

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

FORM 10-KSB

(X) Annual Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Fiscal Year Ended December 31, 2003

() Transaction Report Under Section 13 or 15(d) of Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission File Number: 333-06718

DISCOVERY OIL, LTD.

(Name of Small Business Issuer in its Charter)

DELAWARE

(State or other jurisdiction of incorporation or organization)

83-0207909

(I.R.S. Employer Identification Number)

6127 Ramirez Canyon Road, Malibu, CA 90265

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, \$.001 par value.
(Title of Class)

Check whether the issuer: (1) filed all reports to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 [X] No []

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will 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-KSB or any amendment to this Form 10-KSB. [X]

State issuer's revenues for its most recent fiscal year: \$16,993

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked prices of such common equity, as of a specified date within the past 60 days. As of April 14, 2004, the registrant had 20,245,921 shares of common stock outstanding with a par value of \$0.001. The aggregate market value of the registrant's common stock held by non-affiliates as of April 11, 2003 was \$246,001.

No documents are incorporated by reference.

Transitional small business disclosure format: Yes [] No [X]

DISCOVERY OIL, LTD.
Form 10-KSB
December 31, 2003

TABLE OF CONTENTS

	<u>Page No.</u>
Forward-Looking Statements	3
Part I	
Item 1. Description of Business.	4
Item 2. Description of Properties.	6
Item 3. Legal Proceedings.	6
Item 4. Submission of Matters to a Vote of Security Holders	7
Part II	
Item 5. Market for Common Equity and Related Stockholder Matters	7
Item 6. Management's Discussion and Analysis or Plan of Operation	7
Item 7. Financial Statements.	8
Item 8. Changes in and Disagreement With Accountants on Accounting and Financial Disclosure	21
Item 8A. Controls and Procedures	21
Part III	
Item 9. Directors, Executive Officers, Promoters and Control Persons, Compliance Section 16(a) of the Exchange Act.	21
Item 10. Executive Compensation.	21
Item 11. Security Ownership of Certain Beneficial Owners and Management	21
Item 12. Certain Relationships and Related Transactions.	22
Item 13. Exhibits and Reports on Form 8-K	22
Item 14. Principal Accountant Fees and Services	22
Signatures	23

FORWARD-LOOKING STATEMENTS

This Report on Form 10-KSB contains certain forward-looking statements. These forward looking statements include statements regarding (i) research and development plans, marketing plans, capital and operations expenditures, and results of operations; (ii) potential financing arrangements; (iii) potential utility and acceptance of the Registrant's existing and proposed products; and (iv) the need for, and availability of, additional financing.

The forward-looking statements included herein are based on current expectations and involve a number of risks and uncertainties. These forward-looking statements are based on assumptions regarding the business of Interactive Multimedia Network, Inc., the ("Company"), which involve judgments with respect to, among other things, future economic and competitive conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Company. Although the Company believes that the assumptions underlying the forward looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, actual results may differ materially from those set forth in the forward-looking statements.

EXPLANATORY NOTE: As used in this report, the terms "we", "us", and "our" are sometimes used to refer to Discovery Oil, Ltd. and, as the context requires, its management.

PART I

Item 1. Description of Business

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 a 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.

Employees

The Company has no paid employees. Neither of the Company's executive officers are employed by the Company. Management services are provided on an "as needed" basis without compensation. The Company has no oral or written contracts for services with any member of management.

Risk Factors

The Company's business is subject to numerous risk factors, including the following:

Independent Certified Public Accountants' Opinion - Going Concern

The Company's financial statements for the year ended December 31, 2003, 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.

The Company must expand its operations

The Company's long term success is ultimately dependent on its ability to expand its revenue base through the acquisition of producing properties or negotiating a business combination with a profitable business entity. There is no assurance that the Company will be successful in its plans to expand its operations.

Limited financial resources

The Company has limited financial resources and, if the business is not profitable, may not be able to raise sufficient funds to sustain, continue or expand its business. The Company currently has limited revenues and relies principally on the issuance of common shares to raise funds to finance the business of the Company. There is no assurance that market conditions will continue to permit the Company to raise funds if required.

