STERLING GROUP VENTURES INC
Form 10QSB
October 14, 2005

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

FORM 10-QSB

Quarterly Report Pursuant to Section 13 Or 15(d) Of The Securities Act Of 1934

For the quarterly period ended **August 31, 2005**

Commission file number: **333-97187**

STERLING GROUP VENTURES, INC.

(Exact name of small business issuer as specified in its charter)

Nevada	**72-1535634**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

Suite 900 - 789 West Pender Street, Vancouver, B.C. V6C 1H2
(Address of principal executive offices)

(604) 893-8891
(Issuer's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and 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 filing requirements for the past 90 days.

Yes x 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 last practicable date:

Common Stock, $0.001 par value	40,277,500
(Class)	(Outstanding as of October 3, 2005)

Transitional Small Business Disclosure Format (Check one): Yes ¨ No x

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Part I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

STERLING GROUP VENTURES, INC.
(An Exploration Stage Company)
INTERIM CONSOLIDATED BALANCE SHEETS
August 31, 2005 and May 31, 2005
(Unaudited)

Stated in U.S. dollars		August 31, 2005		May 31, 2005
ASSETS				
Current Assets				
Cash and cash equivalents - Note 3	$	808,106	$	913,343
Other receivable		17,789		13,094
Prepaid expenses		14,129		28,093
Total current assets		840,024		954,530
Equipment		3,639		4,091
Total Assets	$	843,663	$	958,621
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Accounts payable and other accrued liabilities	$	41,526	$	45,727
Stockholders' Equity				
Common Stock : $0.001 Par Value				
Authorized : 500,000,000				
Issued and Outstanding : 40,277,500 (May 31, 2005: 40,277,500)		40,278		40,278
Additional Paid In Capital		2,190,611		2,190,611
Warrants		40,110		40,110
Accumulated Other Comprehensive Loss		(583)		(583)
Deficit accumulated during the exploration stage		(1,468,279)		(1,357,522)
Total Stockholders' Equity		802,137		912,894
Total Liabilities and Stockholders' Equity	$	843,663	$	958,621

See accompanying notes to consolidated financial statements

STERLING GROUP VENTURES, INC.
(An Exploration Stage Company)
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
For the three months ended August 31, 2005 and 2004 and
for the period from July 27, 1994 (date of incorporation) to August 31, 2005
(Unaudited)

Stated in U.S. dollars	Three months ended August 31, 2005	Three months ended August 31, 2004	July 27, 1994 (Date of Incorporation) to August 31, 2005
Revenue			
Interest income	$ 719	$ 1,485	$ 12,601
Expenses			
Accounting, audit and legal fees	$ 19,680	$ 4,235	$ 145,066
Bank charges	99	135	871
Consulting fees - Note 3	32,274	23,853	235,449
Depreciation	452	292	1,786
Filing fees and transfer agent	2,677	2,498	26,793
General and administrative - Note 3	2,917	3,804	26,440
Mineral property costs - Schedule A - Note 3	40,042	240,500	526,613
Printing and mailing	-	2,179	15,360
Shareholder information and investor relations	9,947	-	48,094
Stock-based compensation	-	-	368,641
Travel and entertainment	3,388	2,499	85,767
	(111,476)	(279,995)	(1,480,880)
Net loss for the period	$ (110,757)	$ (278,510)	$ (1,468,279)
Basic and diluted loss per share	$ (0.00)	$ (0.01)	
Weighted average number of shares outstanding	40,277,500	39,823,772	

See accompanying notes to consolidated financial statements

STERLING GROUP VENTURES, INC.
(An Exploration Stage Company)
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended August 31, 2005 and 2004 and
for the period from July 27, 1994 (date of incorporation) to August 31, 2005
(Unaudited)

Stated in U.S. dollars	Three months ended August 31, 2005	Three months ended August 31, 2004	July 27, 1994 (Date of Incorporation) to August 31, 2005
Cash flows from operating activities			
Net loss for the period	$ (110,757)	$ (278,510)	$ (1,468,279)
Adjustments to reconcile net loss to net cash provided by (Used in) operating activities			
Stock compensation expenses	-	-	368,641
Depreciation	452	292	1,786
Permit and engineering studies	-	150,000	150,000
Shareholder information and investor relations	-	-	20,447
Translation adjustment	-	-	(106)
Changes in non-cash working capital items related to operations			
Other receivable	(4,695)	5,394	(17,789)
Prepaid expenses	13,964	-	7,424
Accounts payable and accrued liabilities	(4,201)	(38,296)	41,526
Net cash used in operating activities	(105,237)	(161,120)	(896,350)
Cash flows from investing activities			
Advance on investment	-	-	(150,000)
Additions to equipment	-	(3,508)	(5,425)
Net cash flows used in investing activities	-	(3,508)	(155,425)
Cash flows from financing activities			
Common stock	-	975,000	1,858,000
Amounts contributed by director	-	-	1,881
Net cash flows provided by financing activities	-	975,000	1,859,881

