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

FORM 10-QSB

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the quarterly period ended September 30, 2003**

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 000-06541

DISCOVERY OIL, LTD.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

83-0207909

(IRS Employer Identification Number)

6127 Ramirez Canyon Road
Malibu, CA
(Address of principal executive offices)

90265
(Zip Code)

(310) 457-1967
(Registrant's Telephone Number, Including Area Code)
(Former name, former address and former fiscal year, if changed since last report)

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS**

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes ☐ No ☐

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: At August 14, 2003, the registrant had outstanding 20,245,921 shares of par value \$0.001 common stock.

Transitional Small Business Disclosure format (check one): Yes ☐ No ☒

SEC 2334 (3-03) **Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

Discovery Oil Ltd

Form 10-QSB Table of Contents

Part I – Financial Information

Item 1. Financial Statements (Unaudited)

Balance Sheet at September 30, 2003 (Unaudited)	3
Statements of Operations For the Three and Nine Month Periods Ended September 30, 2003 and 2002 (Unaudited)	4
Statements of Cash Flows For the Nine Month Periods Ended September 30, 2003 and 2002 (Unaudited)	5
Notes to Financial Statements (Unaudited)	6

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	7
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Item 3. Controls and Procedures	8
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Part II – Other Information

Item 1. Legal Proceedings	(a)
Item 2. Changes in Securities and Use of Proceeds	(a)
Item 3. Defaults Upon Senior Securities	(a)
Item 4. Submission of Matters to a Vote of Security Holders	(a)
Item 5. Other Information	(a)
Item 6. Exhibits and Reports on Form 8-K	9
Signature Page	10
Index to Exhibits	11

(a) There are no issues requiring disclosure for these items and they have therefore been omitted

PART I - FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

DISCOVERY OIL, LTD. BALANCE SHEET (UNAUDITED)

Assets

	<u>September 30, 2003</u>
Current Assets	
Cash and cash equivalents	\$ 279
Total current assets	<u>279</u>
Total assets	<u>\$ 279</u>

Liabilities and Shareholder's Equity

Current Liabilities	
Accounts payable	15,000
Related party payable	<u>3,510</u>
Total current liabilities	<u>18,510</u>
Shareholder's Equity	
Preferred Stock, \$1.00 par value; authorized 5,000,000 shares: none issued and outstanding	-
Common Stock, \$.001 par value; authorized 200,000,000 shares; issued and outstanding 20,245,921	20,247
Paid in Capital	607,575
Accumulated Deficit	<u>(646,053)</u>
Total Shareholder's Equity/(Deficit)	<u>(18,231)</u>
Total liabilities and shareholder's equity	<u>\$ 279</u>

Read the accompanying significant accounting notes to financial statement, which are an integral part of this financial statement.

DISCOVERY OIL, LTD.
STATEMENT OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002
(UNAUDITED)

	Three Months Ended		Nine Months Ended	
	September 30, 2003	September 30, 2002	September 30, 2003	September 30, 2002
Revenues				
Sales of Oil	\$ 2,582	\$ 12,719	\$ 12,590	\$ 24,208
Cost of Revenue	<u>-</u>	<u>11,589</u>	<u>-</u>	<u>17,769</u>
Gross Profit	2,582	1,130	12,590	6,439
Operating expenses:				
General and administrative expenses	<u>6,434</u>	<u>7,951</u>	<u>12,993</u>	<u>42,199</u>
Total operating expenses	6,434	7,951	12,993	42,199
Net Income/(Loss)	<u>(3,852)</u>	<u>(6,821)</u>	<u>(404)</u>	<u>(35,760)</u>
Basic weighted average common shares outstanding	<u>20,245,921</u>	<u>20,245,921</u>	<u>20,245,921</u>	<u>20,138,370</u>
Basic and diluted Loss per common share	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>

Read the accompanying significant accounting notes to financial statement, which are an integral part of this financial statement.