DISCOVERY OIL, LTD.
Form 10-KSB
December 31, 2003

Prices of oil and natural gas fluctuate widely based on market conditions

The Company's revenues, operating results, cash flow and future rate of growth are very dependent upon prevailing prices for oil and gas. Historically, oil and gas prices and markets have been volatile and not predictable, and they are likely to continue to be volatile in the future. Prices for oil and gas are subject to wide fluctuations in response to relatively minor changes in the supply of and demand for oil and gas, market uncertainty and a variety of additional factors that are beyond our control, including:

- * political conditions in oil producing and exporting countries;
- * the supply and price of foreign oil and gas;
- * the level of consumer product demand;
- * the price and availability of alternative fuels; and
- * the effect of federal and state regulation of production and transportation.

The Company must replace the reserves it produces.

A substantial portion of the Company's oil and gas properties contain proved developed reserves. Successful development and production of those reserves cannot be assured. There is no assurance that the Company's present oil and gas wells will continue to produce at current or anticipated rates of production, that development drilling will be successful, that production of oil and gas will commence when expected, that there will be favorable markets for oil and gas which may be produced in the future or that production rates achieved in early periods can be maintained.

The Company faces intense competition

The oil and natural gas industry is highly competitive. The Company competes with others for property acquisitions and for opportunities to explore or to develop and produce oil and natural gas. The Company faces strong competition from many companies and individuals with greater capital, financial resources and larger technical staffs.

Company reserves are uncertain

Estimating Company proved reserves involves many uncertainties, including factors beyond the Company's control. There are uncertainties inherent in estimating quantities of proved oil and natural gas reserves since petroleum engineering is not an exact science. Estimates of commercially recoverable oil and gas reserves and of the future net cash flows from them are based upon a number of variable factors and assumptions including:

historical production from the properties compared with production from other producing properties; the effects of regulation by governmental agencies; future oil and gas prices; and future operating costs, severance and excise taxes, abandonment costs, development costs and workover and remedial costs.

Governmental regulation, environmental risks and taxes could adversely affect the Company's operations

The Company's oil and natural gas operations are subject to regulation by federal and state governments, including environmental laws. To date, the Company has not had to expend significant resources in order to satisfy environmental laws and regulations presently in effect. However, compliance costs under any new laws and regulations that might be enacted could adversely affect the Company's business and increase the costs of planning, designing, drilling, installing, operating and abandoning the Company's oil and gas wells. Additional matters that are, or have been from time to time, subject to governmental regulation include land tenure, royalties, production rates, spacing, completion procedures, water injections, utilization, the maximum price at which products could be sold, energy taxes and the discharge of materials into the environment.

Environmental risks

The Company is subject to laws and regulations that control the discharge of materials into the environment, require removal and cleanup in certain circumstances, require the proper handling and disposal of waste materials or otherwise relate to the protection of the environment. In operating and owning petroleum interests, the Company may be liable for damages and the costs of removing hydrocarbon spills for which it is held responsible. Laws relating to the protection of the environment have in many jurisdictions become more stringent in recent years and may, in certain circumstances, impose strict liability, rendering the Company liable for environmental damage without regard to negligence or fault on the part of the Company. Such laws and regulations may expose the Company to liability for the conduct of, or conditions caused by, others or for acts of the Company that were in compliance with all applicable law at the time such acts were performed. The application of these requirements or the adoption of new requirements could have a material adverse effect on the business of the Company. The Company believes that it has conducted its business in substantial compliance with all applicable environmental laws and regulations.

Item 2. Description of Properties

Oil and gas interests

In April of 1984, the Company purchased a non-operating working interest in six producing oil wells near the city of Signal Hill, California. 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 and gas produced and sold from each well.

Geologic definition or description of properties

The Company's working interest is in six producing oil wells having proved reserves contained on approximately 21 acres located in the Long Beach Oil Field near the city of Signal Hill, California. The wells are "stripper wells" (producing less than 15 barrels per day), and derive their production from Pliocene and Miocene sands.

