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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 September 30, 2006**

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)

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 ☒** No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act:

Large accelerated filer ☐

Accelerated filer ☐

**Non-accelerated filer ☒**

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

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 September 30, 2006 the registrant had outstanding 20,245,921 shares of par value \$0.001 common stock.

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

**Discovery Oil Ltd**  
**Form 10-QSB**

**Table of Contents**

Balance Sheets at September 30, 2006 (Unaudited) and at December 31, 2005 (Audited)	3
Statements of Operations For the Three Month Periods Ended and Nine Month Periods Ended September 30, 2006 and 2005 (Unaudited)	4
Statements of Cash Flows For the Nine Month Period Ended September, 2006 and 2005 (Unaudited)	5
Notes to Condensed Consolidated Financial Statements (Unaudited)	6
 Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	 8
 Item 3. Controls and Procedures	 10
 Part II – Other Information	
 Item 6. Exhibits	 11
Signature Page	12

## PART I - FINANCIAL INFORMATION

### ITEM 1: FINANCIAL STATEMENTS

#### DISCOVERY OIL, LTD.

#### BALANCE SHEETS

	September 30, 2006 (unaudited)	December 31, 2005
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 187	\$ -
Prepaid expenses	-	-
Total Current Assets	<u>187</u>	<u>-</u>
<b>PROPERTY AND EQUIPMENT, NET OF DEPRECIATION</b>	<u>908</u>	<u>1,066</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,095</u>	<u>\$ 1,066</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>CURRENT LIABILITIES</b>		
Bank overdraft payable	\$ -	\$ 865
Accounts payable	42,472	41,677
Related party payable	75,868	42,549
Advances payable	7,000	7,000
State tax liability	25,580	23,813
Total Current Liabilities	<u>150,920</u>	<u>115,904</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 shares issued and outstanding	25,247	25,247
Additional paid-in capital	902,575	902,575
Accumulated deficit	(1,077,647)	(1,042,660)
Total Stockholders' Equity (Deficit)	<u>(149,825)</u>	<u>(114,838)</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>	<u>\$ 1,095</u>	<u>\$ 1,066</u>

See accompanying condensed notes to these interim financial statements.

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

	Three Months Ended		Nine Months Ended	
	September 30, 2006 (unaudited)	September 30, 2005 (unaudited)	September 30, 2006 (unaudited)	September 30, 2005 (unaudited)
<b>REVENUES</b>				
Royalty income	\$ -	\$ -	\$ -	\$ -
<b>OPERATING EXPENSES</b>				
State tax expense	229	229	1,767	687
Consulting Expense	-	-	-	300,000
General and administrative expenses	9,527	16,476	33,220	46,086
Total operating expenses	9,756	16,705	34,987	346,773
<b>LOSS FROM OPERATIONS</b>	(9,756)	(16,705)	(34,987)	(346,773)
<b>LOSS BEFORE TAXES</b>	(9,756)	(16,705)	(34,987)	(346,773)
<b>INCOME TAX EXPENSE</b>	-	-	-	-
<b>NET LOSS</b>	\$ (9,756)	\$ (16,705)	\$ (34,987)	\$ (346,773)
<b>NET LOSS PER COMMON SHARE, BASIC AND DILUTED</b>	\$ nil	\$ nil	\$ nil	\$ (0.02)
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, BASIC AND DILUTED</b>	25,245,921	25,245,921	25,245,921	22,468,143

See accompanying condensed notes to these interim financial statements.

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

	Nine Months Ended	
	September 30, 2006 (unaudited)	September 30, 2005 (unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ (34,987)	\$ (346,773)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Issuance of common stock for services	-	300,000
Depreciation	375	447
Accounts payable	6,150	(8,620)
Prepaid expenses	-	6,000
State tax liability	1,768	478
Net cash provided (used) by operating activities	(26,694)	(48,468)
<b>CASH FLOWS PROVIDED BY INVESTING ACTIVITIES:</b>		
Cash paid for fixed assets	(217)	-
	(217)	-
<b>CASH FLOWS PROVIDED BY FINANCING ACTIVITIES:</b>		
Related party payable proceeds	27,963	25,556
Net cash provided by financing activities	27,963	25,556
Net increase (decrease) in cash and cash equivalents	1,052	(22,912)
Cash at beginning of period	(865)	23,988
Cash at end of period	\$ 187	\$ 1,076
<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, 2006**

**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, 2005. 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, 2006 are not necessarily indicative of the results that may be expected for the year ending December 31, 2006. As defined by Rule 12b-2 of the Exchange Act, the Company is considered a shell corporation.