DISCOVERY OIL, LTD.
STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002
(UNAUDITED)

	Nine Months Ended	
	September 30, 2003	September 30, 2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (Loss)	\$ (404)	\$ (35,760)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Stock issuance costs		
Changes in Operating assets and liabilities:		
Accounts Receivable	1,850	(14,465)
Accounts Payable	(1,967)	5,412
Net cash provided by/(used in) operating activities	(521)	(44,813)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net cash provided by/(used in) investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Related party payable	800	(134)
Proceeds from the issuance of common stock	-	43,820
Net cash provided by/(used in) financing activities	800	43,686
Net increase (decrease) in cash and cash equivalents	279	(1,127)
Cash and cash equivalents, beginning of period	-	3,058
Cash and cash equivalents, end of period	\$ 279	\$ 1,931

Supplemental information:

None

Read the accompanying significant accounting notes to financial statement, which are an integral part of this financial statement.

DISCOVERY OIL, LTD.
Notes to Financial Statements
(Unaudited)

1. Basis of Presentation:

The financial statements of Discovery Oil, LTD. included herein, have been prepared without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Although certain information normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America has been condensed or omitted, Discovery Oil, LTD. believes that the disclosures are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the financial statements and notes thereto for the fiscal year ended December 31, 2002 included in Discovery Oils, LTD.'s annual report on Form 10-KSB.

The financial statements included herein reflect all normal recurring adjustments that, in the opinion of management, are necessary for a fair presentation. The results for interim periods are not necessarily indicative of trends or of results to be expected for the full year ending December 31, 2003.

Included in the Company's production expenses as presented are all direct expenses of oil production, including severance taxes and royalties, not included in production expenses are depreciation, depletion, and amortization ("DD&A") expenses and corporate administration expenses. All information is presented on the accrual basis of accounting.

2. Commitments and Contingencies:

In connection with its 12.5% non-operating working interest in six oil wells, the Company entered into an operating agreement with the majority owner and operator of the wells. The agreement, modeled after agreements standard and customary to the oil industry, commits the Company to pay its share of joint interest operating costs incurred in the operation, maintenance, and potential future development of the wells. Oil prices are extremely volatile and instances may occur where the Company's revenues from oil sales are less than its corresponding production expenses. In addition, oil well repair and maintenance activities may interrupt oil sale revenue and add to overall operation costs.

Domestic oil operations are also subject to extensive federal regulation and potential interruption or termination by governmental authorities on account of environmental and other regulatory considerations. The recent trend towards stricter standards in environmental legislation and regulation may continue, and this could increase the overall costs to the Company.

3. Going Concern:

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. Although the company reported a net loss of \$404 for the nine months ended September 30, 2003, (unaudited) it has an accumulated deficit since inception (unaudited). Management's plans for the continuation of the Company as a going concern include financing the Company's operations through locating an entity that wishes to engage in a business combination with the Company. There are no assurances, however, with respect to the future success of these plans. The financial statements do not contain any adjustments, which might be necessary, if the Company is unable to continue as a going concern.

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

General

Discovery Oil, Ltd. (the "Company", "Registrant", or "Discovery Oil"), was originally organized under the laws of the State of Wyoming in 1964. The Company became a Delaware corporation through a merger with a wholly owned subsidiary in 1981. Prior to 1992, the Company was involved as a general partner in several limited partnerships for the purpose of drilling oil and gas wells in Ohio, Wyoming, Colorado, Kansas, and Texas. In 1988 the Company filed a petition in Bankruptcy pursuant to Chapter 11 of the Bankruptcy code in the United States Bankruptcy Court. On July 10, 1996, the Court entered its order and Final Decree, confirming the execution of the Company's reorganization plan and concluding all proceedings and jurisdiction of the bankruptcy.

The Company has a non-operating working interest in six producing oil wells having proved reserves. The working interest grants the Company a 12.5% working interest, or a 9.32% net revenue interest after underlying royalty payments, in the oil produced and marketed from each well. The oil wells are near the city of Signal Hill, California; the Company maintains an office in Malibu, California.

The financial statements are presented on the basis that the Company is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business over a reasonable length of time. The Company has incurred operating losses for several years and has a stockholders' deficit. These conditions raise substantial doubt as to the Company's ability to continue as a going concern. The Company's financial statements for the year ended December 31, 2002, were audited by the Company's independent certified public accountants, whose report includes an explanatory paragraph stating that the financial statements have been prepared assuming the Company will continue as a going concern and that the Company has incurred operating losses since its inception that raise substantial doubt about its ability to continue as a going concern.