Drilling activities

The Company does not participate in any drilling activities or farmout agreements. Under a farmout agreement, outside parties undertake exploration activities using prospects owned by the Company. This would enable the Company to participate in exploration prospects without incurring additional capital costs, although with a substantially reduced ownership interest in each prospect. During the year ended December 31, 2001, no wells were drilled under farmout agreements.

Oil and gas production, prices and costs

As of December 31, 2003, the Company had a 12.5% non-operating working interest in six wells that produce oil, only.

The Company has no information in regard to estimated reserves nor estimated future cash flows relating thereto because such reserves, if any, would be extremely negligible and therefore immaterial in regard to disclosure in the financial statements.

The Company did not file any oil and gas reserve estimates with any federal authority or agency during its fiscal year ended December 31, 2003.

Customers

During fiscal year 2003, the Company had three major customers. The Company does not believe that it is dependent on any single customer. The Company has the option to change customers if conditions so warrant.

Item 3. Legal Proceedings

None.

DISCOVERY OIL, LTD.
Form 10-KSB
December 31, 2003

Item 4. Submission of Matters to a Vote of Security Holders

None.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The following table sets forth the range of high and low bid prices as reported by the Over the Counter Bulletin Board (OTCBB) for the periods indicated. The quotations reflect inter-dealer prices without retail mark-up, markdown, or commission, and may not necessarily represent actual transactions. Currently the stock is traded on the OTCBB under the symbol "DSCY".

	HIGH -----	LOW -----
Quarter ended 3-31-01	No trades	No trades
Quarter ended 6-30-01	No trades	No trades
Quarter ended 9-30-01	\$ 0.42	\$ 0.01
Quarter ended 12-31-01	\$ 0.35	\$ 0.11
Quarter ended 3-31-02	\$0.25	\$0.15
Quarter ended 6-30-02	\$0.33	\$0.17
Quarter ended 9-30-02	\$0.34	\$0.08
Quarter ended 12-31-02	\$0.08	\$0.02
Quarter ended 3-31-03	\$0.03	\$0.15
Quarter ended 6-30-03	\$0.04	\$0.02
Quarter ended 8-30-03	\$0.03	\$0.015
Quarter ended 12-31-03	\$0.03	\$0.02

Holders.

The number of stockholders of record on April 14, 2004 was 5,684.

Dividends.

No dividends have been paid or declared during the last five years; and the registrant does not anticipate paying dividends on its common stock in the foreseeable future.

Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's discussion and analysis is intended to be read in conjunction with the Company's audited financial statements and notes thereto. The following statements may be forward-looking in nature and actual results may differ materially.

Results of Operations

For the year ended December 31, 2003, compared to the year ended December 31, 2002.

The Company reported a net loss of \$6,761 for the year ended December 31, 2003, compared to a net loss of \$57,312 for the year ended December 31, 2002. The decrease in the net loss reflects a sharp reduction in general and administrative expenses. Revenues were \$16,993 down from \$24,807 due to a decrease in royalties. Operating expenses decreased from \$82,119 in 2002 to \$23,754.

DISCOVERY OIL, LTD.
Form 10-KSB
December 31, 2003

Financial Condition and Liquidity

Total Assets at December 31, 2003 were \$1,722, stockholders' deficit was \$43,335 and the accumulated deficit was \$671,157. Net cash provided by operations was \$2,544 during the year ended December 31, 2003. The majority of the cash was provided from the sale of 205,950 shares of common stock, as reported in 2002, for a total of \$48,969.

The Company's liabilities increased by \$6,633 from December 31, 2002 to December 31, 2003, primarily due to increases in trade accounts payable (i.e. transfer agent and corporate counsel). As of December 31, 2003, the Company had a negative working capital of \$43,335. The Company's working interest in its oil properties has been depleted to zero.

The Company plans to fund its operations during fiscal year 2004 through advances from related parties, and possibly through the sale of the Company's common stock, although there can be no assurance that the Company would be successful in selling its common stock. It is anticipated that any revenue from oil sales in 2004 would be negligible.

