross hectares). Deep Well acquired an undivided 80% working interest and Pan Orient acquired an undivided 20% working interest in the joint property.

On December 9, 2004, Deep Well signed Joint Operating Agreements with 113 under which 113 acknowledged the terms under which their 10% working interest acquired from Pan Orient in the joint lands acquired on August 18, 2004, would be governed.

On February 25, 2005, as previously disclosed in this annual report on Form 10-K, Deep Well and Northern entered into a Farmout Agreement with Surge. This Farmout Agreement allowed Surge (previously known as Signet and now known as Andora) to earn up to a 40% working interest in the farmout lands (50% of our share). And on November 26, 2007, pursuant to the Minutes of Settlement between us, Andora and Signet, Signet acquired 40% of our working interest in 12 sections on two oil sands leases. As part of the 40% working interest transfer to Signet, two of the original oil sands leases previously acquired on April 26, 2004, were split into four oil sands leases.

On March 3, 2005, Deep Well, Northern and Surge mutually agreed by an amending agreement to extend the payment date of the prospect fee under Article 13 of the Farmout Agreement dated February 25, 2005, whereby Surge was granted an extension for payment of the prospect fee to the closing date of March 18, 2005.

On March 10, 2005, Deep Well, Northern and Surge mutually agreed by an amending agreement that Surge US is only a party to the Farmout Agreement for the purposes of Article 14 of the Farmout Agreement dated February 25, 2005. In addition, all three parties mutually agreed by an amending agreement to establish a procedure whereby Signet is to be appointed as the operator under the existing Joint Operating Agreements in respect of all Farmout Lands in which Signet earns an interest pursuant to Article 7 of the Farmout Agreement dated February 25, 2005.

On July 14, 2005, our Company and Surge mutually agreed to amend the Farmout Agreement dated February 25, 2005 in order to extend the date to spud the first well until September 25, 2005.

On September 21, 2005, Signet was granted a permit by the ERCB for a test well, and on September 28, 2005, Signet began drilling our first well 1-36-091-13W5 (hereinafter referred to as "1-36") on our Sawn Lake project located in the Peace River oil sands of Alberta, Canada. Signet did not spud the first well by the 25<sup>th</sup> of September 2005 and we noted them in default of the Farmout Agreement.

On November 15, 2005, as part of a settlement agreement, we agreed to amend the Farmout Agreement signed on February 25, 2005 between our Company and Surge that had previously been terminated by Deep Well (as previously disclosed on Form 8-K on September 29, 2005). The amendments to the agreement provided that: 1.) all current conditions of the Farmout Agreement will be deemed to have been satisfied as at September 25, 2005; 2.) the earning period (the period during which Signet has to drill 10 wells) under the agreement will be extended until February 25, 2008; 3.) Signet will have until September 25, 2006 to drill an option well (the second well); 4.) an additional 6.5 sections of land will be added to the land subject to the agreement; 5.) Signet will pay Deep Well \$1,000,000 on November 15, 2005 in satisfaction of the prospect fee outstanding instead of after drilling the second well as stated in the Farmout Agreement; and 6.) no shares of Surge US would be issued to Deep Well or Northern, but rather we would receive 7,550,000 common shares of Signet (now known as Andora), a private subsidiary company of Surge US.

On July 17, 2006, Signet had received the required licenses by the Government of Alberta to drill the next three horizontal wells in the Bluesky Formation of our Sawn Lake oil sands project. The next 3 wells drilled were within less than one mile (1.6 km) of the first test well that was already drilled. These surface locations were 4-32-091-12W5 (hereinafter referred to as "4-32"), 7-30-091-12W5 (hereinafter referred to as "7-30") and 13-29-091-12W5 (hereinafter referred to as "13-29"). Seismic and reservoir mapping were undertaken to be used to support and progress work on near and long-term plans of development for our Sawn Lake oil sands project.

In October 2006, the 4-32 and 7-30 wells along with the 1-36 well were suspended. Signet (now known as Andora) had undertaken a mapping of the reservoir to assist in its delineation for any future development of our Sawn Lake property. The first three wells were drilled in the most heavily documented portion of the Sawn Lake lands. Although, as determined by Signet, the preliminary results from the last two wells indicated a lack of cold flow production from wells 4-32 and 7-30, the compartmentalized nature of the reservoir and varying characteristics of these compartments may show different results with further evaluation. Our Company felt that the level of testing on these wells to determine their complete potential was incomplete.

In late 2006, our joint venture partner acquired over 200 km of reprocessed seismic and aeromagnetic studies on our joint properties.

On November 26, 2007, we entered into mediation with Signet (now known as Andora) and resolved our differences and certain collateral matters. The settlement included but is not limited to:

- the Farmout Agreement dated February 25, 2005, being effectively terminated concurrently with the execution of the settlement agreement; and
- Signet being regarded as having earned the two sections on which the option wells were drilled and 4 additional sections as set out in the Settlement; and
- Signet being required to reconvey registered title to 57.5 unearned sections of the Farmout Lands, as defined in the Farmout Agreement, back to us; and
- our Company having the right to retest, at no cost to Signet, the option wells previously drilled.
- Andora has acknowledged that Deep Well is not responsible for any potential royalty assumed by Deep Well on behalf of Signet in the Farmout Agreement.

On March 18, 2008, the 6.5 section oil sands permit, which was originally scheduled to expire on April 9, 2008, was extended for one year pursuant to an application submitted by Northern to the Alberta Department of Energy.

On September 10, 2008, the ERCB granted us well licenses to drill 6 wells on our Sawn Lake oil sands properties.

On December 1, 2008, in conjunction with our 2008/2009 winter drilling program, we acquired two vertical wells they previously drilled along with existing road infrastructure. Of the two wells we acquired, one was drilled to a vertical depth of 737 meters on our existing oil sands lease and was cased for Bluesky heavy oil production. The casing of this well was perforated at intervals from 681.5m to 684.5m and 684.5m to 685.0m. This well's status is drilled and cased for future bitumen production. The existing roads we acquired totalled 12km of access on our Sawn Lake properties.

On December 4, 2008, we successfully spudded the first well of six wells to be drilled in our 2008/2009 Sawn Lake winter drilling program in the Peace River oil sands area of Alberta. By early February of 2009, we successfully drilled all planned six wells of our Sawn Lake oil sands project. All of our exploratory wells were logged, cored and analyzed by independent service providers and are currently being evaluated for in-situ recovery methods.

On February 1, 2009, we acquired additional existing access roads on our Sawn Lake properties from Penn West Petroleum Ltd., adding 8.7 km of roads to our Sawn Lake infrastructure.

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 currently have working interests 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.

On April 30, 2009, the Alberta Department of Energy approved our application to convert 5 sections of our oil sands permit to a 15-year primary lease. By drilling on these lands where the permits were set to expire, we have preserved title to 5 sections and now have a primary lease, which is valid for an additional 15 years.

In September 2009, we submitted an application to the ERCB for a commercial bitumen recovery scheme to evaluate the 12-14-092-13W5 well for potential development using CSS and later we added the 6-22-092-13W5 well to the application, and in late 2010 this application was approved by the ERCB to test one of the wells using steam injection.

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 of the properties for employing thermal recovery methods on them. 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.

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.

### **ITEM 3. LEGAL PROCEEDINGS**

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

On March 10, 2005, I.G.M. Resources Corp. (hereinafter referred to as “IGM”) filed against Classic Energy Inc., 979708 Alberta Ltd. (hereinafter referred to as “979708”), Deep Well Oil & Gas, Inc., Nearshore Petroleum Corporation, 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 (hereinafter referred to as the “Defendants”) a Statement of Claim in the Court of Queen’s Bench of Alberta Judicial District of Calgary. This suit is part of a series of lawsuits or actions undertaken by IGM against some of the other above-named Defendants.

IGM was a minority shareholder of 979708. 979708 was purportedly 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 14th of July 2003, all or substantially all the assets of 979708 were sold to Classic Energy Inc. IGM claims the value of the assets sold was far in excess of the value paid for those assets. On April 23, 2004, Northern purchased some of Classic Energy Inc.’s assets, including some of which are under dispute by IGM. 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 IGM is claiming an interest in.

IGM seeks an order setting aside the transaction between 979708 and Classic Energy Inc. and returning the assets to 979708, compensation in the amount of \$15,000,000 Cdn, and 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 IGM.

This lawsuit has been stayed pending the outcome of the other litigation by IGM 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 of September 30, 2012, no contingent liability has been recorded, as we believe a successful outcome for IGM 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 filed 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 at 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 in 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 judgment for \$15,612,645 Cdn; 5.) An order to sell John Forbes Brown’s home; and 6.) Interest and costs.

We plan to vigorously defend ourselves against the Plaintiff’s claims. As at September 30, 2012, no contingent liability has been recorded, as we believe a successful outcome for the Plaintiff is remote.

#### **Northern Alberta Oil Ltd. vs. 1132559 Alberta Ltd.**

On June 27, 2008, our subsidiary, Northern Alberta Oil Ltd. (hereinafter referred to as “Northern”), filed a Statement of Claim in the Court of Queen’s Bench of Alberta Judicial District of Edmonton against 1132559 Alberta Ltd. (hereinafter referred to as “113”). Northern claims that 113 has not paid their share of the incurred operating costs for the Sawn Lake project. Northern further claims that they paid the operating expenses required on behalf of 113 and invoiced 113 for the amounts and that 113 refused or neglected to reimburse their proportionate share of the operating costs. Northern sought: 1.) Payment in full in the amount of \$74,470.71 in

Canadian funds for the amounts invoiced to 113; 2.) Interest pursuant to section 106 of the PASC (“Petroleum Accountants Society of Canada”) 1996 Accounting Procedure; and 3.) Costs of the action. As part of the purchase and sale agreement, effective December 3, 2012, between us and 113, we have discontinued this claim against 113.

On August 30, 2010, our subsidiary, Northern, filed an additional Statement of Claim in the Court of Queen’s Bench of Alberta Judicial District of Edmonton against 113. Northern claims that 113 has neglected and refused to pay the cash calls pursuant to two AFEs (“Authority for Expenditure”) that were approved and signed by 113. Northern sought: 1.) Payment in full in the amount of \$70,584.50 in Canadian funds being the balance owing, exclusive of interest, for 113’s proportionate share of the cash calls. 2.) Interest pursuant to section 505(b)(i) of the 1990 CAPL Operating Agreement; and 3.) Costs of the action. As part of the purchase and sale agreement, effective December 3, 2012, between us and 113, we have discontinued this claim against 113.

Also, as part of the purchase and sale agreement, effective December 3, 2012, between us and 113, we have waived claims against 113 listed above.

**ITEM 4. (MINE SAFETY DISCLOSURES)**

Not applicable.

**PART II**

**ITEM 5. MARKET FOR THE REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

**Market Information**

Deep Well’s stock is currently quoted on the OTCQB marketplace under the trading symbol DWOG. The following table sets forth the high and low sales prices for Deep Well common stock as reported on the OTCQB marketplace for the two most recent fiscal years indicated below. These over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, markdown or commission and may not necessarily represent actual transactions:

	<b>High</b>	<b>Low</b>
Fiscal September 30, 2011		
First Quarter	\$ 0.17	\$ 0.03
Second Quarter	\$ 0.17	\$ 0.06
Third Quarter	\$ 0.16	\$ 0.07
Fourth Quarter	\$ 0.10	\$ 0.05
Fiscal September 30, 2012		
First Quarter	\$ 0.08	\$ 0.03
Second Quarter	\$ 0.10	\$ 0.03
Third Quarter	\$ 0.10	\$ 0.06
Fourth Quarter	\$ 0.09	\$ 0.03

**Holders of Record**

As of December 20, 2012, we had approximately 162 holders of record of our shares of common stock. Our Company estimates that investment dealers and other nominees are the record holders for approximately 2,260 beneficial holders.

**Dividends**

We have not paid cash dividends since inception. We intend to retain all of our earnings, if any, for use in our business and do not anticipate paying any cash dividends in the foreseeable future. The payment of any future dividends will be at the discretion of the Board of Directors and will depend upon a number of factors, including future earnings, the success of our business activities, capital requirements, the general financial condition and our future prospects, general business conditions and such other factors as the Board of Directors may deem relevant.

## Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information as of September 30, 2012 with respect to shares of Deep Well's common stock that may be issued under our existing equity compensation plans.

