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

FORM 10-QSB

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the quarterly period ended March 31, 2004

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 [X]

Discovery Oil Ltd
Form 10-QSB
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(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 SHEETS

	March 31, 2004 (unaudited)	December 31, 2003
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,319	\$ 1,722
Total Current Assets	<u>1,319</u>	<u>1,722</u>
TOTAL ASSETS	<u><u>\$ 1,319</u></u>	<u><u>\$ 1,722</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	\$ 20,009	\$ 20,009
Related party payable	3,855	3,855
State tax liability	<u>21,903</u>	<u>21,193</u>
Total Current Liabilities	<u>45,767</u>	<u>45,057</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	<u>(672,270)</u>	<u>(671,157)</u>
Total Stockholders' Equity (Deficit)	<u>(44,448)</u>	<u>(43,335)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	<u><u>\$ 1,319</u></u>	<u><u>\$ 1,722</u></u>

See accompanying condensed notes to these interim financial statements.

DISCOVERY OIL, LTD.
STATEMENTS OF OPERATIONS

	Three Months Ended	
	March 31, 2004 (unaudited)	March 31, 2003 (unaudited) (restated)
REVENUES		
Royalty income	\$ 3,968	\$ 3,572
OPERATING EXPENSES		
State tax expense	710	611
General and administrative expenses	4,371	2,965
Total operating expenses	5,081	3,576
LOSS FROM OPERATIONS	(1,113)	(4)
LOSS BEFORE TAXES	(1,113)	(4)
INCOME TAX EXPENSE	-	-
NET LOSS	\$ (1,113)	\$ (4)
NET LOSS PER COMMON SHARE, BASIC AND DILUTED	\$ nil	\$ nil
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, BASIC AND DILUTED	20,245,921	20,245,921

See accompanying condensed notes to these interim 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	20,039,971	20,041	563,961	(607,084)	(23,082)
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	20,245,921	20,247	607,575	(664,396)	(36,574)
Net loss for the year ended, December 31, 2003	-	-	-	(6,761)	(6,761)
Balance, December 31, 2003	20,245,921	20,247	607,575	(671,157)	(43,335)
Net loss for the three months ended March 31, 2004	-	-	-	(1,113)	(1,113)
	20,245,921	\$ 20,247	\$ 607,575	\$ (672,270)	\$ (44,448)

See accompanying condensed notes to these interim financial statements.

DISCOVERY OIL, LTD.
STATEMENTS OF CASH FLOWS

	Three Months Ended	
	March 31, 2004 (unaudited)	March 31, 2003 (unaudited) (restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net gain (loss)	\$ (1,113)	\$ (4)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Accounts receivable	-	563
Accounts payable	-	-
State tax liability	710	611
Net cash provided (used) by operating activities	(403)	1,170
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES:	-	-
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES:		
Related party payable proceeds	-	800
Net cash provided by financing activities	-	800
Net increase (decrease) in cash and cash equivalents	(403)	1,970
Cash at beginning of period	1,722	(1,967)
Cash at end of period	\$ 1,319	\$ 3
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -

See accompanying condensed notes to these interim financial statements.

DISCOVERY OIL NOTES TO FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

The financial statements have been prepared in accordance with generally accepted accounting principles for the interim financial information with the instructions to Form 10-QSB and Item 310 of Regulation S-B. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of the Company's management, all adjustments (consisting of only normal accruals) considered necessary for a fair presentation have been included.

For further information refer to the financial statements and notes thereto included in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2003.

NOTE 2 – GOING CONCERN

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Company has suffered material recurring losses from operations since inception. At March 31, 2004, the Company has a deficit of \$672,270 and has negative cash flows from operations. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The Company's management is currently exploring new business opportunities, which will, if successful, mitigate these factors that raise substantial doubt about the Company's ability to continue as a going concern. 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.

NOTE 3 - COMMITMENTS AND CONTIGENCIES

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.

DISCOVERY OIL
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – 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 financial statements for the three months ended March 31, 2003 were also corrected due to an understatement of state tax expense in the amount of \$611. The effect of the restatement was to decrease net income by \$611 in the three months ended March 31, 2003 and increase the accumulated deficit by \$611. This correction had no material effect upon the loss per share reported in 2003.

NOTE 5 – STATE TAX LIABILITY

In the three months ended March 31, 2004, the Company's state tax liability increased by \$710. See Note 4.

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 March 31, 2004 compared to the three month period ended March 31, 2003.

For the three months ended March 31, 2004, the Company had a net loss of \$1,113 compared to a net loss of \$4 during the comparable period in the previous year. Oil revenue increased from \$3,572 during the first quarter of 2003 to \$3,968 during the first quarter of 2004. The increase in revenue was due to a slight increase in oil production. General and administrative expenses increased from \$2,965 in the first quarter of 2003 to \$4,371 in the first quarter of 2004.

Financial Condition and Liquidity

During the three month period ended March 31, 2004, the Company generated a loss of \$1,113 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

Date: May 24, 2004

Andrew V. Ippolito
President, Director and
Chief Financial Officer

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.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Andrew Ippolito, President, Director, & Chief Financial Officer of Discovery Oil Ltd. ("Discovery"), certify that:

- (1) I have reviewed this report on 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 operation and cash flows of Discovery as of, and for, the periods represented 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)) for Discovery 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 Discovery, 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) Evaluated the effectiveness of Discovery'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
 - (c) Disclosed in this report any change in Discovery's internal control over financial reporting that occurred during Discovery's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, Discovery's internal control over financial reporting; and
- (5) I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Discovery's auditors and the audit committee of the 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 Discovery'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 Discovery's internal controls over financial reporting.

/s/ Andrew Ippolito
Andrew Ippolito
President & Chief Executive Officer

Date: May 24, 2004

Exhibit 32

**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**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Discovery Oil Ltd, a Delaware corporation, (the “Company”) hereby certifies to such officer’s knowledge that:

1. This quarterly report on Form 10-QSB of the Company 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 this quarterly report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 24, 2004

/s/ Andrew Ippolito

Andrew Ippolito
President, Director, and Chief Financial Officer