This report contains both historical and prospective statements concerning the Company and its operations. Prospective statements (known as "forward-looking statements") may or may not prove true with the passage of time because of future risks and uncertainties. The Company cannot predict what factors might cause actual results to differ materially from those indicated by prospective statements.

Results of Operations

For the three month period ended September 30, 2003 compared to the three month period ended September 30, 2002.

For the three months ended September 30, 2003, the Company had a net loss of \$3,852 compared to a net loss of \$6,821 during the comparable period in the previous year. Oil revenue decreased from \$12,719 during the third quarter of 2002 to \$2,582 during the third quarter of 2003. The reduction in revenue was primarily due to decreased oil production. General and administrative expenses decreased from \$7,951 in the third quarter of 2002 to \$6,434 in the third quarter of 2003.

For the nine month period ended September 30, 2003 compared to the nine month period ended September 30, 2002.

For the nine months ended September 30, 2003, the Company had a net loss of \$404 compared to a net loss of \$35,760 during the comparable period in the previous year. Oil revenue decreased from \$24,208 during the first nine months of 2002 to \$12,590 during first the nine months of 2003. This reduction in revenue was primarily due to decreased oil production. General and administrative expenses decreased from \$42,199 in the first nine months of 2002 to \$12,993 in the first nine months of 2003.

Financial Condition and Liquidity

During the nine month period ended September 30, 2003, the Company generated a loss of \$521 from operating activities. Management plans to fund future short-term operating needs through profits from its oil producing properties and advances from related party shareholders, although there can be no assurances that oil production profits and advances from related parties will be sufficient to fund the Company's operations.

The Company's management hopes to acquire an interest in a business opportunity presented to it by persons or entities who or which desire the perceived advantages of an Exchange Act registered corporation. There are no assurances, however, that management will be successful in its plans in acquiring such interests.

ITEM 3. CONTROLS AND PROCEDURES

Based on their most recent evaluation, which was completed within 90 days of the filing of this Form 10-QSB, the Company's president and principle financial officer believes the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) are effective to ensure that information required to be disclosed by the Company in this report is accumulated and communicated to the Company's management, including its principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. There were no significant changes in the Company's internal controls or other factors that could significantly affect these controls subsequent to the date of their evaluation and there were no corrective actions with regard to significant deficiencies and material weaknesses.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

NONE

ITEM 2. CHANGES IN SECURITIES

NONE

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

NONE

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

NONE

ITEM 5. OTHER INFORMATION

NONE

ITEM 6. EXHIBITS AND REPORTS ON FORM 8K.

(a) Exhibits

Exhibit 31.1 – Certification required by Rule 13a-14(a) or Rule 15d-14(a).

Exhibit 32.1 – Certification required by Rule 13a-14(b) or Rule 15d-14(b) and section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.

(b) Reports on Form 8K. – The company filed no Forms 8K during the period covered by this report.

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Discovery Oil, LTD.
(Registrant)

By:/s/Andrew V. Ippolito
Andrew V. Ippolito
President, Director and
Chief Financial Officer

November 13, 2003
Date

INDEX TO EXHIBITS

Exhibit 31.1 – Certification required by Rule 13a-14(a) or Rule 15d-14(a).

Exhibit 32.1 – Certification Required by Rule 13a-14(b) or Rule 15d-14(b) and section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.

Certifications

I, Andrew Ippolito, certify that:

1. I have reviewed this Form 10-QSB of Discovery Oil Ltd.;
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 small business issuer as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer 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 small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the small business issuer'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 small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer'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 small business issuer'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 small business issuer's internal control over financial reporting.

Date: November 13, 2003

/s/Andrew V. Ippolito

Andrew V. Ippolito

President, Director and Chief Financial Officer

**CERTIFICATION PURSUANT TO THE SARBANES-OXLEY ACT
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

I, Andrew V. Ippolito, President, Director and Chief Financial Officer of Discovery Oil, LTD. (“the Registrant”) do hereby 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. This Quarterly Report on Form 10-QSB of the Registrant for the period ended September 30, 2003, as filed with the Securities and Exchange Commission (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 results of operations of the Registrant.

Date: November 13, 2003

/s/Andrew V. Ippolito

Andrew V. Ippolito

President, Director and Chief Financial Officer