Item 7. Financial Statements and Supplementary Data

DISCOVERY OIL, LTD.
FINANCIAL STATEMENTS
December 31, 2003

Williams & Webster, P.S.
Certified Public Accountants
Bank of America Financial Center
601 W. Riverside, Suite 1940
Spokane, WA 99201

DISCOVERY OIL, LTD.

TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT	8
FINANCIAL STATEMENTS	
Balance Sheets	9
Statements of Operations	10
Statement of Stockholders’ Equity (Deficit)	11
Statements of Cash Flows	12
NOTES TO FINANCIAL STATEMENTS	13

The Board of Directors
Discovery Oil, Ltd.
Malibu, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying balance sheets of Discovery Oil, Ltd. as of December 31, 2003, and the related statements of operations, stockholders' equity (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Discovery Oil, Ltd. as of December 31, 2002, were audited by other auditors whose report dated April 12, 2003, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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.

The financial statements for the year ended December 31, 2002 were previously audited by another auditor. Subsequent to the preparation of those financial statements, it was discovered that they did not fairly present the Company's financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America because a corporate state tax liability was not recorded. As described in Note 7 to the financial statements, the Company has restated its 2002 financial statements to conform to accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Discovery Oil, Ltd. as of December 31, 2003, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Company's continued viability is dependent upon the Company's ability to meet its future financing requirements and the success of future operations. The Company has negative working capital and recurrent losses from operations. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans regarding those matters are described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Williams & Webster, P.S.

Williams & Webster, P.S.
Spokane, Washington
Certified Public Accountants

April 13, 2004

DISCOVERY OIL, LTD.
BALANCE SHEETS

	December 31, 2003	December 31, 2002 (restated)
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,722	\$ -
Accounts receivable	-	1,850
Total Current Assets	<u>1,722</u>	<u>1,850</u>
TOTAL ASSETS	<u>\$ 1,722</u>	<u>\$ 1,850</u>
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Bank overdraft	\$ -	\$ 1,967
Accounts payable	20,009	15,000
Related party payable	3,855	2,710
State tax liability	21,193	18,747
Total Current Liabilities	<u>45,057</u>	<u>38,424</u>
COMMITMENTS AND CONTINGENCIES	<u>-</u>	<u>-</u>
STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock, \$0.001 par value; 200,000,000 shares authorized, 20,245,921 shares issued and outstanding	20,247	20,247
Additional paid-in capital	607,575	607,575
Accumulated deficit	(671,157)	(664,396)
Total Stockholders' Equity (Deficit)	<u>(43,335)</u>	<u>(36,574)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	<u>\$ 1,722</u>	<u>\$ 1,850</u>

The accompanying notes are an integral part of these financial statements.

DISCOVERY OIL, LTD.
STATEMENTS OF OPERATIONS

	Year Ended	
	December 31, 2003	December 31, 2002 (restated)
REVENUES		
Royalty income	\$ 16,993	\$ 24,807
OPERATING EXPENSES		
State tax expense	2,446	2,286
General and administrative expenses	21,308	79,833
Total operating expenses	23,754	82,119
LOSS FROM OPERATIONS	(6,761)	(57,312)
LOSS BEFORE TAXES	(6,761)	(57,312)
INCOME TAX EXPENSE	-	-
NET LOSS	\$ (6,761)	\$ (57,312)
NET LOSS PER COMMON SHARE, BASIC AND DILUTED	\$ nil	\$ nil
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, BASIC AND DILUTED	20,245,921	20,149,999

The accompanying notes are an integral part of these financial statements.

DISCOVERY OIL, LTD.
STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)

	Common Stock		Additional	Accumulated	Total
	Shares	Amount	Paid-in Capital	Deficit	Stockholders' Equity (Deficit)
Balance, December 31, 2001 as presented previously	20,039,971	\$ 20,041	\$ 563,961	\$ (590,623)	(6,621)
Correction for state taxes not properly accrued	-	-	-	(16,461)	(16,461)
Balance, December 31, 2001 as restated	<u>20,039,971</u>	<u>20,041</u>	<u>563,961</u>	<u>(607,084)</u>	<u>(23,082)</u>
Issuance of common stock	205,950	206	43,614	-	43,820
Net loss for the year ended, December 31, 2002	-	-	-	(57,312)	(57,312)
Balance, December 31, 2002	<u>20,245,921</u>	<u>20,247</u>	<u>607,575</u>	<u>(664,396)</u>	<u>(36,574)</u>
Net loss for the year ended, December 31, 2003	-	-	-	(6,761)	(6,761)
Balance, December 31, 2003	<u><u>20,245,921</u></u>	<u><u>\$ 20,247</u></u>	<u><u>\$ 607,575</u></u>	<u><u>\$ (671,157)</u></u>	<u><u>(43,335)</u></u>

