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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 June 30, 2005

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)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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 April 30, 2005 the registrant had outstanding 25,245,921 shares of par value \$0.001 common stock.

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

SEC 2334 (3-03)

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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

| | June 30 2005 (unaudited) | December 31, 2004 |
|---|--------------------------------|-----------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 755 | \$ 23,987 |
| Prepaid expenses | 10,400 | 7,500 |
| Total Current Assets | <u>11,155</u> | <u>31,487</u> |
| PROPERTY AND EQUIPMENT, NET OF DEPRECIATION | <u>1,424</u> | <u>1,776</u> |
| TOTAL ASSETS | <u><u>\$ 12,579</u></u> | <u><u>\$ 33,263</u></u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 25,945 | \$ 34,564 |
| Related party payable | 26,569 | 8,815 |
| Advances payable | 7,000 | 7,000 |
| State tax liability | 23,355 | 23,105 |
| Total Current Liabilities | <u>82,869</u> | <u>73,484</u> |
| COMMITMENTS AND CONTINGENCIES | <u>-</u> | <u>-</u> |
| STOCKHOLDERS' EQUITY (DEFICIT) | | |
| Common stock, \$0.001 par value; 200,000,000 shares authorized, 25,245,921 and 20,245,921 shares issued and outstanding | 25,247 | 20,247 |
| Additional paid-in capital | 902,575 | 607,575 |
| Accumulated deficit | (998,112) | (668,043) |
| Total Stockholders' Equity (Deficit) | <u>(70,290)</u> | <u>(40,221)</u> |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) | <u><u>\$ 12,579</u></u> | <u><u>\$ 33,263</u></u> |

See accompanying condensed notes to these interim financial statements.

DISCOVERY OIL, LTD.
STATEMENTS OF OPERATIONS

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|---------------------|------------------------------|---------------------|
| | 2005 (unaudited) | 2004 (unaudited) | 2005 (unaudited) | 2004 (unaudited) |
| REVENUES | | | | |
| Royalty income | \$ - | \$ 7,343 | \$ - | \$ 11,311 |
| OPERATING EXPENSES | | | | |
| State tax expense | 229 | 710 | 458 | 1,420 |
| Consulting expense - related party | 300,000 | - | 300,000 | - |
| General and administrative expenses | 16,835 | 17,676 | 29,611 | 22,047 |
| Total Operating Expenses | 317,064 | 18,386 | 330,069 | 23,467 |
| LOSS FROM OPERATIONS | (317,064) | (11,043) | (330,069) | (12,156) |
| LOSS BEFORE TAXES | (317,064) | (11,043) | (330,069) | (12,156) |
| INCOME TAX EXPENSE | - | - | - | - |
| NET LOSS | \$ (317,064) | \$ (11,043) | \$ (330,069) | \$ (12,156) |
| NET LOSS PER COMMON SHARE, BASIC AND DILUTED | \$ (0.01) | \$ nil | \$ (0.02) | \$ nil |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, BASIC AND DILUTED | 21,357,032 | 20,245,921 | 20,801,477 | 20,245,921 |

See accompanying condensed notes to these interim financial statements.

DISCOVERY OIL, LTD.
STATEMENTS OF CASH FLOWS

| | Six Months Ended June 30, | |
|---|------------------------------|-----------------------------------|
| | 2005 (unaudited) | 2004 (unaudited) (restated) |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income (loss) | \$ (330,069) | \$ (12,156) |
| Adjustments to reconcile net loss to net cash provided (used) by operating activities: | | |
| Issuance of common stock for services | 300,000 | - |
| Depreciation | 352 | - |
| Accounts receivable | - | - |
| Accounts payable | (8,619) | 2,500 |
| Prepaid expenses | (2,900) | - |
| State tax liability | 250 | 1,420 |
| Net cash provided (used) by operating activities | (40,986) | (8,236) |
| CASH FLOWS PROVIDED BY INVESTING ACTIVITIES: | - | - |
| CASH FLOWS PROVIDED BY FINANCING ACTIVITIES: | | |
| Advances payable | - | 7000 |
| Related party payable proceeds | 17,754 | - |
| Net cash provided by financing activities | 17,754 | 7,000 |
| Net increase (decrease) in cash and cash equivalents | (23,232) | (1,236) |
| Cash at beginning of period | 23,987 | 1,722 |
| Cash at end of period | \$ 755 | \$ 486 |
| SUPPLEMENTAL CASH FLOW DISCLOSURES: | | |
| Income taxes paid | \$ - | \$ - |
| Interest paid | \$ - | \$ - |

See accompanying condensed notes to these interim financial statements.

DISCOVERY OIL, LTD.
Condensed Notes to Interim Financial Statements
June 30, 2005

NOTE 1 - BASIS OF PRESENTATION

The foregoing unaudited interim financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and Regulation S-B as promulgated by the Securities and Exchange Commission ("SEC"). Accordingly, these financial statements do not include all of the disclosures required by generally accepted accounting principles in the United States of America for complete financial statements. These unaudited interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2004. In the opinion of management, the unaudited interim financial statements furnished herein include all adjustments, all of which are of a normal recurring nature, necessary for a fair statement of the results for the interim period presented. Operating results for the six month period ended June 30, 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005.