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Net increase (decrease) in cash and cash equivalents		(105,237)		810,372		808,106
Cash and cash equivalents - beginning of period		913,343		634,207		-
Cash and cash equivalents - end of period	$	808,106	$	1,444,579	$	808,106
Cash and cash equivalents consist of:						
Cash	$	655,039	$	92,835	$	655,039
Term deposits		153,067		1,351,744		153,067
	$	808,106	$	1,444,579	$	808,106
Supplemental Information :						
Cash paid for :						
Interest	$	-	$	-	$	-
Income taxes		-		-		-
Non-cash Transactions :						
Issuance of shares for commission paid to broker						
for private placement	$	-	$	26,250	$	50,750
Issuance of shares for services rendered		-		-		42,000

See accompanying notes to consolidated financial statements

STERLING GROUP VENTURES, INC.
(An Exploration Stage Company)
INTERIM CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the period from July 27, 1994 (date of incorporation) to August 31, 2005
(Unaudited)

Stated in U.S. dollars	Common Shares	Stock Amount At Par Value	Additional Paid In Capital	Warrants	Accumulated Other Comprehensive Loss	Deficit Accumulated During The Exploration Stage	Total
Balance, July 27, 1994 (Date of incorporation)	-	$ -	$ -	$ -	$ -	$ -	$ -
Common stock	1	1	-	-	-	-	1
Amount contributed by director	-	-	1,881	-	-	-	1,881
Net loss for the periods	-	-	-	-	-	(7,902)	(7,902)
Balance, May 31, 2001	1	$ 1	$ 1,881	$ -	$ -	$ (7,902)	$ (6,020)
Net loss of the year	-	-	-	-	-	(1,860)	(1,860)
Balance, May 31, 2002	1	$ 1	$ 1,881	$ -	$ -	$ (9,762)	$ (7,880)
Net loss of the year	-	-	-	-	-	(1,360)	(1,360)
Balance, May 31, 2003	1	$ 1	$ 1,881	$ -	$ -	$ (11,122)	$ (9,240)
Reverse acquisition	(1)	(1)	(1,881)	-	-	-	(1,882)
Issuance of common shares for reverse acquisition	25,000,000	25,000	(23,119)	-	-	-	1,881
Outstanding common shares of Company prior to acquisition	11,360,000	11,360	(10,883)	-	(583)	-	(106)

Issuance of shares for cash pursuant to a private							
placement - at $0.50	1,766,000	1,766	881,234	-	-	-	883,000
Stock-based compensation	-	-	368,641	-	-	-	368,641
Net loss of the year	-	-	-	-	-	(527,446)	(527,446)

/cont d

Balance, May 31, 2004	38,126,000	$ 38,126	$ 1,215,873	$ -	$ (583)	$ (538,568)	$ 714,848
Issuance of shares for cash pursuant to a private placement - at $0.50	1,950,000	1,950	973,050	-	-	-	975,000
Issuance of shares for finder's fee of private placement	101,500	102	50,648	-	-	-	50,750
Finders' fees	-	-	(50,750)				(50,750)
Fair value of share purchase warrants (finders' fees)	-	-	(40,110)	40,110	-	-	-
Issuance of shares for services rendered	100,000	100	41,900	-	-	-	42,000
Net loss of the year	-	-	-	-	-	(818,954)	(818,954)
Balance, May 31, 2005	40,277,500	$ 40,278	$ 2,190,611	$ 40,110	$ (583)	$ (1,357,522)	$ 912,894
Net loss for the three months ended August 31, 2005	-	$ -	$ -	$ -	$ -	$ (110,757)	$ (110,757)
Balance, August 31, 2005	40,277,500	$ 40,278	$ 2,190,611	$ 40,110	$ (583)	$ (1,468,279)	$ 802,137

See accompanying notes to consolidated financial statements

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STERLING GROUP VENTURES, INC.
(An Exploration Stage Company)
SCHEDULE A : MINERAL PROPERTY COSTS
For the quarter ended August 31, 2005 and 2004 and
for the period from July 27, 1994 (date of incorporation) to August 31, 2005
(Unaudited)