The accompanying notes are an integral part of these financial statements.

DISCOVERY OIL, LTD.
STATEMENTS OF CASH FLOWS

	Year Ended	
	December 31, 2003	December 31, 2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net gain (loss)	\$ (6,761)	\$ (57,312)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Accounts receivable	1,850	(576)
Accounts payable	5,009	4,182
Sales tax liability	2,446	2,286
Net cash provided (used) by operating activities	2,544	(51,420)
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES:	-	-
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES:		
Proceeds from:		
Issuance of common stock	-	43,820
Bank overdraft	(1,967)	1,967
Related party payable	1,145	2,576
Net cash provided (used) by financing activities	(822)	48,363
Net increase (decrease) in cash and cash equivalents	1,722	(3,057)
Cash at beginning of period	-	3,057
Cash at end of period	\$ 1,722	\$ -
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

DISCOVERY OIL, LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

Discovery Oil, Ltd. (hereinafter “the Company”) was originally organized in the State of Wyoming in 1964 and 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. Currently, the Company has a 12.5% non-operating working interest in six small oil wells near the city of Signal Hill, California, and maintains an office in Malibu, California.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Company’s management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the U.S. and have been consistently applied in the preparation of the financial statements.

Accounting Methods

The Company’s financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Accounts Receivable

The Company carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Company evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions.

Recent Accounting Pronouncements

In May 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 150, “Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity” (hereinafter “SFAS No. 150”). SFAS No. 150 establishes standards for classifying and measuring certain financial instruments with characteristics of both liabilities and equity and requires that those instruments be classified as liabilities in statements of financial position. Previously, many of those instruments were classified as equity. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company has not yet determined the impact of the adoption of this statement.

In April 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 149, “Amendment of Statement 133 on Derivative Instruments and Hedging Activities” (hereinafter “SFAS No. 149”). SFAS No. 149 amends and clarifies the accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities”. This statement is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The adoption of SFAS No. 149 is not expected to have a material impact on the financial position or results of operations of the Company.

DISCOVERY OIL, LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In December 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure" (hereinafter "SFAS No. 148"). SFAS No. 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, the statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosure in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The provisions of the statement are effective for financial statements for fiscal years ending after December 15, 2002. The Company currently has no stock issuances to employees under the rules of SFAS 123. Accordingly there is no change in disclosure requirements due to SFAS 148.

In June 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" (hereinafter "SFAS No. 146"). SFAS No. 146 addresses significant issues regarding the recognition, measurement, and reporting of costs associated with exit and disposal activities, including restructuring activities. SFAS No. 146 also addresses recognition of certain costs related to terminating a contract that is not a capital lease, costs to consolidate facilities or relocate employees, and termination benefits provided to employees that are involuntarily terminated under the terms of a one-time benefit arrangement that is not an ongoing benefit arrangement or an individual deferred-compensation contract. SFAS No. 146 was issued in June 2002 and is effective for activities after December 31, 2002. There has been no impact on the Company's financial position or results of operations from adopting SFAS No. 146.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Derivative Instruments

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (hereinafter "SFAS No. 133"), as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of FASB No. 133", and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities", and SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". These statements establish accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. They require that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value.

If certain conditions are met, a derivative may be specifically designated as a hedge, the objective of which is to match the timing of gain or loss recognition on the hedging derivative with the recognition of (i) the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk or (ii) the earnings effect of the hedged forecasted transaction. For a derivative not designated as a hedging instrument, the gain or loss is recognized in income in the period of change.