Plan Category	Equity Compensation Plan as of September 30, 2012		
	(a)	(b)	(c)
	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	1,800,000	\$0.14	11,873,997**
Equity compensation plans not approved by security holders	None	None	None
<b>Total</b>	<b>1,800,000</b>	<b>\$0.14</b>	<b>11,873,997**</b>

\* 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 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, with one-third vesting immediately, one-third vesting on March 23, 2012, and one-third vesting on March 23, 2013, each with a five-year life from the original grant date. The options expire on March 23, 2016.

\*\* Based on 136,739,971 issued and outstanding shares as at September 30, 2012. The maximum number of common shares that may be reserved for issuance under the Stock Option Plan may not exceed 10% of our Company's issued and outstanding common shares.

### ***Stock Option Plan***

On November 28, 2005, our Board of Directors adopted the Deep Well Oil & Gas, Inc. stock option plan (the "Stock Option Plan"). The Plan was approved by a majority of our stockholders at the February 24, 2010 general meeting of stockholders. The Stock Option Plan, which is administered by the Board of Directors, permits options to acquire shares of Deep Well's common stock to be granted to our directors, senior officers and employees, as well as certain consultants and other persons providing services to our Company. This Stock Option Plan was adopted to provide an incentive to the retention of our directors, officers and employees as well as consultants that we may wish to retain in the future. The maximum number of common shares that may be reserved for issuance under the Stock Option Plan may not exceed 10% of our issued and outstanding common shares, subject to adjustment as contemplated by the Stock Option Plan. For further information see Note 12 to our consolidated financial statements contained herein.

On November 28, 2010, all of the stock options previously granted on November 28, 2005 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 unexercised.

On March 23, 2011, our Board of Directors approved to decrease the exercise price of the stock options to purchase 36,000 shares of common stock of Deep Well originally granted to an employee of our Company on September 20, 2007. The exercise price of the stock options were reduced from \$0.47 per common share to \$0.14 per common share. All other terms and conditions applicable to the options were unchanged. The options expired unexercised on September 20, 2012.

On March 23, 2011, our Board of Directors 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, each with a five-year life. The options expire on March 23, 2016.

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

On September 20, 2012, 240,000 stock options previously granted on September 20, 2007, to R.N. Dell Energy Ltd., expired unexercised.

On September 20, 2012, 36,000 stock options previously granted on September 20, 2007, to an employee of our Company, expired unexercised.

### **Performance Graph**

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

### **Recent Sales of Unregistered Securities**

On November 9, 2010, pursuant to two subscription agreements, our Company completed two private placements to two investors (the "Subscribers") of an aggregate of 29,285,713 units ("Units") at a price of \$0.07 per Unit, for total gross proceeds of \$2,050,000. Each Unit is comprised of one (1) common share and one (1) common share purchase warrant. Each warrant entitles the holder to purchase one (1) common share at a price of \$0.105 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 our shares trade is equal to or exceeds \$1.00 for thirty consecutive trading days, the warrant term shall automatically accelerate to the date which is thirty calendar days following the date that written notice has been given to the warrant holder. No commission or finder's fees were payable in connection with these private placements. The Units were issued pursuant to Regulation S under the Securities Act of 1933, as amended. The warrants expire on November 9, 2013.

On March 23, 2011, our Board of Directors approved the issuance of 500,000 shares of common stock to Mr. Said Arrata as an incentive for Mr. Arrata to agree join our Board of Directors. The Units were issued pursuant to Section 4(2) of the Securities Act of 1933, as amended.

On March 23, 2011, our Board of Directors approved the issuance of 180,000 shares of common stock to a contractor as compensation for services provided to us during the period from April 1, 2010 to March 31, 2011. The Units were issued pursuant to Section 4(2) of the Securities Act of 1933, as amended.

Effective November 23, 2012, pursuant to a subscription agreement, our Company completed a private placement to one investor of an aggregate of 42,857,142 units ("Units") at a price of \$0.07 per Unit, for total gross proceeds of \$3,000,000 (including a deposit received prior to September 30, 2012 of \$300,000). Each Unit is comprised of one (1) common share and one (1) common share purchase warrant. Each warrant entitles the holder to purchase one (1) common share at a price of \$0.105 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 our common 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. No commission or finder's fees were payable in connection with this private placement. The Units were issued pursuant to Regulation S under the Securities Act of 1933, as amended. The warrants expire on November 23, 2015.

### **Purchases of equity securities by the issuer and affiliated purchasers**

There were no repurchases of equity securities by our Company or affiliated purchasers during the fourth quarter of the year ended September 30, 2012.

## **ITEM 6. SELECTED FINANCIAL DATA**

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

## ITEM 7. 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" disclosed in this annual report on Form 10-K for the fiscal year ended September 30, 2012.

*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 web site 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 requires companies to be fully compliant in their filing requirements under the Securities Exchange Act of 1934.

### **Results of Operations**

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, environmental regulations, as well as providing project management, drilling, testing and analysis of wells to define our oil sands reservoir, development planning to use thermal recovery technology and to develop our long term business strategies. For the year ended September 30, 2012, and for the comparable period in the prior year, we generated no revenues from operations.

	Year Ended September 30, 2012	Year Ended September 30, 2011	September 10, 2003 to September 30, 2012
<b>Revenue</b>	\$ <u>–</u>	\$ <u>–</u>	\$ <u>–</u>
<b>Expenses</b>			
General and Administrative	\$ 1,021,942	\$ 1,536,211	\$ 13,996,933
Depreciation and accretion	<u>128,526</u>	<u>162,140</u>	<u>670,572</u>
<b>Net loss from operations</b>	(1,150,468)	(1,698,351)	(14,667,505)
<b>Other income and expenses</b>			
Rental and other income	51,299	5,538	75,070
Interest income	4,183	4,011	214,266
Interest expense	–	–	(208,580)
Forgiveness of loan payable	–	–	287,406
Settlement of debt	–	–	24,866
Loss on disposal of assets	<u>(64)</u>	<u>348</u>	<u>(226)</u>
<b>Net loss and comprehensive loss</b>	\$ <u>(1,095,050)</u>	\$ <u>(1,688,454)</u>	\$ <u>(14,274,703)</u>

For the year ended September 30, 2012, our general and administrative expenses decreased by \$514,269 from the prior year, which was primarily due to: (i) a decrease of \$185,617 of share-based compensation charged to expense, which was primarily related to vested stock options that were granted to our directors, and (ii) a reversal of \$124,089 previously written-off to bad debt, which was related to money received from our joint venture co-owners that was written-off in a prior period. For the year ended September 30, 2011, our general and administrative expenses increased by \$417,081 from the prior year, this increase was primarily due to, (i) \$294,281 of share-based compensation charged to expense, which was primarily related to vested stock options that were granted to our directors, (ii) \$170,044 was written off to bad debt expense for money owed to us from our joint venture co-owners that have not paid us for operation expenses we incurred on our joint properties, and (iii) \$163,914 for operations charged to expense primarily for our CSS project and engineering fees to further evaluate our properties. For the year ended September 30, 2011, our general and administrative expenses, excluding share-based compensation expense of \$294,281, the write-offs of \$170,044 to bad debt expense and \$163,914 in operations charged to expense, was \$907,972. On March 23, 2011, our Board of Directors granted its 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 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 year ended September 30, 2012, depreciation and accretion expense decreased by \$33,614, which was primarily 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 year ending September 30, 2012.

For the year ended September 30, 2012, rental and other income increased by \$45,761 compared to the year ended September 30, 2011, which was primarily due to cash received for subleasing a portion of our office space and income earned from road use fees.

As a result of the above transactions, our net loss and comprehensive loss from operations for the year ended September 30, 2012 decreased by \$593,404 compared to the year ended September 30, 2011. As discussed above this decrease was primarily due to a reduction in share-based compensation charged to expenses and the reversal of write-offs to bad debt expense for money owed to us from our joint venture co-owners, which were subsequently collected.

## **Operations**

Effective November 23, 2012, we completed a private placement financing with one investor for aggregate gross cash proceeds of \$3,000,000 (includes a deposit received prior to September 30, 2012 of \$300,000).

Effective December 3, 2012, we entered into and subsequently closed upon a purchase and sale agreement with 1132559 Alberta Ltd. ("113"), one of our former joint venture partners, pursuant to which we acquired 113's 10% working interest in their Sawn Lake heavy oil reservoir in the Peace River are of Alberta. This transaction increased Deep Well's net acres in the Sawn Lake oil sands properties from 31,376 to 35,360 net acres (12,698 to 14,310 net hectares), an increase of 12.7%. Deep Well, through its subsidiaries, Northern and Deep Well Alberta, currently has a 90% working interest in 51 contiguous sections on seven oil sands leases and a 80% working interest in 5 contiguous sections on one oil sands lease in the Peace River oil sands area of Alberta, where we are the operator. In addition, we have a 50% working interest in another 12 contiguous sections on two oil sands leases in the Peace River oil sands area of Alberta, Canada.

Currently we have in place joint operating agreements with one joint interest partner to manage our joint oil sands leases, which are 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 the year ended September 30, 2012 we evaluated the historically documented options for production methods available to us to determine the preferable course of action for our Sawn Lake project. After the 113 acquisition being able to drill and develop on lands now owned 90% by us, without having to carry a joint interest co-owner who had never paid its share of the costs incurred for the joint account, has economically opened new avenues for testing and further development of our Sawn Lake project. we have worked with three independent reservoir engineering and modeling companies to prepare analyses of the Sawn Lake Bluesky reservoir resulting in the reservoir modeling simulation studies to determine the optimum strategy for us to develop our reservoir. Following these reservoir models and the recommendation of our independent reservoir engineers, we intend to develop a thermal recovery project on our properties, followed by a commercial expansion project. To further this goal our environmental consultants have completed an environmental assessment as mandated by Alberta environmental regulations, in and around our proposed thermal recovery project located on our now 90% owned lands. We have also engaged drilling, completion and facilities engineers who have begun the planning and pre-drilling work for our HCSS pad site facility and designing our proposed horizontal well paths on the North half of section 10-92-13W5M. The development progress of our properties is governed by several factors such as federal and provincial governmental regulations. Long lead times in getting regulatory approval for thermal recovery projects are commonplace in our industry. Road bans, winter access only roads and environmental regulations can and often do delay development of similar projects. Because of these and other factors, our oil sands project can take significantly longer to complete than regular conventional drilling programs for lighter oil. To date; our geological, engineering and economic studies affirm that our working interest can support full profitable commercial production.



On February 3, 2012, we submitted an application to the ERCB to modify our previously approved in-situ pilot project for a well to test thermal production on our Sawn Lake oil sands leases. This modification seeks to change the vertical CSS well earlier approved, into a thermal recovery project to test 2 wells that use a horizontal application of CSS.

On April 16, 2012, we received a reserves report as of December 31, 2011 from DeGolyer & MacNaughton Canada Limited (“DeGolyer”) an independent third party reservoir engineering firm. This report estimated the heavy oil reserves from the working interests held by our subsidiaries in the Peace River Oil Sands area of Alberta. DeGolyer estimated and assigned probable and possible reserves on the north half square mile of land located on section 10-92-13W5 designated for our horizontal CSS recovery project. This half square mile of land covers 316 gross acres (128 gross hectares) of land. DeGolyer has estimated that in that portion alone there are probable reserves of 7,806,000 barrels of heavy oil and probable plus possible reserves of 9,370,000 barrels attributable to our working interests before adjusting for any Provincial or potential royalties. These estimated probable plus possible reserves are classified as undeveloped at this time. Proved reserves cannot be assigned until production begins.

Proved Reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, under existing economic conditions, operating methods, and governmental regulations.

Probable Reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered.

Possible Reserves are those additional reserves that are less certain to be recovered than probable reserves.

Statements of reserves are only estimates and may not correspond to the ultimate quantities of oil discovered.

Our proposed thermal recovery project will be located on the north half of section 10-92-13W5 which has good road access on hard packed roads recently built by Penn West Petroleum Ltd. (“Penn West”). The proposed thermal recovery project location is approximately 1.4 kilometers away from the nearest Penn West road. We intend to upgrade our existing winter road to section 10-92-13W5 to an all-weather road. We also intend to acquire the remaining road and build it as an all-weather road up to the proposed thermal recovery project site.

