

OMB APPROVAL
OMB Number: 3235-0416
Expires: March 31, 2007
Estimated average burden
hours per response 182.00

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 September 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 \_\_\_\_\_**

**DISCOVERY OIL, LTD**

(Exact Name of Small Business Registrant as Specified in its Charter)

**DELAWARE**

**000-06541**

**83-0207909**

(State or other jurisdiction of incorporation)

(Commission File Number)

(IRS Employer Identification No.)

**6127 Ramirez Canyon Road, Malibu, CA**

**90265**

(Address of principal executive offices)

(Zip Code)

(310) 457-1967

(Registrant's telephone number, including area code)

Check whether the issuer (1) has filed all documents and reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filings for the past 90 days. **YES [X] NO [ ]**

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act.)

**[X] Yes [ ] No**

**APPLICABLE ONLY TO CORPORATE ISSUERS:**

As of September 30, 2005 the number of the Company's shares of par value \$0.001 common stock outstanding was 25,245,921.

Transitional Small Business Disclosure format (check one): Yes [ ] **No [X]**

SEC 2334 (9-05)

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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

	September 30 2005 (unaudited)	December 31, 2004
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,076	\$ 23,987
Prepaid expenses	1,500	7,500
Total Current Assets	<u>2,576</u>	<u>31,487</u>
 <b>PROPERTY AND EQUIPMENT, NET OF DEPRECIATION</b>	 <u>1,330</u>	 <u>1,776</u>
 <b>TOTAL ASSETS</b>	 \$ <u>3,906</u>	 \$ <u>33,263</u>
 <b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 25,944	\$ 34,564
Related party payable	34,372	8,815
Advances payable	7,000	7,000
State tax liability	23,584	23,105
Total Current Liabilities	<u>90,900</u>	<u>73,484</u>
 <b>COMMITMENTS AND CONTINGENCIES</b>	 <u>-</u>	 <u>-</u>
 <b>STOCKHOLDERS' EQUITY (DEFICIT)</b>		
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	(1,014,816)	(668,043)
Total Stockholders' Equity (Deficit)	<u>(86,994)</u>	<u>(40,221)</u>
 <b>TOTAL LIABILITIES AND         STOCKHOLDERS' EQUITY (DEFICIT)</b>	 \$ <u>3,906</u>	 \$ <u>33,263</u>

See accompanying condensed notes to these interim financial statements.

**DISCOVERY OIL, LTD.**  
**STATEMENTS OF OPERATIONS**

	Three Months Ended		Nine Months Ended	
	September 30 2005 (unaudited)	September 30 2004 (unaudited)	September 2005 (unaudited)	September 2004 (unaudited)
<b>REVENUES</b>				
Royalty income	\$ -	\$ 5,382	\$ -	\$ 16,693
<b>OPERATING EXPENSES</b>				
State tax expense	229	710	687	2,130
Consulting expense	-	-	300,000	-
General and administrative expenses	16,476	16,922	46,086	39,169
Total operating expenses	16,705	17,632	346,773	41,299
<b>LOSS FROM OPERATIONS</b>	(16,705)	(12,250)	(346,773)	(24,606)
<b>OTHER INCOME</b>				
Gain from sale of working interest	-	62,850	-	62,850
<b>INCOME (LOSS) BEFORE TAXES</b>	(16,705)	50,600	(346,773)	38,244
<b>INCOME TAX EXPENSE</b>	-	-	-	-
<b>NET INCOME (LOSS)</b>	\$ (16,705)	\$ 50,600	\$ (346,773)	\$ 38,244
<b>NET INCOME (LOSS) PER COMMON SHARE, BASIC AND DILUTED</b>	\$ nil	\$ nil	\$ (0.02)	\$ nil
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, BASIC AND DILUTED</b>	25,245,921	20,245,921	22,468,143	20,245,921

See accompanying condensed notes to these interim financial statements.

**DISCOVERY OIL, LTD.**  
**STATEMENTS OF CASH FLOWS**

	Nine Months Ended	
	September 30 2005 (unaudited)	September 30 2004 (unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ (346,773)	\$ 38,244
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Issuance of common stock for services	300,000	-
Depreciation	447	-
Accounts receivable	-	-
Accounts payable	(8,620)	6,888
Prepaid expenses	6,000	-
State tax liability	478	2,130
Net cash provided (used) by operating activities	(48,468)	47,262
<b>CASH FLOWS PROVIDED BY INVESTING ACTIVITIES:</b>	-	-
<b>CASH FLOWS PROVIDED BY FINANCING ACTIVITIES:</b>		
Advances payable	-	7,000
Related party payable proceeds	25,556	(3,855)
Net cash provided by financing activities	25,556	3,145
Net increase (decrease) in cash and cash equivalents	(22,912)	50,407
<b>Cash at beginning of period</b>	23,988	1,722
<b>Cash at end of period</b>	\$ 1,076	\$ 52,129
<b>SUPPLEMENTAL CASH FLOW DISCLOSURES:</b>		
Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -

See accompanying condensed notes to these interim financial statements.

**DISCOVERY OIL, LTD.**  
**Condensed Notes to Interim Financial Statements**  
**September 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 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 nine month period ended September 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 suffered material recurring losses from operations since inception. At September 30, 2005, the Company has a deficit of \$1,014,816. 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**  
**September 30, 2005**

**NOTE 3 – STATE TAX LIABILITY**

For the nine months ended September 30, 2005 the Company estimated its California corporate tax liability to be \$23,584. 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. It is possible that the State of California could take a position on the tax liability due which may differ from this estimate and could cause the actual taxes owed to be greater than the estimate. 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.

**NOTE 4 – RELATED PARTY PAYABLE**

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 September 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 September 30, 2005 was \$33,061.

## **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 nine month period ended September 30, 2005 compared to the nine month period ended September 30, 2004.*

For the nine months ended September 30, 2005, the Company had a net loss of \$16,705 compared to a net gain of \$50,600 during the comparable period in the previous year. Revenue decreased from \$16,693 during the first nine months of 2004 to \$0 during the same period in 2005. General and administrative expenses during this period increased from \$39,169 in 2004 to \$46,086 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 nine month period ended September 30, 2005, the Company generated a loss of \$346,773 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 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: November 8, 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: November 8, 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: November 8, 2005

/s/ Andrew Ippolito

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Andrew Ippolito  
President, Director, and Chief Financial Officer