	Jiajika Spodumene Property	Lushi Spodumene Property	DHLT Spodumene Property	DX Polymetallic Property	DXC Salt Lake Property	Total
Three months ended August 31, 2005						
Administrative	2,305	-	50	578	103	3,036
Consulting fees	8,451	-	-	9,688	2,977	21,116
Feasibility study	-	-	-	-	-	-
Exploration costs	-	-	-	-	-	-
Permit costs	-	-	-	-	-	-
Legal fees	-	-	247	-	-	247
Travel	6,086	-	7,205	2,046	306	15,643
Balance, August 31, 2005 $	16,842	$ -	$ 7,502	$ 12,312	$ 3,386	$ 40,042
Three months ended August 31, 2004						
Administrative	616	526	-	-	-	1,142
Consulting fees	7,657	5,743	-	-	-	13,400
Travel	366	8,071	-	-	-	8,437
Feasibility study	55,199	12,322	-	-	-	67,521
Permit costs	150,000	-	-	-	-	150,000
Balance, August 31, 2004 $	213,838	$ 26,662	$ -	$ -	$ -	$ 240,500
From Date of Inception (July 27, 1994) to August 31, 2005						
Balance, May 31, 2003	$ -	$ -	$ -	$ -	$ -	$ -
Administrative	471	276	-	-	-	747
Consulting fees	9,263	3,027	-	-	-	12,290
Travel	2,763	1,953	-	-	-	4,716
Balance, May 31, 2004	12,497	5,256	-	-	-	17,753
Administrative	6,598	1,357	186	843	-	8,984
Consulting fees	33,799	18,925	-	6,552	-	59,276
Feasibility study	157,769	35,969	-	-	-	193,738
Exploration costs	-	-	-	30,266	-	30,266
Permit costs	150,000	-	-	-	-	150,000
Travel	15,085	9,163	521	1,785	-	26,554
Balance, May 31, 2005	375,748	70,670	707	39,446	-	486,571
Administrative	2,305	-	50	578	103	3,036
Consulting fees	8,451	-	-	9,688	2,977	21,116

Feasibility study	-	-	-	-	-	-

Exploration costs	-	-	-	-	-	-
Permit costs	-	-	-	-	-	-
Legal fees	-	-	247	-	-	247
Travel	6,086	-	7,205	2,046	306	15,643
Balance, August 31, 2005	$ 392,590	$ 70,670	$ 8,209	$ 51,758	$ 3,386	$ 526,613

STERLING GROUP VENTURES, INC.

(An Exploration Stage Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2005

(Stated in US Dollars)

(Unaudited)

Note 1 Interim Reporting and Continuance of Operations

While the information presented in the accompanying interim three month consolidated financial statements is unaudited, it includes all adjustments which are, in the opinion of management, necessary to present fairly the financial position, result of operations and cash flows for the interim periods presented. In the opinion of management, all adjustments considered necessary for a fair presentation of the results of operations and financial position have been included and all such adjustments are of a normal recurring nature. It is suggested that these financial statements be read in conjunction with the Company s May 31, 2005 annual financial statements.

Operating results for the quarter ended August 31, 2005 are not necessarily indicative of the results that can be expected for the year ending May 31, 2006.

The interim financial statements have been prepared using generally accepted accounting principles in the United States of America applicable for a going concern which assumes that the Company will realize its assets and discharge its liabilities in the ordinary course of business. At August 31, 2005, the Company has yet to achieve profitable operations and has accumulated losses of $1,468,279 since its commencement. Its ability to continue as a going concern is dependent upon the ability of the Company to generate profitable operations in the future and/or to obtain the necessary financing to meet its obligations and pay its liabilities arising from normal business operations when they come due. The outcome of these matters cannot be predicted with any certainty at this time and raise substantial doubt that the Company will be able to continue as a going concern. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the company be unable to continue as a going concern. The Company anticipates that additional funding will be in the form of equity financing from the sale of common shares. The Company may also seek to obtain short-term loans from the directors of the company. There are no current arrangements in place for equity funding or short-term loans.

Note 2 Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Micro Express Holdings Inc., Micro Express Ltd., Huyana Ventures Limited., Makaelo Holdings Inc. and Makaelo Limited. All inter-company transactions and account balances have been eliminated.