### **Liquidity and Capital Resources**

As of September 30, 2012, our total assets were \$14,235,452 compared to \$14,624,096 as of September 30, 2011. The primary decrease in our total assets was due to a decrease in cash and cash equivalents resulting from expenditures associated with our thermal recovery project and general office expenses. Our total liabilities as of September 30, 2012 were \$906,674 compared to \$608,932 as of September 30, 2011. In comparison to the prior year, we had an increase of \$297,742 in our total liabilities, which was primarily the result of an increase of \$205,639 to fees payable to corporations owned by directors for services as President and CEO and Chief Financial Officer provided to our Company that we have not paid.

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

	<u>September 30, 2012</u>	<u>September 30, 2011</u>
Current Assets	\$ 446,674	\$ 809,313
Current Liabilities	480,974	221,564
Working Capital	<u>\$ (34,300)</u>	<u>\$ 587,749</u>

As of September 30, 2012, our Company had negative working capital of \$34,300 compared to our working capital of \$587,749 as of September 30, 2011. Currently we have no long-term debt other than our estimated asset retirement obligations on oil and gas properties. Effective November 23, 2012, we completed a private placement financing with one investor for aggregate gross cash proceeds of \$3,000,000 (includes a deposit received prior to September 30, 2012 of \$300,000).

As reported on our Consolidated Statement of Cash Flows under “Operating Activities”, for the year ending September 30, 2012, we had a decrease of \$185,617 in share-based compensation from the prior year, which was related to (i) vested stock options that were granted to our directors, (ii) no further shares were issued under any incentive plan, and (iii) no further shares were issued to any contractor as compensation for services provided to our Company. For the year ending September 30, 2011, we incurred an increase of \$294,281 in share-based compensation, which was related to (i) the issuance of stock options granted to our directors, (ii) shares issued to an individual as an incentive to join our Board as a director, and (iii) shares issued to a contractor as compensation for services provided to our Company. For further information, see Notes 11 and 12 to our consolidated financial statements included in this annual report on Form 10-K. In the year ending September 30, 2011, we wrote-off \$170,044 to bad debt. This write-off was in respect of money owed to us by two of our joint venture co-owners that had not paid us for operating expenses we incurred on our joint properties. During the year we pursued remedies to collect the money owed to us from one of our joint venture co-owners, which was previously written off as bad debt, and on October 18, 2012 we entered into a settlement agreement with one of our joint venture

co-owners and received and reversed \$123,525.90 Cdn of the amounts previously written off. In addition and effective December 3, 2012, the aforementioned acquisition of 113's 10% working interest will result in an additional reversal of prior period bad debt write-offs. However, since this acquisition agreement occurred well past our year end the reversal of this previous bad debt was not posted in our September 30, 2012 year end; however, we will post it in our subsequent year.

Also, as reported on our Consolidated Statement of Cash Flows under "Operating Activities", for the year ended September 30, 2012, our depreciation and accretion expense decreased by \$33,614 from the prior year ended September 30, 2011, which was primarily due to a decrease in depreciation expense on our assets. No significant asset purchases were made in the year ending September 30, 2012 and no significant change incurred for accretion expense. For the year ending September 30, 2012 we had an increase of \$22,954 in net changes in non-cash working capital from the prior year ended September 30, 2011, which was primarily due to an increase in accounts payable due to fees payable to corporations owned by directors for services as President and CEO and Chief Financial Officer to our Company that we have not paid. This was offset by a reversal of the prior year's bad debt right-off.

As reported on our Consolidated Statement of Cash Flows under "Investing Activities", we had a decline of \$398,963 in our investment in oil and gas properties for the year ended September 30, 2012 from the comparable year ended September 30, 2011, which was primarily due to a decline in our field operations and engineering fees from the prior year. .

Also, as reported on our Consolidated Statement of Cash Flows under "Investing Activities", for the year ended September 30, 2012, we reported an increase of \$16,591 in long term investments from the prior year ended September 30, 2011, which was due to an increase in interest received, unrealized foreign exchange gain and an adjustment to increase our portion of the bonds held in trust by the ERCB for the future abandonment of our wells.

As reported on our Consolidated Statement of Cash Flows under "Financing Activities", for the year ended September 30, 2012, we recorded to equity an increase of \$300,000 based on deposits to stock subscriptions relating to the private placement referred to herein which subsequently closed. Effective November 23, 2012, pursuant to a subscription agreement, our Company completed a private placement to one investor of an aggregate of 42,857,142 units ("Units") at a price of \$0.07 per Unit, for total gross proceeds of \$3,000,000 (including a deposit received prior to September 30, 2012 of \$300,000). Each Unit is comprised of one (1) common share and one (1) common share purchase warrant. Each warrant entitles the holder to purchase one (1) common share at a price of \$0.105 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 our common 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. No commission or finder's fees were payable in connection with this private placement. The Units were issued pursuant to Regulation S under the Securities Act of 1933, as amended. The warrants issued pursuant to this latest private placement expire on November 23, 2015.

Our cash and cash equivalents for the year ending September 30, 2012 were \$244,191 compared to \$723,766 for the prior year ended September 30, 2011, which was primarily due to a decrease in cash resulting from costs associated with our thermal recovery project and general office expenses. Since March 10, 2005 to December 15, 2012, 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 \$24.6 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 72,142,855 warrants outstanding as of December 15, 2012, with exercise prices of \$0.105. These warrants' expiration dates range from November 9, 2013 to November 23, 2015. If all of these warrants are exercised we may realize aggregate proceeds of approximately \$7.6 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 twenty-four months through sales of our equity securities. We also note that if we issue more shares of our common stock, our stockholders will 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 that debt financing may not be a likely alternative for funding our operations in the short term, since we are an exploration stage Company, and due to the risky nature of our business; however, we are progressing toward the point where it is potentially feasible so we may explore debt financing in the next year.

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

We do not have any off-balance sheet arrangements.

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

This annual report on Form 10-K, 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 annual report on Form 10-K 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;
- 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 annual report on Form 10-K 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 elsewhere in this annual report on Form 10-K entitled “Risk Factors” and “Environmental Laws and Regulations”. 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 7A. 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 are not required to provide the information required under this item.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**SADLER, GIBB & ASSOCIATES, LLC**  
Certified Public Accountants

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors  
Deep Well Oil & Gas, Inc.

We have audited the accompanying consolidated balance sheet of Deep Well Oil & Gas, Inc. (“the Company”) as of September 30, 2012, and the related consolidated statement of operations and comprehensive loss, shareholders’ equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The consolidated financial statements of Deep Well Oil & Gas, Inc. as of September 30, 2011, were audited by other auditors whose report dated December 28, 2011 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Deep Well Oil & Gas, Inc., as of September 30, 2012, and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company is in the exploration stage, has not earned significant revenue, has suffered net losses and has had negative cash flows from operating activities during the year ended September 30, 2012 and for the cumulative period from September 10, 2003 (date of inception) through September 30, 2012. These matters raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

*/s/ Sadler, Gibb & Associates, LLC*  
Farmington, UT  
January 11, 2013

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**DEEP WELL OIL & GAS, INC. (AND SUBSIDIARIES)**  
**(Exploration Stage Company)**  
**Consolidated Balance Sheets**  
**September 30, 2012 and September 30, 2011**

	September 30, 2012	September 30, 2011
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 244,191	\$ 723,766
Accounts receivable net of allowance of \$243,752 (2011 - \$350,298)	156,251	34,727
Accounts receivable – related party (Note 9)	–	2,522
Prepaid expenses	<u>46,232</u>	<u>48,298</u>
<b>Total Current Assets</b>	446,674	809,313
<b>Long term investments</b> (Note 8)	275,600	247,937
<b>Oil and gas properties</b> (Note 3)	13,190,518	13,140,951
<b>Property and equipment net of depreciation</b> (Note 7)	<u>322,660</u>	<u>425,895</u>
<b>TOTAL ASSETS</b>	<u>\$ 14,235,452</u>	<u>\$ 14,624,096</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 72,697	\$ 18,926
Accounts payable – related parties (Note 9)	<u>408,277</u>	<u>202,638</u>
<b>Total Current Liabilities</b>	480,974	221,564
<b>Asset retirement obligations</b> (Note 10)	<u>425,700</u>	<u>387,368</u>
<b>TOTAL LIABILITIES</b>	<u>906,674</u>	<u>608,932</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Common stock:</b> (Note 11)		
<b>Authorized: 300,000,000 shares at \$0.001 par value</b>		
<b>Issued and outstanding: 136,739,971 shares</b>		
(September 30, 2011 – 136,739,971 shares) (Note 11)	136,739	136,739
<b>Additional paid in capital</b>	27,166,742	27,058,078
<b>Deposits on stock subscription</b> (Note 11)	300,000	–
<b>Deficit accumulated during exploration stage</b>	<u>(14,274,703)</u>	<u>(13,179,653)</u>
<b>Total Shareholders' Equity</b>	<u>13,328,778</u>	<u>14,015,164</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>\$ 14,235,452</u>	<u>\$ 14,624,096</u>

*See accompanying notes to the consolidated financial statements*

**DEEP WELL OIL & GAS, INC. (AND SUBSIDIARIES)**  
**(Exploration Stage Company)**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
**For the Years Ended September 30, 2012 and 2011 and the Period from September 10, 2003 (Inception of**  
**Exploration Stage) to September 30, 2012**

	2012	2011	September 10, 2003 to September 30, 2012
<b>Revenue</b>	\$ <u>          —</u>	\$ <u>          —</u>	\$ <u>          —</u>
<b>Expenses</b>			
General and Administrative	1,021,942	1,536,211	13,996,933
Depreciation and accretion	<u>128,526</u>	<u>162,140</u>	<u>670,572</u>
<b>Net loss from operations</b>	(1,150,468)	(1,698,351)	(14,667,505)
<b>Other income and expenses</b>			
Rental and other income	51,299	5,538	75,070
Interest income	4,183	4,011	214,266
Interest expense	—	—	(208,580)
Forgiveness of loan payable	—	—	287,406
Settlement of debt	—	—	24,866
(Gain) loss on disposal of assets	<u>(64)</u>	<u>348</u>	<u>(226)</u>
<b>Net loss and comprehensive loss</b>	\$ <u>          (1,095,050)</u>	\$ <u>          (1,688,454)</u>	\$ <u>          (14,274,703)</u>
<b>Net loss per common share</b>			
Basic and Diluted	\$ <u>          (0.01)</u>	\$ <u>          (0.01)</u>	
<b>Weighted Average Outstanding Shares</b> <b>(in thousands)</b>			
Basic and Diluted	<u>136,740</u>	<u>136,412</u>	

*See accompanying notes to the consolidated financial statements*

**DEEP WELL OIL & GAS, INC. (AND SUBSIDIARIES)**  
**(Exploration Stage Company)**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**For the Period from September 10, 2003 (Inception of Exploration Stage) to September 30, 2012**

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

*See accompanying notes to the consolidated financial statements*



**DEEP WELL OIL & GAS, INC. (AND SUBSIDIARIES)**  
**(Exploration Stage Company)**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Continued)**  
**For the Period from September 10, 2003 (Inception of Exploration Stage) to September 30, 2012**

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

*See accompanying notes to the consolidated financial statements*

**DEEP WELL OIL & GAS, INC. (AND SUBSIDIARIES)**  
**(Exploration Stage Company)**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Continued)**  
**For the Period from September 10, 2003 (Inception of Exploration Stage) to September 30, 2012**

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

*See accompanying notes to the consolidated financial statements*

**DEEP WELL OIL & GAS, INC. (AND SUBSIDIARIES)**  
**(Exploration Stage Company)**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Continued)**  
**For the Period from September 10, 2003 (Inception of Exploration Stage) to September 30, 2012**