DISCOVERY OIL, LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative Instruments (Continued)

Historically, the Company has not entered into derivatives contracts to hedge existing risks or for speculative purposes.

At December 31, 2003, the Company has not engaged in any transactions that would be considered derivative instruments or hedging activities.

Earnings (Loss) Per Share

On January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 128, which provides for calculation of "basic" and "diluted" earnings per share. Basic earnings per share includes no dilution and is computed by dividing net income available to common shareholders by the weighted average common shares outstanding for the period. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of an entity similar to fully diluted earnings per share. The Company had no outstanding options or warrants at December 31, 2003 and 2002, accordingly, only basic earnings (loss) is presented.

Fair Value of Financial Instruments

The Company's financial instruments as defined by Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments," include cash, trade accounts receivable, accounts payable and related party payables. All instruments are accounted for on a historical cost basis, which, due to the short maturity of these financial instruments, approximates fair value at December 31, 2003 and 2002.

Going Concern

As shown in the accompanying financial statements, the Company has incurred an accumulated deficit of \$671,157 through December 31, 2003. Management plans to seek additional capital from new equity securities offerings that will provide funds needed to increase liquidity. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

Oil properties

The Company follows the successful efforts method of accounting for its oil and gas operations. Currently, the Company is not in the process of exploring new wells. Under this method of accounting, all property acquisitions costs and costs of exploratory and development wells would be capitalized when incurred, pending determination of whether an individual well was found to have proved reserves. If it is determined that an exploratory well has not found proved reserves, the costs of drilling the wells would be expensed. The costs of development wells would be capitalized whether productive or nonproductive. The Company would amortize capitalized costs on the units-of-production method based on production and total estimated proved reserves.

DISCOVERY OIL, LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provision for Taxes

Income taxes are provided based upon the liability method of accounting pursuant to Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Under this approach, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end. A valuation allowance is recorded against deferred tax assets if management does not believe the Company has met the "more likely than not" standard imposed by SFAS No. 109 to allow recognition of such an asset.

At December 31, 2003, the Company had net deferred tax assets calculated at an expected rate of 34% of approximately \$220,000 principally arising from net operating loss carryforwards for income tax purposes. As management of the Company cannot determine that it is more likely than not that the Company will realize the benefit of the net deferred tax asset, a valuation allowance equal to the net deferred tax asset has been established at December 31, 2003. The significant components of the deferred tax asset at December 31, 2003 and 2002 were as follows:

	December 31, 2003	December 31, 2002
Net operating loss carryforward	\$ <u>650,000</u>	\$ <u>640,000</u>
Deferred tax asset	\$ <u>220,000</u>	\$ <u>215,000</u>
Deferred tax asset valuation allowance	\$ <u>(220,000)</u>	\$ <u>(215,000)</u>

At December 31, 2003 and 2002, the Company has net operating loss carryforwards of approximately \$650,000 and \$640,000, which expire in the years 2021 through 2023. The change in the valuation allowance account from December 31, 2003 to December 31, 2002, was \$5,000. Utilization of the net operating losses is contingent upon the Company's filing of federal income tax returns, currently in arrears. See Note 5 regarding Company's liability for state income tax reporting.

Revenue Recognition

Oil and gas revenues are recorded using the sales method. Under this method, the Company recognizes revenues based on actual volumes of oil and gas sold to purchasers.

DISCOVERY OIL, LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 3 - COMMITMENTS AND CONTINGENCIES

In connection with its previous purchase of 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. This 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.

NOTE 4 - RELATED PARTY PAYABLE

At December 31, 2002, the Company had a related party payable to Andrew V. Ippolito, president and director, whereby Mr. Ippolito advanced funds on an unsecured and noninterest-bearing basis to the Company. The amount due to Mr. Ippolito at December 31, 2003 and 2002 is \$3,855 and \$2,710, respectively.