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 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

Accounting Pronouncements - Recent

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements," (hereinafter "SFAS No. 157") which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. Where applicable, SFAS No. 157 simplifies and codifies related guidance within GAAP and does not require any new fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Earlier adoption is encouraged. The Company does not expect the adoption of SFAS No. 157 to have a significant immediate effect on its financial position or results of operation

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, 2006, the Company has a deficit of \$1,077,647. These factors raise substantial doubt about the Company's ability to continue as a going concern.

**DISCOVERY OIL, LTD.**  
**Condensed Notes to Interim Financial Statements**  
**September 30, 2006**

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 – PROPERTY AND EQUIPMENT**

Capital assets are recorded at cost. Depreciation is calculated using the straight line method over three to seven years.

**NOTE 4 – STATE TAX LIABILITY**

For the nine months ended September 30, 2006, the Company estimated its California corporate tax liability to be \$25,580. 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.

**NOTE 5 – RELATED PARTY PAYABLE**

At September 30, 2006, 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, 2006 was \$75,868.

**NOTE 6 – CAPITAL STOCK**

Common Stock

The Company is authorized to issue 200,000,000 shares of common stock. All shares have equal voting rights, are non-assessable and have one vote per share. Voting rights are not cumulative and, therefore, the holders of more than 50% of the common stock could, if they choose to do so, elect all of the directors of the Company.

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

### ***General***

Our management's discussion and analysis is intended to be read in conjunction with the Company's audited financial statements and notes thereto as published with the Company's Form 10KSB filed with the Securities Exchange Commission on April 17, 2006, and with the reviewed financial statements included herein. The following statements may be forward-looking in nature and actual results may differ materially.

### **Plan of Operation**

Since the sale of previous interests, Discovery Oil has no revenue and has become a shell company. The Company is currently search for a new investment opportunity in the oil industry, which would probably take the form of a merger, stock-for-stock exchange or stock-for-assets exchange. No assurances can be made that we will be successful in locating and negotiating with any possible merger candidates.

The Company's major shareholders have undertaken to make funds available to the Company in amounts sufficient to enable us to satisfy our reporting and other obligations as a public Company, and to commence, on a limited basis, the process of investigating possible merger and acquisition candidates.

Given our lack of cash or other assets, Discovery Oil will be extremely limited in our attempts to locate potential business situations for investigation. We do not know when, or if, we may be able to locate investment opportunities or potential merger candidates. Business opportunities, if any arise, are expected to become available to the Company principally from the personal contacts of our officers and directors. Although the current focus of management is to find investment opportunities or merger candidates within the oil industry, we will also consider other ventures and reserve the right to evaluate and to enter into any type of business opportunity, in any stage of development, in any location.

We may seek a business opportunity with a firm which only recently commenced operations, or a developing company in need of additional funds for expansion into new products or markets, an entity seeking to develop a new product or service, or an established business which may be experiencing financial or operating difficulties and is in need of additional capital which is perceived to be easier to raise by a public company. In some instances, a business opportunity may involve the acquisition or merger with a corporation which does not need substantial additional cash but which desires to establish a public trading market for its common stock.

We may purchase assets and establish wholly owned subsidiaries in various businesses or purchase existing businesses as subsidiaries. We anticipate that the selection of a business opportunity in which to participate will be complex and extremely risky. Because of general economic conditions, rapid technological advances being made in some industries, and shortages of available capital, management believes that there are numerous firms seeking the benefits of a publicly traded corporation. Such perceived benefits of a publicly traded corporation may include facilitating or improving the terms on which additional equity financing may be sought, providing liquidity for the principals of a business, creating a means for providing incentive stock options or similar benefits to



key employees, providing liquidity (subject to restrictions of applicable statutes) for all shareholders, and other factors. Potentially available business opportunities may occur in many different industries and at various stages of development, all of which will make the task of comparative investigation and analysis of such business opportunities extremely difficult and complex. At the present time, management does not anticipate paying any finder's fee for locating an acquisition prospect.

As part of our investigation of acquisition possibilities, we may meet with executive officers of the business and its personnel, inspect its facilities, obtain independent analysis or verification of the information provided and conduct other reasonable measures, to the extent permitted by the Company's limited resources and management's limited expertise. Generally, we intend to analyze and make a determination based upon all available information without reliance upon any single factor as controlling. We can give no assurance that we will be able to find suitable a suitable business opportunity which may desire to combine with Discovery Oil.