	<u>Common Shares</u>		Additional Paid in Capital	Capital Stock Subscriptions Received	Accumulated Deficit	Total
	<u>Shares</u>	<u>Amount</u>				
<b>Balance carried forward at September 30, 2009</b>	106,774,258	106,773	24,743,763	-	(10,159,647)	14,690,889
<b>March 9, 2010</b>						
- Warrants expired (984,375)	-	-	-	-	-	-
<b>May 25, 2010</b>						
- Warrants expired (5,000,000)	-	-	-	-	-	-
<b>June 22, 2010</b>						
- Warrants expired (8,333,333)	-	-	-	-	-	-
<b>July 11, 2010</b>						
- Warrants expired (323,333)	-	-	-	-	-	-
<b>Net operating loss for the year ended September 30, 2010</b>	-	-	-	-	(1,331,552)	(1,331,552)
<b>Balance at September 30, 2010</b>	106,774,258	106,773	24,743,763	-	(11,491,199)	13,359,337
<b>Issuance of common stock</b>						
<b>Private Placement November 9, 2010</b>						
- Shares	29,285,713	29,286	1,257,181	-	-	1,286,467
- Warrants (29,285,713) (Note 11)	-	-	763,533	-	-	763,533
<b>March 23, 2011</b>						
- Shares issued to a director (Note 11)	500,000	500	69,500	-	-	70,000
- Shares issued for services (Note 11)	180,000	180	25,020	-	-	25,200
<b>August 14, 2011</b>						
- Warrants expired (2,000,000) (Note 11)	-	-	-	-	-	-
- Warrants expired (10,638,297) (Note 11)	-	-	-	-	-	-
<b>Options granted for services</b>	-	-	199,081	-	-	199,081
<b>Net operating loss for the year ended September 30, 2011</b>	-	-	-	-	(1,688,454)	(1,688,454)
<b>Balance at September 30, 2011</b>	136,739,971	136,739	27,058,078	-	(13,179,653)	14,015,164
<b>October 31, 2011</b>						
-Warrants expired (14,500,000) (Note 11)	-	-	-	-	-	-
<b>June 22, 2012</b>						
-Warrants expired (1,000,000) (Note 11)	-	-	-	-	-	-
<b>July 11, 2012</b>						
-Warrants expired (38,800) (Note 11)	-	-	-	-	-	-
<b>Options granted for service</b>	-	-	108,664	-	-	108,664
<b>Net operating loss for the year ended September 30, 2012</b>	-	-	-	-	(1,095,050)	(1,095,050)
<b>Balance at September 30, 2012</b>	<u>136,739,971</u>	<u>\$ 136,739</u>	<u>\$ 27,166,742</u>	<u>\$ -</u>	<u>\$ (14,274,703)</u>	<u>\$ 13,028,778</u>

See accompanying notes to the consolidated financial statements

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**For the Years Ended September 30, 2012 and 2011 and the Period from September 10, 2003  
(Inception of Exploration Stage) to September 30, 2012**

	2012	2011	September 10, 2003 to September 30, 2012
<b>CASH PROVIDED BY (USED IN):</b>			
<b>Operating Activities</b>			
Net loss	\$ (1,095,050)	\$ (1,688,454)	\$ (14,274,703)
Items not affecting cash:			
Share based compensation	108,664	294,281	1,326,087
Bad debts	(10,608)	170,044	511,632
Depreciation and accretion	128,526	162,140	670,572
Forgiveness of loan payable	-	-	(287,406)
Settlement of lawsuit	-	-	435,549
Commissions withheld from loans proceeds	-	-	121,000
(Gain) loss on disposal of assets	64	(348)	226
Net changes in non-cash working capital (Note 13)	<u>142,474</u>	<u>119,520</u>	<u>(247,176)</u>
Net Cash (Used) in Operating Activities	<u>(725,930)</u>	<u>(942,817)</u>	<u>(11,744,219)</u>
<b>Investing Activities</b>			
Purchase of property and equipment	(860)	(3,254)	(904,469)
Investment in oil and gas properties	(35,731)	(434,694)	(8,611,105)
Long term investments	(17,055)	(464)	(264,992)
Cash from acquisition of subsidiary	-	-	11,141
Return of costs from farmout agreement	<u>-</u>	<u>-</u>	<u>961,426</u>
Net Cash (Used) in Investing Activities	<u>(53,645)</u>	<u>(438,412)</u>	<u>(8,807,999)</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	300,000	(48,555)	300,000
Proceeds from issuance of common stock	-	2,050,000	21,269,499
Proceeds from debenture net of commissions	<u>-</u>	<u>-</u>	<u>879,000</u>
Net Cash Provided by Financing Activities	<u>300,000</u>	<u>2,001,445</u>	<u>20,796,409</u>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(479,575)</b>	<b>620,216</b>	<b>244,191</b>
<b>Cash and cash equivalents, beginning of year</b>	<b><u>723,766</u></b>	<b><u>103,550</u></b>	<b><u>-</u></b>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 244,191</u></b>	<b><u>\$ 723,766</u></b>	<b><u>\$ 244,191</u></b>
<b>Supplemental Cash Flow Information:</b>			
Cash paid for interest	\$ -	\$ -	202,159

*See accompanying notes to the consolidated financial statements*

**DEEP WELL OIL & GAS, INC. (AND SUBSIDIARIES)**  
**(Exploration Stage Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2012 and 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. After the Bankruptcy Order and restructuring was completed, Deep Well entered into the oil and gas exploration business and acquired properties in the Peace River oil sands area, located in the province of Alberta, Canada. 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**

These consolidated financial statements are expressed in U.S. dollars and are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

These statements reflect all adjustments, consisting solely of normal recurring adjustments (unless otherwise disclosed) which, in the opinion of management, are necessary for a fair presentation of the information contained herein.

**Going Concern**

The Company’s consolidated financial statements are prepared using generally accepted accounting principles applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. As of September 30, 2012, the Company has a working capital deficit, has an accumulated deficit, and has generated negative cash flows from operations. These factors raise substantial doubt regarding the Company’s ability to continue as a going concern.

In order to continue as a going concern and achieve a profitable level of operations, the Company will need, among other things, additional capital resources and to develop a consistent source of dependent upon the ability to raise equity or debt financing, and the attainment of profitable operations from the Company's operations. The management of the Company has developed a strategy, which it believes will accomplish this objective through short-term related party loans and additional equity funding, which will enable the Company to operate for the coming year.

The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

## 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 annually and 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. No impairments to our long-lived assets were identified or recorded in the fiscal years ended September 30, 2012 and 2011.

### **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 be reasonably 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 September 30, 2012 and 2011, asset retirement obligations amount to \$425,700 and \$387,368, respectively. 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 year. 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 collectible.

## **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 anti-dilutive 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 parties, long term investments, investment in equity securities, accounts payable and accounts payable – related parties. The fair value of these financial instruments approximates their carrying values 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 June 2011, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2011-05, “Comprehensive Income (Topic 220) – Presentation of Comprehensive Income.” ASU 2011-05 amends ASC 220 to now require: (1) an entity should present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income; and (2) the entity should present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement(s) where the components of net income and the components of other comprehensive income are presented; and (3) the tax effect for each component must be disclosed in the notes to the financial statements or presented in the statement in which other comprehensive income is presented. ASU 2011-05 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Early adoption is permitted. The amendments do not require any transition disclosures. The adoption of these accounting standards has not had a significant effect on the financial statement presentation.

In May 2011, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2011-04, “Fair Value Measurement (Topic 820) – Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.” ASU 2011-04 changed the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. The amendments are effective for annual periods beginning after December 15, 2011. Early application by public entities is not permitted. The adoption of these accounting standards has not had a significant effect on the financial statement presentation.

### **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 September 30, 2012, Northern’s net payments due in Canadian dollars under this commitment are as follows:

2013	\$	45,158
2014	\$	45,158
2015	\$	45,158
2016	\$	45,158
2017	\$	45,158
Subsequent	\$	88,883.20

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 September 30, 2012 and 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 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 year ended September 30, 2012 (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.

#### 4. CAPITALIZATION OF COSTS INCURRED IN OIL AND 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 a sufficient progress is being made in assessing the oil sands reserves to justify its completion as a producing well.

For the fiscal year ending September 30, 2012, 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. No impairments to our long-lived assets were identified or recorded in the fiscal years ended September 30, 2012 and 2011.

The following table illustrates capitalized costs relating to oil and gas – producing activities for two fiscal years ended September 30, 2012 and September 30, 2011:

	<u>2012</u>	<u>2011</u>
Unproved Oil and Gas Properties	\$ 13,222,551	\$ 13,165,546
Proved Oil and Gas Properties	-	-
Accumulated Depreciation	<u>(32,033)</u>	<u>(24,595)</u>
Net Capitalized Cost	<u>\$ 13,190,518</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 fiscal years ended September 30, 2012 September 30, 2011:

	<u>2012</u>	<u>2011</u>
Acquisition of Properties:		
Proved	\$ -	\$ -
Unproved	57,005	422,362
Exploration costs	119,353	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. Signet amalgamated with Andora Energy Corporation ("Andora") in 2007.

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 2.24% as of September 30, 2012, 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 the Company's balance sheet.

## 7. PROPERTY AND EQUIPMENT

	<u>September 30, 2012</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Computer equipment	\$ 31,084	\$ 29,312	\$ 1,772
Office furniture and equipment	33,199	21,152	12,046
Software	5,826	5,826	-
Leasehold improvements	4,936	3,934	1,002
Portable work camp	170,580	120,847	49,733
Vehicles	38,077	26,976	11,101
Oilfield equipment	154,713	82,689	72,024
Road mats	364,614	258,311	106,303
Wellhead	3,254	1,119	2,135
Tanks	96,085	29,541	66,544
	<u>\$ 902,368</u>	<u>\$ 579,707</u>	<u>\$ 322,660</u>

	<u>September 30, 2011</u>		
	<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 \$104,033 of depreciation expense for the year ended September 30, 2012 (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 a 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 \$nil as of September 30, 2012 (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 \$408,277 as of September 30, 2012 (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 September 30, 2012, 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 \$327,459 to two related parties for professional fees and consulting services during the year ended September 30, 2012 (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 September 30, 2012, the Company estimates the undiscounted cash flows related to asset retirement obligation to total approximately \$664,403 (September 30, 2011 - \$644,226). The fair value of the liability at September 30, 2012 is estimated to be \$425,700 (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>September 30,</u> <u>2012</u>	<u>September 30,</u> <u>2011</u>
Balance, beginning of year	\$ 387,368	\$ 386,934
Liabilities incurred	-	-
Effect of foreign exchange	22,038	(5,490)
Disposal	-	(6,839)
Accretion expense	16,294	12,763
<b>Balance, end of year</b>	<b>\$ 425,700</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 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 the Company during the period from April 1, 2010 to March 31, 2011. These transactions have been recorded 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.

On June 22, 2012, 1,000,000 warrants previously granted on June 22, 2007 expired unexercised.

On July 11, 2012, 38,800 warrants previously granted on July 11, 2007 expired unexercised.

The following table summarizes the Company's warrants outstanding as of September 30, 2012:

Range of Exercise Price	Shares Underlying Warrants Outstanding			Shares Underlying Warrants Exercisable	
	Shares Underlying Warrants Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Shares Underlying Warrants Exercisable	Weighted Average Exercise Price
\$0.105 at September 30, 2012	29,285,713	1.11	\$ 0.105	29,285,713	\$ 0.105
	<u>29,285,713</u>	<u>1.11</u>	<u>\$ 0.105</u>	<u>29,285,713</u>	<u>\$ 0.105</u>

The following is a summary of warrant activity for the year ending September 30, 2012:

	Number of Warrants	Weighted Average Exercise Price	Intrinsic Value
Balance, September 30, 2011	44,824,513	\$ 0.30	\$ —
Warrants expired October 31, 2011	(14,500,000)	0.63	—
Warrants expired June 22, 2012	(1,000,000)	1.20	—
Warrants expired July 11, 2012	(38,800)	1.20	—
Balance, September 30, 2012	<u>29,285,713</u>	<u>\$ 0.105</u>	<u>\$ —</u>
Outstanding Warrants, September 30, 2012	<u>29,285,713</u>	<u>\$ 0.105</u>	<u>\$ —</u>

There were 29,285,713 warrants outstanding as of September 30, 2012 (September 30, 2011 – 44,824,513), which have a historical fair market value of \$763,533 (September 30, 2011 - \$2,798,059).

The Company received \$300,000 for the year ended September 30, 2012 (September 30, 2011 - \$nil) in deposits for stock, for which the Company received subsequent subscription agreements.

## 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 per year 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 previously 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 expired unexercised 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.

On September 20, 2012, 240,000 and 36,000 stock options previously granted on September 20, 2007 to R.N. Dell Energy Ltd. and a certain employee of the Company, respectively, expired unexercised.

For the period ended September 30, 2012, the Company recorded share based compensation expense related to stock options in the amount of \$108,664 (September 30, 2011 - \$199,081) on the 2,700,000 stock options issued March 23, 2011. No options were exercised during the year ended September 30, 2012, therefore, the intrinsic value of the options exercised during the year ended September 30, 2012 is \$nil. As of September 30, 2012, there was remaining unrecognized compensation cost of \$25,952 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
\$0.14 at September 30, 2012	2,700,000	3.48	0.14	1,800,000	\$ 0.14
	2,700,000	3.48	\$ 0.14	1,800,000	\$ 0.14

The aggregate intrinsic value of exercisable options as of September 30, 2012, was \$nil (September 30, 2011 - \$nil).