NOTE 5 - STOCKHOLDERS' DEFICIT

Common Stock

The Company has one class of issued and outstanding common stock. Prior to 2001, the par value of the common stock was \$0.01, and 25 million shares were authorized for issue. Pursuant to a majority shareholders meeting held in August 2001, the Company's Certificate of Incorporation was amended to increase the number of shares of common stock authorized for issue to 200 million shares, to decrease the par value of the Company's common stock to \$0.001 per share and to eliminate the provision authorizing preferred stock of the Company.

In prior years, the Company issued common stock at per-share amounts less than the common stock's par value. As a result, at December 31, 2000, a common stock discount of \$4,643 was recorded in the Company's stockholders' deficit account, which was subsequently extinguished during 2001 when the Company reduced the par value of its common stock and converted certain debts into common stock.

In the year ended December 31, 2002, the Company issued 205,950 shares of restricted common stock for \$43,820 to various investors.

DISCOVERY OIL, LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 6 - RELATED PARTY TRANSACTIONS

The Company occupies office space provided by the Company's president and a director. The Company pays no rent for the space it occupies and the value of the space is not considered material for financial reporting purposes.

During 2002, the Company reimbursed Mr. Ippolito approximately \$44,190 for travel, general and administrative expenses incurred.

NOTE 7 – CORRECTION OF AN ERROR

Subsequent to the issuance of the original financial statements for the year ended December 31, 2002, management discovered that accounting for certain transactions was incorrect and incomplete. The correction necessary to fairly restate the financial statements for years prior to 2002 was the recording of a previously unrecorded state tax liability of approximately \$16,460.

The restatement of the aforementioned liability for the years prior to 2002 had no effect on the reported net loss for the year ended December 31, 2002. The Company's accumulated deficit has been increased by \$16,460 for the effects of the restatement on prior years.

The financial statements for the year ended December 31, 2002 were also corrected due to an understatement of state tax expense in the amount of \$2,286. The effect of the restatement was to decrease net income by \$2,286 in 2002 and increase the accumulated deficit by \$2,286. This correction had no material effect upon the loss per share reported in 2002.

DISCOVERY OIL, LTD.
Form 10-KSB
December 31, 2003

Item 8. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure

Effective April 06, 2004, Williams & Webster, P.S. replaced Mark Cohen, CPA as the Company's independent public accountants. During the year ended December 31, 2002, the report on financial statements from Mark Cohen, CPA contained no adverse opinion or disclaimer of opinion, nor was the report qualified or modified as to uncertainty, audit scope, or accounting principles except for the paragraph wherein Mark Cohen, CPA expressed substantial doubt about the Company's ability to continue as a going concern. During 2002, there were no disagreements with Mark Cohen, CPA on any matter of accounting principles or practices, financial statement disclosures, auditing scope or procedure, which if not resolved to the satisfaction of such firm would have counseled them to make reference to the subject matter of such disagreement in their report on such financial statements.

Item 8a. Controls And Procedures

The Registrant's President and Principal Accounting Officer have evaluated the Registrant's disclosure controls and procedures within 90 days of the filing date of this annual report. Based upon this evaluation, the Registrant's President and Principal Accounting Officer concluded that the Registrant's disclosure controls and procedures are effective in ensuring that material information required to be disclosed is included in the reports that it files with the Securities and Exchange Commission.

There were no significant changes in the Registrant's internal controls or, to the knowledge of the management of the Registrant, in other factors that could significantly affect these controls subsequent to the evaluation date.

PART III

Item 9. Directors and Executive Officers of the Registrant

<u>Name of Executive Officers and Directors and Positions Held</u>	<u>Age</u>	<u>Principal Occupation, Five-Year Business History and Directorships</u>
Andrew V. Ippolito, President and Chairman of the Board of Directors	70	Currently and for the past 27 years, Mr. Ippolito functioned as a business executive, diplomat, Honorary Consul General of Liberia and General Secretary of the Los Angeles Consular Corps, representing more than 86 countries and providing access to international finance and trade markets. Current President and Chairman of the Board of Discovery Oil, LTD and co-founder of Sunshine Management International, serving as management and financial consultant to several foreign nations and corporations.
M. Jeanett Ippolito, Secretary	60	Mrs. Ippolito has been a real estate and a Director Broker for over 20 years.