The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities known to exist as of the date the financial statements are published, and the reported amounts of revenues and expenses during the reporting period. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of the Company's financial statements; accordingly, it is possible that the actual results could differ from these estimates and assumptions and could have a material effect on the reported amounts of the Company's financial position and results of operations.

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 limited cash and has suffered material recurring losses from operations since inception. At June 30, 2005, the Company has a deficit of \$998,112. 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.

DISCOVERY OIL, LTD.
Condensed Notes to Interim Financial Statements
June 30, 2005

NOTE 3 – STATE TAX LIABILITY

For the six months ended June 30, 2005, the Company estimated its California corporate tax liability to be \$23,355. The Company has not filed a return with the State of California for several years and because of that the Company has been suspended from operating as a corporation in California. In order to revive its authorized corporation status in California, the Company must file all delinquent tax returns and pay all related California corporate income taxes, penalties and interest.

During the six months ended June 30, 2005, the State of Delaware suspended the Company for failure to remit the annual corporate taxes. The Company has paid the amounts owed and is again in good standing with Delaware, the state within which it is incorporated.

NOTE 4 – PREPAID EXPENSES

Prepaid expenses principally consist of amounts paid for legal fees and office rent.

During the year ended December 31, 2004, the Company prepaid twelve months of legal retainer fees of \$10,000. During the six months ended June 30, 2005, the Company expensed \$5,000 of this amount.

Also included in prepaid expenses are amounts paid to the Company's president for use of office space under a 1-year lease. The Company prepaid a total of \$9,300, of which \$3,900 was expensed during the six months ended June 30, 2005. The remaining balance of \$5,400 will be expensed during the remainder of the year.

NOTE 5 – RELATED PARTY TRANSACTIONS

At December 31, 2003, the Company had a related party payable to its president, who advanced funds on an unsecured and noninterest-bearing basis to the Company. This amount was repaid in 2004. During the year ended December 31, 2004, the Company's president paid expenses on behalf of the Company. Additionally the Company signed a lease with this executive for the use of office space for \$1,300 per month, or \$15,600 per year. The Company also agreed to pay mileage for his travels relating to the Company. During 2004, the Company reimbursed this executive approximately \$32,235 for rent, travel, general and administrative expenses incurred. At June 30, 2005, the Company had a related party payable to its president, who advanced funds on an unsecured and noninterest-bearing basis to the Company. The amount due to the executive at June 30, 2005 was \$26,569.

During the six months ended June 30, 2005, the Company issued to its officers 5,000,000 shares of common stock for consulting services provided during the year. The stock was valued at the fair market value of \$0.06 per share, or \$300,000.

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 had a non-operating working interest in six producing oil wells having proved reserves. The working interest granted 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. On August 12, 2004, the Company sold all of its 12.5% non-operating working interest in the six producing wells for \$62,850. 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, 2004, 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 six month period ended June 30, 2005 compared to the six month period ended June 30, 2004.

For the six months ended June 30, 2005, the Company had a net loss of \$330,069 compared to a net loss of \$12,156 during the comparable period in the previous year. Revenue decreased from \$11,311 during the first three months of 2004 to \$0 during the same period in 2005. General and administrative expenses during this period increased from \$22,047 in 2004 to \$29,611 in 2005. In addition, the Company incurred consulting expenses of \$300,000 in 2005 up from \$0 in 2004. The increase reflects expenses related to the Company's search for business opportunities in the oil and gas industry.

Financial Condition and Liquidity

During the six month period ended June 30, 2005, the Company generated a loss of \$330,069 from operating activities. Management plans to fund future short-term operating needs through advances from related party shareholders and loans from unrelated parties, although there can be no assurances that funds so obtained will be sufficient to continue 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 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 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

During the quarter ended June 30, 2005 the Company issued to Andrew Ippolito, President, Chief Financial Officer and a director, and to Jan Ippolito, Secretary and a director, a total of 5,000,000 shares of common stock for services rendered. Mr. and Mrs. Ippolito now hold jointly a total of 17,045,893 shares of the Company's outstanding stock representing 67.5%. The Company valued these shares at the fair market value of the day of issuance, \$0.6 per share, or \$300,000.

ITEM 6. EXHIBITS.

- | | |
|------------|---|
| Exhibit 31 | Certification required by Rule 13a-14(a) or Rule 15d-14(a) and section 302 of the Sarbanes-Oxley Act of 2002 |
| 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. |

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: August 15, 2005

Andrew V. Ippolito
President, Director and
Chief Financial Officer

**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: August 10, 2005

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: August 10, 2005

/s/ Andrew Ippolito

Andrew Ippolito
President, Director, and Chief Financial Officer