The following is a summary of stock option activity as at September 30, 2012:

	Number of Underlying 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	(375,000)	0.71	0.27
Options expired September 20, 2012	(36,000)	0.14	0.36
Options expired September 20, 2012	(240,000)	0.47	0.24
Balance, September 30, 2012	2,700,000	\$ 0.14	\$ 0.12
Exercisable, September 30, 2012	1,800,000	\$ 0.14	\$ 0.12

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

	Non-Vested Options	
	Number of Underlying Shares	Weighted Average Exercise Price
Non-vested at September 30, 2011	1,800,000	\$ 0.14
Options vested at March 23, 2012	(900,000)	0.14
Non-vested at September 30, 2012	900,000	\$ 0.14

### **Measurement Uncertainty**

The Black-Scholes option-pricing model ("Black-Scholes") was developed for use in estimating the fair value of traded "European" options which are liquid and 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 and vest over time, and are "American" options. 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 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 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

	September 30, 2012	September 30, 2011
Accounts receivable	\$ (119,002)	\$ (11,542)
Prepaid expenses	2,066	38,419
Accounts payable	259,410	92,643
	<u>\$ 142,474</u>	<u>\$ 119,520</u>

### 14. INCOME TAXES

As of September 30, 2012, the Company has approximately \$4,149,303 (2011 – \$4,032,878) of operating losses expiring through 2032 that may be used to offset future taxable income but are subject to various limitations imposed by rules and regulations of the Internal Revenue Service. The net operating losses are limited each year to offset future taxable income, if any, due to the change of ownership in the Company's outstanding shares of common stock. In addition, at September 30, 2012, the Company had an unused Canadian net operating loss carry-forward of approximately \$10,890,933 (2011 – \$10,449,641), expiring through 2032. These operating loss carry-forwards may result in future income tax benefits of approximately \$4,215,830. However, because realization is uncertain at this time, a valuation reserve in the same amount has been established. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The components of the net deferred tax asset, the statutory tax rate, the effective rate and the elected amount of the valuation allowance are as follows:

	Year Ended September 30, 2012	Year Ended September 30, 2011
<b>Statutory and effective tax rate</b>		
Domestic		
Statutory U.S. federal rate	35.00%	35.00%
Foreign	25.375%	26.50%
<b>Income taxes recovered at the statutory and effective tax rate</b>		
Domestic		
Statutory U.S. federal rate	\$ 81,533	\$ 149,187
Foreign	218,758	292,549
<b>Timing differences:</b>		
Non-deductible expenses	(93,161)	(120,107)
Other deductible charges	2,086	2,188
Benefit of tax losses not recognized in the year	(209,216)	(323,817)
<b>Income tax recovery (expense) recognized in the year</b>	<u>\$ –</u>	<u>\$ –</u>

The approximate tax effects of each type of temporary difference that gives rise to deferred tax assets are as follows:

	<b>Year Ended September 30, 2012</b>	Year Ended September 30, 2011
Deferred income tax assets (liabilities)		
Net operating loss carry-forwards	\$ 4,215,830	\$ 4,180,662
Oil and gas properties	107,344	108,009
Equipment	165,917	144,603
Valuation allowance	(4,489,091)	(4,433,274)
Net deferred income tax assets	\$ —	\$ —

In accordance with generally accepted accounting principles, the Company has analyzed its filing positions in all jurisdictions where it is required to file income tax returns for the open tax years in such jurisdictions. The Company has identified its federal income tax returns for the previous five years remain subject to examination. The Company's income tax returns in state income tax jurisdictions also remain subject to examination for the previous five years. The Company currently believes that all significant filing positions are highly certain and that all of its significant income tax filing positions and deductions would be sustained upon audit. Therefore, the Company has no significant reserves for uncertain tax positions, and no adjustments to such reserves were required by generally accepted accounting principles. No interest or penalties have been levied against the Company and none are anticipated, therefore no interest or penalty has been included in the provision for income taxes in the consolidated statements of operations.

## 15. 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. As of September 30, 2012, the Company has accrued Cdn \$259,500 owing to Portwest Investments Ltd., and did not pay out this accrued portion to Portwest Investments Ltd. since April 2010 for the services of Dr. Schmid as Chief Executive Officer and President of the Company.
- 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:

2013	\$ 47,647
2014	\$ 10,625

## 16. SUBSEQUENT EVENTS

Effective on November 23, 2012, the Company completed a private placement for an aggregate of 42,857,142 units at a price of \$0.07 per unit for an aggregate of \$300,000,000 (including the Deposit received prior to September 30, 2012 of \$300,000). 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 23, 2015.

Effective on December 3, 2012, the Company entered into a Purchase and Sale agreement with 1132559 Alberta Ltd. ("113") and acquired an additional 10% working interest in most of the Sawn Lake oil sands properties where the Company already owns working interests, in exchange for the following: 1.) \$2.4 million Canadian; 2.) the discontinuance, without costs, of the

Court of Queen's Bench, Judicial District of Edmonton, Action No. 0803-0869 and Action No. 1003-14659 filed against 113; and 3.) Forgoing the amounts owned from 113 to the Company in the amount of \$239,267.88 Canadian and any defaults and penalties that the Company had imposed upon 113.

## 17. 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 out come 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 September 30, 2012, 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 September 30, 2012, no contingent liability has been recorded, as the Company believes that a successful outcome for the Plaintiff is remote.



**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A. CONTROLS AND PROCEDURES**

**Disclosure Controls and Procedures**

As of the end of our fiscal year ended September 30, 2012, 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 fiscal year, 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 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.

It should be noted that while our principal executive officer and principal financial officer believe that our disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that our disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

**Management’s Annual Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) to provide reasonable assurance regarding the reliability of our financial reporting and consolidated financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Our management, which included our principal executive officer and principal financial officer, assessed our internal control over financial reporting as of September 30, 2012. This assessment was based on criteria for effective internal control over financial reporting described in the internal control integrated framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, our management believes that, as of September 30, 2012, our internal control over financial reporting was effective.

**Attestation Report of the Independent Registered Public Accounting Firm**

We are a smaller reporting company within the meaning of Rule 12b-2 under the Exchange Act. Therefore this annual report on Form 10-K is not required to include an attestation report of our independent registered public accounting firm, Sadler, Gibb & Associates, L.L.C. with respect to our internal control over financial reporting. Sadler, Gibb & Associates, L.L.C. audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of our internal control over financial reporting. Accordingly, Sadler, Gibb & Associates, L.L.C. expressed no such opinion on our internal control over financial reporting as of September 30, 2012.

**Changes in Internal Control Over Financial Reporting**

During the fiscal year ended September 30, 2012 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.

**ITEM 9B. OTHER INFORMATION**

Deep Well reported all information that was required to be disclosed on Form 8-K during the fourth quarter of the fiscal year covered by this Form 10-K.

## PART III

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

#### Directors and Executive Officers

The directors and executive officers of Deep Well are as follows:

As at September 30, 2012		
Name	Age	Position/Office
Dr. Horst A. Schmid	79	Director and Chairman of the Board, President and Chief Executive Officer
Mr. Said Arrata	72	Director
Mr. Satya Brata Das	56	Director
Mr. David Roff	41	Director
Mr. Curtis James Sparrow	55	Director and Chief Financial Officer, Secretary and Treasurer
Mr. Malik Youyou	59	Director

#### Biographies of Directors and Executive Officers

Brief biographies of the directors and executive officers of Deep Well are set forth below. All directors hold office until the next stockholders' meeting or until their death, resignation, retirement, removal, disqualification or until their successors have been elected and qualified. Vacancies in the existing Board may be filled by majority vote of the remaining directors. Officers of our Company serve at the will of the Board of Directors. As of September 30, 2012 there are no written employment contracts for officers outstanding, other than the consulting contracts as disclosed herein.

Dr. Horst A. Schmid has served as director and Chairman of the Board since February 6, 2004 to present. Since June 29, 2005 to present he has been the Chief Executive Officer and President of Deep Well. From September 1996 to present, Dr. Schmid has been director, President and Chief Executive Officer of Portwest Investment Ltd., a private firm, located in Edmonton, Alberta, Canada. Prior to that, Dr. Schmid spent 15 years as Cabinet Minister for the Government of Alberta and 10 years as Commissioner General for Trade and Tourism for the province of Alberta. During that time he was involved in numerous successful overseas negotiations for the Alberta Oil & Gas Industry, achieving major contracts for Alberta Exploration/Production/Service Companies. He is the recipient of many Canadian and International Awards for his accomplishments. Dr. Schmid received an Honorary Law Degree from the University of Alberta.

Mr. Said Arrata has served as director of Deep Well since March 8, 2011 to present. Mr. Arrata is a highly experienced energy executive who brings a sophisticated understanding of energy company development to the Deep Well Board of Directors. Mr. Arrata is the Chairman of the Board of Directors and CEO of Sea Dragon Energy Inc., a firm domiciled in Calgary, devoted exclusively to overseas production, concentrated in Egypt. In 2007 the company he co-founded, Centurion Energy, was sold for \$1.2 billion to Dana Gas and Mr. Arrata subsequently established Sea Dragon Energy Inc. Reputed as a company-builder, focused on building maximum value for shareholders during his more than 40 years in the oil and gas industry during which he held management and board positions with major oil and gas companies in Canada and overseas. Mr. Arrata holds a B.Sc. degree in Petroleum Engineering along with several post-graduate accreditations at various universities in North America and is an active member of several professional engineering and industry associations.

Mr. Satya Brata Das has served as director of Deep Well since March 8, 2011 to present. Mr. Das offers strategic advice and guidance to public and private sector leaders as co-founder, director and Principal of Edmonton based Cambridge Strategies Inc. A public policy expert on the sustainable development of heavy oil and the oil sands, he is author of "Green Oil: Clean Energy for the 21st Century?" A frequent commentator on air, in print and on podiums, Mr. Das brings his deep experience and insight on public policy issues to the Deep Well Board. A former columnist, foreign correspondent and editorialist, Mr. Das has advised at the highest levels of municipal, provincial and national governments in Canada.

Mr. Curtis James Sparrow has served as director of Deep Well since February 6, 2004. From that time until the present Mr. Sparrow has also been the Chief Financial Officer, Corporate Secretary and Treasurer of Deep Well. Since the mid 1980s, Mr. Sparrow has been a self-employed management consultant specializing in the natural resource section. Mr. Sparrow has been involved in the oil and gas industry in various capacities for over 30 years. He has held directorships and senior officer positions with junior exploration and development companies before becoming a self-employed consultant. He has also participated in the marketing side of the oil and gas industry, and was part of an acquisition team formed to assess and develop a bid for a multi-billion dollar integrated oil company. His experience also includes corporate and project management, international businesses and mining. Mr. Sparrow received his Bachelor of Science Degree in Engineering and Masters Degree in Business Administration from the University of Alberta. Mr. Sparrow is also a registered Professional Engineer.

Mr. David Roff is currently serving as a director of Deep Well since his reappointment on April 3, 2006. He was the former President and Sole Director of Deep Well from September 10, 2003 until February 6, 2004. Mr. Roff is the co-president of Brave Consulting, a private consulting and investment corporation and has held this position since 2001. Brave Consulting was engaged by Deep Well in July 2005 and provided services to our Company until March 2009. Mr. Roff has extensive experience working with small cap public companies for more than ten years. Prior to that, Mr. Roff was a management consultant for Coopers & Lybrand Consulting where he advised large financial institutions, investment fund complexes and other organizations on technology and internal control strategies. Mr. Roff is an officer and director of Arkson Nutraceuticals and Hudson's Grill International. Mr. Roff is a Chartered Accountant with a B.A. degree from the University of Western Ontario.

Mr. Malik Youyou has served as director of Deep Well since August 20, 2008 to present. Mr. Youyou is an experienced international entrepreneur, investor and director of several companies.

### **Family Relationships**

There are no family relationships among the directors and executive officers of our Company.