Item 10. Executive Compensation

No officer receives any compensation for services rendered to the Company. Directors receive no annual compensation nor attendance fees for servicing in such capacity.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Andrew V. Ippolito, president and a director and his wife Jeanett, secretary and a director, collectively own 12,045,893 shares of the Registrant's common stock representing 59.5% of the total outstanding shares as of April 11, 2003.

Item 12. Certain Relationships and Related Transactions

See notes to the financial statements.

Item 13. Exhibits and Reports on Form 8-K

(A) Exhibits

- (31) Rule 13a-14(a)/15d-14(a) Certifications
 - (31)(i) Certification of Andrew V. Ippolito
 - (31)(ii) Certification of M. Jeanett Ippolito
- (32) Section 1350 Certifications
 - (32)(i) Certification of Andrew V. Ippolito
 - (32)(ii) Certification of M. Jeanett Ippolito

(B) Reports On Form 8-K

The Registrant filed two forms 8-K regarding change of auditor and engagement of auditor during the 2003 calendar year.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The Company's board of directors reviews and approves audit and permissible non-audit services performed by the authorized independent public accountants as well as the fees charged by the authorized independent public accountants for such services. In its review of non-audit service fees and its appointment of the authorized independent public accountants as the Company's independent accountants, the board of directors considered whether the provision of such services is compatible with maintaining the authorized independent public accountants independence. All of the services provided and fees charged by the authorized independent public accountants in 2003 were pre-approved by the board of directors.

Audit Fees

The aggregate fees billed by the authorized independent public accountants for professional services for the audit of the annual financial statements of the Company and the reviews of the financial statements included in the Company's quarterly reports on Form 10-QSB for 2003 and 2002 were \$6,575 and \$8,400 respectively, net of expenses.

Audit-Related Fees

There were no other fees billed by the authorized independent public accountants during the last two fiscal years for assurance and related services that were reasonably related to the performance of the audit or review of the Company's financial statements and not reported under "Audit Fees" above.

Tax Fees

The aggregate fees billed by the authorized independent public accountants during the last two fiscal years for professional services rendered by the authorized independent public accountants for tax compliance for 2003 and 2002 were \$250 and \$250, respectively.

All Other Fees

There were no other fees billed by the authorized independent public accountants during the last two fiscal years for products and services provided by authorized independent public accountants.

SIGNATURES

Pursuant to the requirements of Section 143 of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf of the undersigned, thereunto duly authorized.

DISCOVERY OIL, LTD.

/s/ Andrew V. Ippolito

By _____

Andrew V. Ippolito

President, Chairman of the Board

Date: April 14, 2004

Pursuant to the requirements of the Securities Act of 1934 this report signed below by the following person on behalf of the Registrant and in the capacities on the date indicated.

/s/ M. Jeanett Ippolito

By _____

M. Jeanett Ippolito

Secretary

Date: April 14, 2004

Certification

I, Andrew V. Ippolito, certify that:

- (1) I have reviewed this annual report on Form 10-KSB 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) The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the 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) The small business issuer's other certifying officer(s) and 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.

/s/ Andrew V. Ippolito

By _____

Andrew V. Ippolito

President, Chairman of the Board

Date: April 14, 2004

Exhibit 31.2

Certification

I, M. Jeanett Ippolito, certify that:

- (1) I have reviewed this annual report on Form 10-KSB 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) The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the 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) The small business issuer's other certifying officer(s) and 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.

/s/ M. Jeanett Ippolito

By _____

M. Jeanett Ippolito

Secretary

Date: April 14, 2004

Exhibit 32.1

**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 Discovery Oil, Ltd, (the "Company") on Form 10-KSB for the period ending December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Andrew V. Ippolito, President and Chairman of the Board of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ Andrew V. Ippolito

By _____

Andrew V. Ippolito

President, Chairman of the Board

Date: April 14, 2004

Exhibit 32.2

**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 Discovery Oil, Ltd, (the "Company") on Form 10-KSB for the period ending December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, M. Jeanett Ippolito, Secretary of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ M. Jeanett Ippolito

By _____

M. Jeanett Ippolito

Secretary

Date: April 14, 2004