Note 3 Related Party Transactions

The Company was charged consulting fees during the three months ended August 31, 2005 in the amount of $21,000 (August 31, 2004: $16,664).

The Company was charged rental fees included in General and Administrative during the three months ended August 31, 2005 totalling $2,453 (August 31, 2004: $567) by a company controlled by a director of the Company.

The Company was charged Mineral property costs consulting during the three months ended August 31, 2005 totalling $19,848 (August 31, 2004: $8,284) by a company controlled by a director of the Company.

These charges were measured by the exchange amount which is the amount agreed upon by the transacting parties.

Cash and cash equivalents at August 31, 2005 include $41,086 (May 31, 2005: $NIL) held in trust by a director of the Company.

Note 4 Capital Stock

Commitments:

a) Capital Stock

The Company has arranged a private placement of up to 5,000,000 units at $0.50 per unit for total proceeds of $2,500,000. Each unit consists of one common share and one share purchase warrant entitling the holder the right to purchase one common share at $0.75 per share, expiring on February 16, 2006. Upon exercise of the share purchase warrant, an additional share purchase warrant will be granted at $1.00 per share, expiring February 16, 2007. As at August 31, 2005, the Company has received total subscriptions of $1,858,000 for 3,716,000 units. Finder's fee of 101,500 units with the aforementioned terms was issued.

b) Stock Options

During the three months ended August 31, 2005, no stock options were granted, exercised or cancelled.

As at August 31, 2005, there were 3,636,000 stock options outstanding exercisable at $0.50 per share, expiring on February 3, 2009.

c) Share Purchase Warrants

During the three months period ended August 31, 2005, there were no warrants issued, exercised or cancelled.

As at August 31, 2005, the Company has a total of 3,817,500 share purchase warrants outstanding. Each warrant entitles the holder thereof the right to purchase one common share at $0.75 per share expiring on February 16, 2006. Upon exercising of the warrant, an additional share purchase warrant will be granted at $1.00 per share expiring on February 16, 2007.

Note 5 Subsequent Event

Dangxiongcuo Salt Lake Project

On September 16, 2005, the Company, through its wholly owned subsidiary, Micro Express Holdings Inc. (Micro), signed an Agreement (the Agreement) with Beijing Mianping Salt Lake Research Institute (Mianping) for the development of Dangxiongcuo salt lake property (DXC Salt Lake) in

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Nima county of Naqu district in Tibet, China. The Agreement follows a Letter of Intent signed between the parties on July 11, 2005.

Pursuant to the Agreement, the parties have agreed to set up a Cooperative Company, Tibet Saline Lake Mining High-Science & Technology Co. Ltd. (the Cooperative) to develop DXC Salt Lake. The objective of the Cooperative is to use the funds provided by the Company and the skills and technology provided by Mianping to produce lithium carbonate (Li2CO3) and borate from brine. The Company, through Micro, will own 65% and Mianping will own 35% of the Cooperative. It is anticipated that the total investment in the Cooperative will be approximately RMB240 million (or approximately $30 million).

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

INTRODUCTION

The information presented here should be read in conjunction with Sterling Group Venture, Inc.'s (the "Company") financial statements and other information included in this Form 10-QSB. The Company has presented its quarterly financial statements, which should be read in conjunction with its annual financial statements and the notes thereto for the fiscal year ended May 31, 2005.

As used in this quarterly report, the terms "we", "us", "our", "our company", "Company" and Sterling mean Sterling Group Venture, Inc. and its subsidiaries , unless otherwise indicated.

When used in this Form 10-QSB, the words "expects", "anticipates", "estimates" and similar expressions are intended to identify forward-looking statements. Such statements are subject to risks and uncertainties, including those set forth below under "Risks and Uncertainties," that could cause actual results to differ materially from those projected. These forward-looking statements speak only as of the date hereof. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

PLAN OF OPERATIONS

Sterling is an exploration stage company and there is no assurance a commercially viable mineral deposit exists on any of the properties. Further exploration will be required before final evaluation as to the economic and legal feasibility is determined.

On January 20, 2004, the Company completed the acquisition of all of the issued and outstanding shares of Micro Express Ltd., a British Virgin Islands corporation (Micro) pursuant to an Acquisition Agreement, filed as an exhibit to a Form 8-K on January 29, 2004. Pursuant to the transaction, the Company issued an aggregate of 25,000,000 shares of common stock to the stockholders of Micro in exchange for 100% of the shares of Micro common stock. Micro Express Ltd. is a subsidiary of Micro Express Holdings Inc., which is a wholly owned subsidiary of Sterling.