### **Involvement in Certain Legal Proceedings**

The following does not describe any legal proceeding to which Deep Well or its subsidiaries is a party. For a description of certain legal proceedings involving Deep Well and its subsidiaries, see the section of this annual report on Form 10-K entitled Item 3 Legal Proceedings. In the past ten years:

No bankruptcy petition has been filed by or against any business of which any current director was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time.

No current director has been convicted in a criminal proceeding and is not subject to a pending criminal proceeding (excluding traffic violations and other minor offences).

No current director has been the subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities.

No current director has been the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any Federal or State authority barring, suspending or otherwise limiting for more than 60 days the right of such person to engage in any activity described in paragraph (f)(3)(i) of this section, or to be associated with persons engaged in any such activity.

No current director has been found by a court of competent jurisdiction in a civil action or by the Commission to have violated a Federal or State securities law that has not been reversed, suspended, or vacated.

No current director has been found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any Federal commodities law that has not been subsequently reversed, suspended or vacated.

No current director has been the subject of, or a party to, any Federal or State judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of any federal or state securities or commodities law or regulation; any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order or disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order; or any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity.

No current director has been the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization, any registered entity, or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

### **Section 16 (a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires our Company's officers, directors and persons who beneficially own more than 10% of a registered class of our Company's equity securities to file reports of ownership and changes in ownership with the SEC, and to furnish to our Company copies of such reports. Based solely on the review of Forms 3 and 4 received by our Company during the September 30, 2012 fiscal year, as required under Section 16(a)(2) of the Securities Exchange Act of 1934, the following directors did not report on a timely basis as follows: Mr. David Roff, a director of our Company, filed one Form 4 late in connection with Mr. Roff's expired unexercised stock options; and Mr. Malik Youyou, a director and a 10% or more beneficial owner of our Company, filed two Form 4s late in connection with Mr. Youyou's expired unexercised warrants.

## **Code of Ethics**

As of September 30, 2012, our Company had not yet adopted a formal code of ethics governing its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. We have not adopted a code of ethics because we have limited operations. Our Board of Directors will address this issue in the future to determine the adoption of a code of ethics. In the meantime, our management intends to promote honest and ethical conduct, full, fair, accurate, understandable and timely disclosure in our reports to the SEC, and compliance with applicable governmental laws, rules and regulations.

## **Corporate Governance**

### ***Director Independence***

We have not adopted standards for director independence, but in making a determination on our Board of Director's independence under the standards for independence set forth by the NASDAQ Stock Market Rule 5605(a)(2), we determined that as of September 30, 2012, our Board of Directors consisted of four independent and two non-independent directors. The directors of our Company are as follows:

<b>As at September 30, 2012</b>		
<b>Name</b>	<b>Year When First Appointed as Director</b>	
Dr. Horst A. Schmid	2004	Non-independent director
Mr. Said Arrata	2011	Independent director
Mr. Satya Brata Das	2011	Independent director
Mr. David Roff	2006	Independent director
Mr. Curtis James Sparrow	2004	Non-independent director
Mr. Malik Youyou	2008	Independent director

Our Board of Directors has approved the adoption of the formation of a corporate governance committee in the future, which will carry out the functions and duties as set out for a nominating committee and compensation committee. Our Board of Directors has designated Mr. Said Arrata, Mr. Satya Brata Das, Mr. David Roff and Mr. Curtis Sparrow to serve on our future corporate governance committee. Our Company currently does not yet have a corporate governance committee charter, but we are currently in the process of considering and developing a corporate governance committee charter. During our September 30, 2012 fiscal year end there were no meetings of our corporate governance committee.

### ***Nominating Committee***

Our corporate governance committee, will include the functions and duties of a nominating committee. The committee members are Mr. Said Arrata as an independent director, Mr. Satya Brata Das as an independent director, Mr. David Roff as an independent director and Mr. Curtis Sparrow as a non-independent director. Our Company currently does not have a nominating committee charter or policy, however our Company does consider director candidates recommended by stockholders of our Company as set out in our amended and restated bylaws filed on September 3, 2009 with the SEC on Form 8-K and as set out under Shareholder Eligibility Rule 14a-11 of the SEC. We are currently in the process of considering and developing a nominating committee charter or policy.

### ***Audit Committee***

We do not currently have an audit committee of our Board of Directors, nor does our Company have an audit committee charter. Our full Board of Directors fulfills the duties of an audit committee.

We have an independent audit committee financial expert on our Board of Directors. Mr. David Roff a director serving on our Board of Directors is a chartered accountant, with a B.A. degree from the University of Western Ontario, has worked as an auditor from 1995 to 1998. Mr. David Roff is a Certified Public Accountant in good standing since 1995 to present.

### ***Compensation Committee***

Our corporate governance committee, will include the functions and duties of a compensation committee. The committee members are Mr. Said Arrata as an independent director, Mr. Satya Brata Das as an independent director, Mr. David Roff as an independent director and Mr. Curtis Sparrow as a non-independent director. From February 9, 2004 to present Mr. Curtis Sparrow has been the Chief Financial Officer, Corporate Secretary and Treasurer of Deep Well. Our Company currently does not have a compensation committee charter. We are currently in the process of considering and developing a compensation committee charter. Currently our entire Board of Directors review all compensation paid to the officers of our Company.

## Shareholder Communications

We recognize the investment in our Company that stockholders of our common stock have made and accordingly, we are committed to the open exchange of ideas, concerns and suggestions with our stockholders. Stockholders desiring to communicate with the Board of Directors of the Company can do so by mailing a letter to the attention of the Chairman of the Board of Directors addressed to our Company's corporate office at Suite 700, 10150 – 100 Street, Edmonton, Alberta, T5J 0P6. We did not hold a general meeting of stockholders during the fiscal year ended September 30, 2012. Our last general meeting of stockholders was held on February 24, 2010.

### Board leadership structure and role in risk oversight

Currently, Dr. Horst A. Schmid is our President and Chief Executive Officer and also serves as the Chairman of our Board of Directors. Because of the small size of our Company we do not have a lead independent director. Our Board of Directors consists of four independent and two non-independent directors. Our independent directors take an active role on our Board of Directors and make up a majority of our Board. Given the size of our Company, our entire Board of Directors believe that our current board leadership structure is appropriate at this time and that Dr. Horst A. Schmid and Mr. Curtis Sparrow bring valuable industry experience and historical knowledge of our Company's history.

Our entire Board of Directors perform the role of risk oversight and includes all of our executive officers. Our management submits weekly updates to our entire Board of Directors for review and discussion. These weekly updates include, but are not limited to, regulatory disclosure, administrative and operational updates, weekly financial status and discussion of major expenditures. Our independent Board members regularly discuss their concerns and observations regarding all aspects of our Company's business plans, risks and operations. These weekly updates facilitate discussions regarding risk-related information or concerns between our Board of Directors and our management. Dr. Horst A. Schmid and our entire Board of Directors form the agendas for all Board meetings.

## ITEM 11. EXECUTIVE COMPENSATION

### Summary Compensation Table

The following table provides information about the compensation paid to, earned or received during the last two fiscal years ended September 30, 2012 and September 30, 2011, by the executive officers listed below (the "Named Executive Officers").

Executive Compensation Summary									
Name and Principal Position	Fiscal Year Sept. 30	Fee \$Cdn	Bonus \$US	Stock Awards \$US	Option Awards \$US	Non-Equity Incentive Plan Compensation \$US	Non-qualified Deferred Compensation Earnings \$US	All Other Compensation \$US	Total \$US
Dr. Horst A. Schmid <sup>(1)</sup> President and Chief Executive Officer	2012	\$ 150,000 <sup>(2)</sup>	\$ –	\$ –	\$ 18,111 <sup>(3)</sup>	\$ –	\$ –	\$ – <sup>(4)</sup>	\$ 170,511 <sup>(9)</sup>
	2011	\$ 150,000 <sup>(2)</sup>	\$ –	\$ –	\$ 32,958 <sup>(3)</sup>	–	\$ –	\$ 2,000 <sup>(4)</sup>	\$ 179,348 <sup>(9)</sup>
Mr. Curtis James Sparrow <sup>(5)</sup> Chief Financial Officer	2012	\$ 180,000 <sup>(6)</sup>	\$ –	\$ –	\$ 18,111 <sup>(7)</sup>	\$ –	\$ –	\$ – <sup>(8)</sup>	\$ 200,991 <sup>(9)</sup>
	2011	\$ 180,000 <sup>(6)</sup>	\$ –	\$ –	\$ 32,958 <sup>(7)</sup>	–	\$ –	\$ 1,000 <sup>(8)</sup>	\$ 207,226 <sup>(9)</sup>

<sup>(1)</sup> Dr. Horst A. Schmid has served our Company as director and Chairman of the Board since February 6, 2004 to present. From June 29, 2005 to present Dr. Schmid has been the President and Chief Executive Officer of our Company.

<sup>(2)</sup> Portwest Investments Ltd., a company owned 100% by Dr. Horst A. Schmid, provided services as Chief Executive Officer and President to our Company for Cdn \$150,000 for the 2012 fiscal year and Cdn \$150,000 for the 2011 fiscal year. For the 2012 and 2011 fiscal years, our Company accrued Cdn \$150,000 and Cdn \$93,750, respectively, in amounts owing to Portwest, but did not pay out any of this accrued portion of the above fees to Portwest for the services of Dr. Schmid as Chief Executive Officer and President of our Company.

<sup>(3)</sup> On November 28, 2010, 375,000 and 390,000 stock options previously granted on November 28, 2005 to Dr. Horst A. Schmid and Portwest Investments Ltd., respectively, expired unexercised. On March 23, 2011, our Board granted Dr. Schmid, as a Director of our Company, 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.

<sup>(4)</sup> Dr. Horst A. Schmid was paid \$nil for the fiscal year 2012 and \$2,000 for the fiscal year 2011, for director's fees for his services on the Board of Directors as Chairman of the Board of our Company.

<sup>(5)</sup> Mr. Curtis James Sparrow has served our Company as director since February 6, 2004. From February 9, 2004 to present Mr. Sparrow has been the

Chief Financial Officer, Corporate Secretary and Treasurer of our Company.

<sup>(6)</sup> Concorde Consulting, a company owned 100% by Mr. Curtis James Sparrow, provided services as Chief Financial Officer to our Company for Cdn \$180,000 for the 2012 fiscal year and Cdn \$180,000 for the 2011 fiscal year. For the 2012 and 2011 fiscal years, our Company accrued Cdn \$60,000 and Cdn \$45,000, respectively, in amounts owing to Concorde, but did not pay out this accrued portion of the above fees to Concorde for the services of Mr. Sparrow as Chief Financial Officer of our Company.

<sup>(7)</sup> On November 28, 2010, 375,000 and 390,000 stock options previously granted on November 28, 2005 to Mr. Curtis James Sparrow and Concorde Consulting, respectively, expired unexercised. On March 23, 2011, our Board granted Mr. Sparrow, as a Director of our Company, 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.

<sup>(8)</sup> Mr. Curtis James Sparrow was paid \$nil for the fiscal year 2012 and \$1,000 for the fiscal year 2011, for director's fees for his services on the Board of Directors as director of our Company.

<sup>(9)</sup> The Cdn dollar amounts in the fee column for Dr. Schmid's and Mr. Sparrow's September 30, 2012 and 2011 fiscal year fees were converted to US\$ in the total column of this table based on the year-end exchange rates of \$1.016 and \$0.9626, respectively.

### **Compensation Arrangements for Executive Officers**

Our Company currently does not provide retirement benefits to its executive officers.

Our Company has entered into the following contracts with the following companies for services of certain officers and/or directors of our Company:

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

On November 28, 2005, our Board of Directors of our Company previously granted 390,000 options to acquire common shares to the above corporations providing consulting services to our Company and on November 28, 2010 these options expired unexercised and no further options were granted to corporations providing consulting services as executive officers to our Company. On March 23, 2011, and as herein reported under the Executive Compensation Summary, our Board of Directors granted Dr. Schmid and Mr. Sparrow, as directors of our Company, options to purchase 450,000 shares each of common stock at an exercise price of \$0.14 per common share, one-third vesting immediately, one-third vesting on March 23, 2012, and one-third vesting on March 23, 2013, with a five-year life.

<b>Outstanding Equity Awards Granted to Executive Officers at September 30, 2012</b>									
Name	<b>Options Awards <sup>(1)</sup></b>					<b>Stock Awards</b>			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Portwest Investments Ltd. <sup>(1)</sup>	-	-	-	-	-	-	-	-	-
Concorde Consulting <sup>(2)</sup>	-	-	-	-	-	-	-	-	-

<sup>(1)</sup> Portwest Investments Ltd., is owned 100% by Dr. Horst A. Schmid. Dr. Schmid provides services as Chief Executive Officer and President to our Company.