The Company plans to fund its operations during fiscal year 2006 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 2006 would be negligible as the Company has yet to locate a new investment opportunity.

#### Liquidity and Capital Resources

As of December 31, 2005, the Company had only \$1,066 in assets and liabilities of \$115,904, and as of September 30, 2006 (unaudited) the Company had assets of only \$1,095 and liabilities of \$150,920. If the Company cannot find a new business acceptable to it, it will have to seek additional capital either through the sale of its securities or through loans, advances or capital contributions from its officer. The Company has only incidental ongoing expenses primarily associated with maintaining its corporate status and professional fees associated with accounting and legal costs.

Management anticipates that the Company will incur more costs including legal and accounting fees to locate and complete a merger or acquisition. At the present time, the Company does not have the assets to meet these financial requirements. Additionally, the Company does not have substantial assets to entice potential business opportunities to enter into transactions with the Company.

Since the sale of its previous interests in August 2004, the Company has not generated revenue and it is unlikely that any revenue will be generated until the Company locates a business opportunity with which to acquire or merge. Management of the Company will be investigating various business opportunities. These efforts may cost the Company not only out of pocket expenses for its management but also expenses associated with legal and accounting costs. There can be no guarantee that the Company will receive any benefits from the efforts of management to locate business opportunities.

If and when the Company locates a business opportunity, management of the Company will give consideration to the dollar amount of that entity's profitable operations and the adequacy of its working capital in determining the terms and conditions under which the Company would consummate such an acquisition. potential business opportunities, no matter which form they may take, will most likely result in substantial dilution for the Company's shareholders as it has only limited capital and no operations.

The Company does not intend to employ anyone in the future, unless its present business operations change. From time to time, Company's president pays 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 2005 the Company reimbursed this executive approximately \$17,800 for rent, travel, general and administrative expenses. The balance due to the executive at June 30, 2006 was \$66,966. This includes both cash loans, payables for expenses paid on behalf of the Company and accrued rent.

### Results of Operations

For the three months ended September 30, 2006, the Company had a net loss of \$9,756 compared to a net loss for the three months ended September 30, 2005, of \$16,705. The Company anticipates losses to remain at the present level or slightly higher until a business opportunity is found. The Company had no revenue for the three months ended September 30, 2006. The Company does not anticipate any revenue until it locates a new business opportunity.

### Off Balance-Sheet Arrangements

The Company has no off-balance sheet arrangements as defined in Item 303(c) of the SEC's Regulation S-B.

### **ITEM 3. CONTROLS AND PROCEDURES**

Based on management's evaluation, our chief executive officer who is also our chief financial officer has concluded that, subject to limitations described below, our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended), were effective as of June 30, 2006 to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

We had no significant changes to our internal controls over financial reporting in the third quarter of 2006.

Our Chief Executive Officer does not expect that our disclosure controls or our internal controls will prevent all error and all fraud. The design of a control system must reflect the fact that there are resource constraints and the benefit of controls must be considered relative to their cost. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that we have detected all of our control issues and all instances of fraud, if any. The design of any system of controls also is based partly on certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving our stated goals under all potential future conditions.

## **PART II - OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS.**

The Company is currently not a party to any pending legal proceedings and no such action by or to the best of its knowledge, against the Company has been threatened.

### **ITEM 2. CHANGES IN SECURITIES.**

None

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

None

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

No matter was submitted during the quarter ending September 30, 2006 covered by this report to a vote of the Company's shareholders, through the solicitation of proxies or otherwise.

### **ITEM 5. OTHER INFORMATION.**

None

### **ITEM 6. EXHIBITS.**

Exhibit 31.1	Certification required by Rule 13a-14(a) or Rule 15d-14(a) and section 302 of the Sarbanes-Oxley Act of 2002
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.

## 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 16, 2006

Andrew V. Ippolito  
President, Director and  
Chief Financial Officer

## CERTIFICATION

I, Andrew Ippolito, , certify that:

- (1) I have reviewed this quarterly 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 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) (Not required)
  - (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.

November 16, 2006

**/s/ Andrew Ippolito**

Andrew Ippolito

President & Chief Executive Officer

**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 16, 2006

/s/ Andrew Ippolito

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Andrew Ippolito  
President, Director, and Chief Financial Officer