<sup>(2)</sup> Concorde Consulting, is owned 100% by Mr. Curtis James Sparrow. Mr. Sparrow provides services as Chief Financial Officer to our Company.

### **Compensation of Directors**

On November 28, 2005, our Company adopted a cash compensation plan pursuant to which each director is paid the amount of \$500 for each meeting of the Board of Directors or committee meeting that they attend, or resolution participated in, plus, we reimburse each director for actual expenses incurred in connection with Board meeting attendance. The Chairman of the Board is paid \$1,000 for each Board event as described above plus reimbursement for actual expenses incurred in connection with Board meeting attendance.

On November 28, 2005, our Board of Directors of Deep Well adopted the Deep Well Oil & Gas, Inc. Stock Option Plan. The Stock Option Plan was approved by the majority of shareholders at the February 24, 2010 general meeting of shareholders. The Stock Option Plan is administered by our Board of Directors and permits options to acquire shares of Deep Well's common stock to be granted to directors of our Company. The vesting of such director options will occur only if the holder of the options continues to provide services to us during the immediate annual period preceding the relevant vesting date. The options will terminate at the close of business five years from the date of grant.

On March 23, 2011, our Board of Directors granted each of 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 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 such options expiring on March 23, 2016.

For the period ended September 30, 2012, our Company recorded share based compensation expense related to stock options in the amount of \$108,664 (September 30, 2011 - \$199,081) on the 2,700,000 stock options issued on March 23, 2011. No options were exercised during the year ended September 30, 2012, therefore, the intrinsic value of the options exercised during the year ended September 30, 2012 is \$nil. As of September 30, 2012, there was remaining unrecognized compensation cost of \$25,952 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.

Director Compensation at September 30, 2012							
Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$) <sup>(1)</sup>	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Dr. Horst A. Schmid	Disclosed in the Executive Compensation Summary under Item 11.						
Mr. Said Arrata <sup>(2)</sup>	–	–	18,111	–	–	–	18,111
Mr. Satya Brata Das <sup>(3)</sup>	–	–	18,111	–	–	–	18,111
Mr. David Roff <sup>(4)</sup>	–	–	18,111	–	–	–	18,111
Mr. Curtis James Sparrow	Disclosed in the Executive Compensation Summary under Item 11.						
Mr. Malik Youyou <sup>(5)</sup>	–	–	18,111	–	–	–	\$18,111

<sup>(1)</sup> These estimated valuations include the value of the vested options received on March 23, 2011.

<sup>(2)</sup> Mr. Said Arrata has served our Company as Director since March 8, 2011.

<sup>(3)</sup> Mr. Satya Brata Das has served our Company as Director since March 8, 2011.

<sup>(4)</sup> Mr. David Roff has served our Company as Director since April 3, 2006.

<sup>(5)</sup> Mr. Malik Youyou has served our Company as Director since August 20, 2008.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

### Securities Authorized for Issuance Under Equity Compensation Plans

As of September 30, 2012, with respect to shares of Deep Well common stock that may be issued under our existing equity compensation plan, see Item 5 "Equity Compensation Plan Information" of this report on Form 10-K.

### Security Ownership of Certain Beneficial Owners and Management

The following table sets forth the number and percentage of the beneficial ownership of shares of Deep Well's outstanding common stock as of September 30, 2012 by each person or group known by us to be the beneficial owner of more than 5%, and all of our directors and executive officers individually and as a group.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS				
As of December 15, 2012				
Name and Address of Beneficial Owner	Title of Class	Number of Shares Beneficially Owned <sup>(1) (2)</sup>	Percentage of Class Beneficially Owned	Nature of Beneficial Ownership
Malik Youyou Director Sadovnicheskeya nab 69 Moscow 115035, Russia	Common	182,462,393	72.60% <sup>(3)</sup>	Direct and Indirect
VP Bank (Schweiz) AG Beneficial Owner of 5% or more Bahnhofstr. 3 8022 Zuerich, Switzerland	Common	10,579,084	5.89% <sup>(4)</sup>	Direct

Dr. Horst A. Schmid Director and Chairman of the Board, President and Chief Executive Officer Suite 700, 10150 - 100 Street Edmonton, Alberta T5J 0P6 Canada	Common	2,250,000	1.25% <sup>(5)</sup>	Direct and Indirect
Mr. Satya Brata Das Director Suite 710, 10150 - 100 Street Edmonton, Alberta T5J 0P6 Canada	Common	1,968,570	1.09% <sup>(6)</sup>	Direct and Indirect
Mr. Said Arrata Director Suite 2320, 255 – 5 Avenue S.W. Calgary, Alberta T2P 3G6 Canada	Common	800,000	* <sup>(7)</sup>	Direct
Mr. David Roff Director 27 Chicora Avenue Toronto, Ontario M5R 1W7 Canada	Common	379,886	* <sup>(8)</sup>	Direct
Mr. Curtis James Sparrow Director, Chief Financial Officer, Corporate Secretary and Treasurer Suite 700, 10150 - 100 Street Edmonton, Alberta T5J 0P6 Canada	Common	300,000	* <sup>(9)</sup>	Direct
All Officers and Directors as a Group	Common	188,160,849	74.21%	Direct and Indirect

\* Less than 1%

<sup>(1)</sup> Under the rules of the SEC, a person or entity beneficially owns stock of a company if such person or entity directly or indirectly has, or shares the power to, vote or direct the voting, or the power to dispose or direct the disposition of such stock, whether through any contract, arrangement, understanding, relationship or otherwise. A person or entity is also deemed to be the beneficial owner of stock if such person or entity has the right to acquire either of such powers at any time within 60 days through the exercise of any option, warrant, right or conversion privilege or pursuant to the power to revoke a trust, a discretionary account or similar arrangement or pursuant to the automatic termination of a trust, discretionary account or similar arrangement.

<sup>(2)</sup> Based on 179,597,113 of our common shares issued and outstanding on December 15, 2012. For calculating the percentage of beneficial ownership separately for each person, his or her options, warrants or both that can be acquired within 60 days are included in both the numerator and the denominator. For the directors as a group, their collective options and warrants that can be acquired within 60 days are included in both the numerator and the denominator when calculating their group percentage ownership.

<sup>(3)</sup> Mr. Malik Youyou has served our Company as director from August 20, 2008 to present. As of December 15, 2012, Mr. Youyou beneficially owns 182,462,393 shares of our common stock, of which 104,575,042 are held directly and 6,158,781 are held by Westline Enterprises Limited, a corporation 100% owned by Mr. Youyou. Mr. Youyou also holds presently exercisable warrants to acquire 71,428,570 shares of our common stock and presently exercisable options to acquire 300,000 shares of our common stock. Assuming the issuance of 71,728,570 shares of our common stock, pursuant to the exercise of Mr. Youyou's presently exercisable warrants and options, Mr. Youyou would beneficially own 72.6% of our Company's outstanding common stock. As December 15, 2012, Mr. Youyou has not exercised any warrants or options and without the exercise of Mr. Youyou's warrants and options, Mr. Youyou has a 61.66% ownership of our issued and outstanding common stock.

<sup>(4)</sup> Based solely on our statement of security holder listing report received from our transfer agent on December 15, 2012, VP Bank (Schweiz) AG owns 10,579,084 shares of our common stock and based on this report VP Bank (Schweiz) AG owns 5.89% of our Company's issued and outstanding common stock.

<sup>(5)</sup> Dr. Horst A. Schmid has served our Company as director and Chairman of the Board from February 6, 2004 to present. Dr. Schmid has also served our Company as President and Chief Executive Officer from June 29, 2005 to present. Dr. Schmid's beneficial ownership consists of Portwest Investment Ltd., owning 1,950,000 shares of our common stock. Portwest Investment Ltd. is a private corporation registered in Alberta, Canada, which is 100% owned and controlled by Dr. Schmid. Dr. Schmid also directly owns presently exercisable options to acquire 300,000 shares of our common stock. Assuming the issuance of 300,000 shares of common stock, pursuant to the exercise of Dr. Schmid's presently exercisable stock options, Dr. Schmid would beneficially own 1.25% of our Company's outstanding common stock. As December 15, 2012, Dr. Schmid has not exercised any stock options and without the exercise of Dr. Schmid's options, Dr. Schmid has a 1.09% ownership of our issued and outstanding common stock.

<sup>(6)</sup> Mr. Satya Brata Das has served our Company as director since March 8, 2011. Mr. Das' beneficial ownership of our common stock consist of 954,285 shares of our common stock, of which 240,000 are held directly and 714,285 are held by Cambridge Strategies Inc., a company 50% owned by Mr. Satya Brata Das and 50% owned by his wife. Mr. Das also directly owns presently exercisable options to acquire 300,000 shares of our common stock. Mr. Das also indirectly owns through Cambridge Strategies Inc. presently exercisable warrants to acquire an additional 714,285 shares of our common stock. Assuming the issuance of 1,014,285 shares of our common stock, pursuant to the exercise of Mr. Das' presently exercisable warrants indirectly held and options directly held, Mr. Das would beneficially own 1.09% of our Company's outstanding common stock. As December 15, 2012, Mr. Das has not exercised any warrants or options and without the exercise of Mr. Das' warrants and options, Mr. Das has a 0.53% ownership of our issued and outstanding common stock.

<sup>(7)</sup> Mr. Said Arrata has served our Company as director since March 8, 2011 Mr. Arrata's beneficial ownership of our common stock consist of 500,000 shares of our common stock. Mr. Arrata also directly owns presently exercisable options to acquire 300,000 shares of our common stock. Assuming the issuance of 300,000 shares of our common stock, pursuant to the exercise of Mr. Arrata's presently exercisable stock options, Mr. Arrata would beneficially own 0.44% of our Company's outstanding common stock. As December 15, 2012, Mr. Arrata has not exercised any stock options and without the exercise of Mr. Arrata's options, Mr. Arrata has a 0.28% ownership of our issued and outstanding common stock.



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<sup>(8)</sup> Mr. David Roff has served our Company as director since April 3, 2006. Mr. Roff's beneficial ownership consists of 79,886 shares of our common stock. Mr. Roff also directly owns presently exercisable options to acquire 300,000 shares of our common stock. Assuming the issuance of 300,000 shares of our common stock, pursuant to the exercise of Mr. Roff's presently exercisable stock options, Mr. Roff would beneficially own 0.21% of our Company's outstanding common stock. As December 15, 2012, Mr. Roff has not exercised any stock options and without the exercise of Mr. Roff's options, Mr. Roff has a 0.04% ownership of our issued and outstanding common stock. As of October 25, 2011, 375,000 options previously granted to Mr. Roff expired unexercised.

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<sup>(9)</sup> Mr. Sparrow has served our Company as director and Chief Financial Officer since February 9, 2004. Mr. Sparrow holds presently exercisable options to acquire 300,000 shares of our common stock. Assuming the issuance of 300,000 shares of common stock, pursuant to the exercise of Mr. Sparrow's presently exercisable stock options, Mr. Sparrow would beneficially own 0.17% of our Company's outstanding common stock. As December 15, 2012, Mr. Sparrow has not exercised any stock options and without the exercise of Mr. Sparrow's options, Mr. Sparrow has a 0.00% ownership of our issued and outstanding common stock.

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## **Changes in Control**

Except as described below, Deep Well is not aware of any arrangement that may result in a change in control of Deep Well or its subsidiary companies.

As of December 15, 2012, and based solely on Mr. Malik Youyou's filed Form 4s and an Amended Schedule 13D both filed on December 12, 2012, Mr. Youyou, a director of our Company, beneficially owns 182,462,393 common shares of Deep Well, representing 72.6% of Deep Well's outstanding shares of common stock (assuming the exercise of all options and warrants held by Mr. Youyou).

## **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

### **Transactions with Related Persons**

On November 9, 2010, pursuant a subscription agreement, our Company completed a private placement with Mr. Malik Youyou of an aggregate of 29,571,428 units ("Units") at a price of \$0.07 per Unit, for total gross proceeds of \$2,000,000. Each Unit is comprised of one (1) common share and one (1) common share purchase warrant. Each warrant entitles the holder to purchase one (1) common share at a price of \$0.105 for a period of three years from the date of closing, provided that if the closing price of the common shares of our Company on the principal market on which our shares trade is equal to or exceeds \$1.00 for thirty consecutive trading days, the warrant term shall automatically accelerate to the date which is thirty calendar days following the date that written notice has been given to the warrant holder. No commission or finder's fees were payable in connection with this private placement. The Units were issued pursuant to Regulation S under the Securities Act of 1933, as amended.

Effective November 23, 2012, pursuant to a subscription agreement, our Company completed a private placement to one investor of an aggregate of 42,857,142 units ("Units") at a price of \$0.07 per Unit, for total gross proceeds of \$3,000,000 (including a deposit received prior to September 30, 2012 of \$300,000). Each Unit is comprised of one (1) common share and one (1) common share purchase warrant. Each warrant entitles the holder to purchase one (1) common share at a price of \$0.105 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 our common 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. No commission or finder's fees were payable in connection with this private placement. The Units were issued pursuant to Regulation S under the Securities Act of 1933, as amended. The warrants expire on November 23, 2015. Mr. Malik Youyou has served our Company as director from August 20, 2008 to present. As of December 15, 2012, Mr. Youyou beneficially owns 182,462,393 shares of our common stock, of which 104,575,042 are held directly and 6,158,781 are held by Westline Enterprises Limited, a corporation 100% owned by Mr. Youyou. Mr. Youyou also holds presently exercisable warrants to acquire 71,428,570 shares of our common stock and presently exercisable options to acquire 300,000 shares of our common stock. Assuming the issuance of 71,728,570 shares of our common stock, pursuant to the exercise of Mr. Youyou's presently exercisable warrants and options, Mr. Youyou would beneficially own 72.6% of our Company's outstanding common stock. As December 15, 2012, Mr. Youyou has not exercised any warrants or options and without the exercise of Mr. Youyou's warrants and options, Mr. Youyou has a 61.66% ownership of our issued and outstanding common stock.

## **ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

In the fiscal year ended September 30, 2012, we paid Collins Barrow, an independent third party, PCAOB registered, chartered accounting firm fees of Cdn \$23,100 relating to the preparation of our Company's tax returns and first quarter financial statements. On February 1, 2012, we hired an employee who just recently acquired her CA designation as a chartered accountant. This new employee prepared our second and third quarterly financial statements. All of our quarterly financial statements for the fiscal year ended September 30, 2012 and September 30, 2011 were reviewed by Madsen & Associates, CPA's Inc.

In the fiscal year ended September 30, 2011, we paid Collins Barrow, an independent third party, PCAOB registered, chartered accounting firm fees of Cdn \$60,948, relating to the preparation of our Company's tax returns, quarterly and annual consolidated financial statements which were audited by Madsen & Associates, CPA's Inc.

The following table is a summary of the fees billed to us by Madsen & Associates, CPA's Inc. and Sadler, Gibb & Associates, L.L.C. for professional services for the fiscal years ended September 30, 2012 and September 30, 2011:

<b>Fee Category</b>	<b>Fiscal 2012 Fees</b>	<b>Fiscal 2011 Fees</b>
Audit Fees	\$ 25,000	\$ 21,675
Audit Related Fees	-	-
Tax Fees	-	-
All Other Fees	-	-
<b>Total Fees</b>	<b>\$ 25,000</b>	<b>\$ 21,675</b>

### **Audit Fees**

Audit fees consist of fees for services provided by Sadler, Gibb & Associates, L.L.C. for the audit of our annual financial statements included in this annual report on Form 10-K for the year ended September 30, 2012. Also, audit fees consist of fees for services provided by Madsen & Associates, CPA's Inc. for the audit of our annual financial statements included in this annual report on Form 10-K for the year ended September 30, 2011 and for the review of our quarterly financial statements included in our quarterly filings on Form 10-Q for the periods ending December 31, 2011, March 31, 2012 and June 30, 2012.

### **Audit Committee Pre-Approval Policies and Procedures**

Our Board of Directors has pre-approved, and pre-approves, all audit and non-audit services provided or to be provided by Sadler, Gibb & Associates, L.L.C. or provided by Madsen & Associates, CPA's Inc. Our Board of Directors has considered the nature and amount of the fees billed by Sadler, Gibb & Associates, L.L.C. and Madsen & Associates, CPA's Inc., and believes that the provision of the services for activities unrelated to the audit of our financial statements is compatible with maintaining the independence of Sadler, Gibb & Associates, L.L.C. and Madsen & Associates, CPA's Inc.

## **PART IV**

### **ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

#### **Financial Statements filed with this report on Form 10-K**

The following listed financial statements and report of independent registered public accounting firm are filed as part of this annual report on Form 10-K (see "Item 8 - Consolidated Financial Statements" of this report on Form 10-K):

1. Consolidated Balance Sheets for September 30, 2012 and 2011.
2. Consolidated Statements of Operations For the Years Ended September 30, 2012 and 2011 and the Period From September 10, 2003 (Inception of Exploration Stage) to September 30, 2012.
3. Consolidated Statements of Shareholders' Equity For the Period From September 10, 2003 (Inception of Exploration Stage) to September 30, 2012.
4. Consolidated Statements of Cash Flows For the Years Ended September 30, 2012, 2011 and the Period From September 10, 2003 (Inception of Exploration Stage) to September 30, 2012.
5. Notes to the Consolidated Financial Statements.
6. Sadler, Gibb & Associates, L.L.C. Report of Independent Registered Public Accounting Firm.

#### **Financial Statement Schedules filed with this report on Form 10-K**

None.

#### **Exhibits**

The following exhibits have been or are being filed herewith and are numbered in accordance with Item 601 of Regulation S-K:

<b>Exhibit No.</b>	<b>Description</b>
2.1	Liquidating Plan of Reorganization of Allied Devices Corporation, now known as Deep Well Oil & Gas, Inc., (incorporated by reference to exhibit 2.1 to our Form 10-K/A filed on January 28, 2004).
2.2	Order and Plan of Reorganization of the U.S. Bankruptcy Court in and for the Eastern District of New

		York, In re: Allied Devices Corporation, Chapter 11, Case No. 03-80962-511, dated September 10, 2003, (incorporated by reference to exhibit 2.2 to our Form 10-K/A filed on January 28, 2004).
3.1		Restated and Amended Articles of Incorporation filed with and accepted by the Secretary of State of Nevada on October 22, 2003, changing the name to “Deep Well Oil and Gas, Inc.” and otherwise implementing the Plan, (incorporated by reference to exhibit 3.1 to our Form 10-K/A filed on January 28, 2004).
3.2		Amended Articles of Incorporation filed with the State of Nevada on February 27, 2004, reflecting our two (2) shares for one (1) share forward stock split, (incorporated by reference to exhibit 3.1 to our Form 8-K filed on March 5, 2004).
3.3		Amended Articles of Incorporation filed with the State of Nevada on May 5, 2004, reflecting our three (3) shares for one (1) share forward stock split, (incorporated by reference to exhibit 3.2 to our Form 8-K filed on May 7, 2004).
3.4		Registrant’s By-laws, filed with Form 10-KSB on February 23, 2007, (incorporated by reference to exhibit 3.4 to our Form 10-KSB filed on February 23, 2007).
3.5		Registrant’s Amended and Restated By-laws, filed with Form 8-K on September 3, 2009, (incorporated by reference to exhibit 3.1 to our Form 8-K filed on September 3, 2009).
4.1		Form of Fractional Warrant issued pursuant to the Subscription Agreement dated October 31, 2008 by and among our Company with one investor related to the Private Placement offering, (incorporated by reference to exhibit 4.2 to our Form 8-K filed on November 7, 2008).
4.2		Form of Fractional Warrant issued pursuant to the Subscription Agreement dated October 31, 2008 by and among our Company with one investor related to the Private Placement offering, (incorporated by reference to exhibit 4.3 to our Form 8-K filed on November 7, 2008).
4.5		Form of Warrant issued pursuant to two Subscription Agreements dated November 9, 2010 by and among our Company with two investors related to two Private Placement offerings, (incorporated by reference to exhibit 4.2 to our Form 8-K filed on November 15, 2010).
4.6		Form of Warrant issued pursuant to a Subscription Agreement dated effective November 23, 2012 by and among our Company with one investor related to one Private Placement offering, (incorporated by reference to exhibit 4.2 to our Form 8-K filed on December 12, 2012).
10.1*		Consulting agreement by and between Northern and Portwest Investments Ltd., dated July 1, 2005, (incorporated by reference to exhibit 10.16 to our Form 10-KSB filed on February 23, 2007).
10.2*		Consulting agreement by and between Northern and Concorde Consulting, dated July 1, 2005, (incorporated by reference to exhibit 10.17 to our Form 10-KSB filed on February 23, 2007).
10.3*		Deep Well Oil & Gas, Inc. Stock Option Plan (“The Plan”), effective November 28, 2005, (Form 8-K filed on March 3, 2006).
10.4*		Sample Stock Option Agreements with all Directors, (incorporated by reference to exhibit 10.25 to our Form 10-KSB filed on February 23, 2007).
10.5*		Sample Stock Option Agreements with all Contractors, (incorporated by reference to exhibit 10.26 to our Form 10-KSB filed on February 23, 2007).
10.6		Sample Indemnity Agreement with all Directors, (incorporated by reference to exhibit 10.27 to our Form 10-KSB filed on February 23, 2007).
10.7		Non-Qualified Stock Option Agreement issued to R.N. Dell Energy Ltd. effective September 20, 2007, (incorporated by reference to exhibit 10.9 to our Form 10-QSB filed on October 30, 2007).
10.8		Non-Qualified Stock Option Agreement issued to Employee, effective September 20, 2007,(incorporated by reference to exhibit 10.10 to our Form 10-QSB filed on October 30, 2007).
10.9		Form of Subscription Agreement dated August 14, 2008 by and among our Company with one investor, (incorporated by reference to exhibit 4.1 to our Form 8-K filed on August 15, 2008).
10.10		Form of Subscription Agreement dated October 31, 2008 by and among our Company with one investor, (incorporated by reference to exhibit 4.4 to our Form 8-K filed on August 15, 2008).
10.11		Form of Subscription Agreement dated November 9, 2010 by and among our Company with two investors, (incorporated by reference to exhibit 4.1 to our Form 8-K filed on November 15, 2010).
10.12		Form of Subscription Agreement dated effective November 23, 2012 by and among our Company with one investor, (incorporated by reference to exhibit 4.1 to our Form 8-K filed on December 12, 2012).
10.13		Form of Purchase and Sale Agreement effective December 3, 2012 by and among our Company and 1132559 Alberta Ltd., (incorporated by reference to exhibit 10.1 to our Form 8-K filed on December 12, 2012).
21.1		Subsidiaries of Registrant, filed herewith.
23.1		Consent of DeGolyer and MacNaughton Canada Limited, independent petroleum engineers, (incorporated by reference to exhibit 23.1 on our Form 10-Q filed on May 15, 2012).
31.1		Certification of President and Chief Executive Officer pursuant to Rule 13a-14(a), filed herewith.
31.2		Certification of Chief Financial Officer pursuant to Rule 13a-14(a), filed herewith.
32.1		Certification of President and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, filed herewith.

	32.2		Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, filed herewith.
	101		Interactive Data Files

\* Management contract or compensatory plan or arrangement.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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  
Chairman of the Board

Date January 15, 2013

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

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

Date January 15, 2013

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

Date January 15, 2013

**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 Annual Report on Form 10-K of Deep Well Oil & Gas, Inc. for the year ended September 30, 2012;
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 15(d)-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 principals;
  - 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: January 15, 2013

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

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

1. I have reviewed this Annual Report on Form 10-K of Deep Well Oil & Gas, Inc. for the year ended September 30, 2012;
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 15(d)-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 principals;
  - 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: January 15, 2013

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 Annual Report of Deep Well Oil & Gas, Inc. (“the Company”) on Form 10-K for the year ended September 30, 2012 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: January 15, 2013

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 Annual Report of Deep Well Oil & Gas, Inc. (“the Company”) on Form 10-K for the year ended September 30, 2012 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: January 15, 2013

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

**Subsidiaries of Registrant**

**Deep Well Oil & Gas (Alberta) Ltd.**, was incorporated in the province of Alberta, Canada on September 15, 2005.

**Northern Alberta Oil Ltd.**, (formerly known as Mikwec Energy Canada Ltd.) was incorporated in the province of Alberta, Canada on September 18, 2003.