Micro is a party to an agreement with Sichuan Province Mining Ltd, which is 40% held by the Bureau of Sichuan Geology and Resources of the Sichuan Government. Under the terms of the agreement, Micro has the right to acquire at least 75% of the shares of a co-operative joint-venture company which will hold the necessary mining licenses. The business of the joint-venture company is to develop the Jiajika spodumene property for the extraction of lithium, lithium salts, and other minerals. The initial capacity of the JV company is 240,000 tonnes/annum and will be increased to 900,000 t/a in stages pursuant to the approval of Bureau of Land and Resources of Sichuan Province. The spodumene concentrate expected to be produced is 47,320 tonnes/annum and tantalum concentrate is 43.2 tonnes/annum. The total investment required is estimated at 88.51 million Chinese Yuan. The initial registered capital is 56 million Chinese Yuan (US$6.8 million). Sichuan Province Mining Ltd. will contribute 14 million Chinese Yuan (about US$1.7 million) including the mining permits and previous works to hold 25% of the JV company. Micro will contribute 42 million Chinese Yuan (about US$5.1 million) to hold 75% of the JV company. An initial contribution of $150,000 has been made by the Company as part of the contribution to obtain the mining permit pursuant to the contract signed between our Chinese partner and Sichuan Bureau of Land and Resource.

On April 10, 2004, Micro has signed the joint venture agreement with Lushi Guanpo Minerals Development Ltd. (Lushi) of the Henan Province of China to earn more than 90% of the lithium project by taking the project into production.

On March 2, 2005, the Company through its subsidiary, Makaelo Limited (Makaelo), a BVI company, had entered into a Joint Venture Agreement with Aifeng Li, an individual residing in Anyang, Henan Province of China. Pursuant to the Agreement, the parties will set up a Joint Venture company in Inner Mongolia for the exploration and development of copper and silver in the areas of Donggou and Xiaoxigou (DX). Aifeng Li will contribute all the necessary exploration licenses, achievements and geological data to the Joint Venture in exchange for 48% of the Joint Venture company, while the Company will finance the cost of exploration in return for 52% of the Joint Venture company. The Company expects the cost of exploration to be approximately $630,000 to be contributed over the three years.

On April 5, 2005, the Company through Micro, signed a joint venture contract with Sichuan Province Mining Ltd. for the establishment of Jihai Lithium Ltd. and the development of the Jiajika lithium deposit. Pursuant to the Contract, the project will be developed in two (2) stages with initial processing capacity of 240,000 tonnes of spodumene ore per year (t/a) and an increase to 900,000 t/a in stage II.

On May 21, 2005, the Company through its wholly-owned subsidiary, Huyana Ventures Limited (Huyana), signed a letter of intent with Xinjiang Hetian Xinlong Mining Co. Ltd. for the development of Dahongliutan spodumene deposit. Pursuant to the LOI, the parties have agreed to set up a Joint Venture Company in Hetian City of Xinjiang Province in China to share the benefits, risks and losses of the project

On June 19, 2005, the Company signed a Cooperative Agreement (the Agreement) with a Chinese partner in Sichuan Province, China for the possible development of the Lithium Metal and Lithium Salt Projects in Sichuan Province, China. Under the terms of the Agreement, two joint venture companies will be set up, one for lithium metal production and the other for lithium salt production. It is intended that the final terms of the Agreement will be decided upon further negotiations between the parties to the Agreement and will be subject to a formal contract to be signed by both parties.

On July 11, 2005, the Company signed a letter of intent (the LOI) with Beijing Mianping Salt Lake Research Institute for the development of Dangxiongcuo salt lake property (DXC Salt Lake) in Nima county of Naqu district in Tibet, China. Pursuant to the LOI, the parties have agreed to set up a joint venture company in Tibet, China to share the benefits, risks and losses of the project. It is intended that the terms of the joint venture will be decided upon further negotiations between the parties to the LOI.

On September 16, 2005, the Company through its wholly owned subsidiary, Micro Express Holdings Inc. (Micro), signed an agreement with Beijing Mianping Salt Lake Research Institute (Mianping) for the development of Dangxiongcuo salt lake property (DXC Salt Lake) in Nima county of Naqu district in Tibet, China. The Agreement follows a Letter of Intent signed between the parties on July 11, 2005.

RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the audited financial statements and notes thereto included in the Company s annual report on Form 10-KSB for the fiscal year ended May 31, 2005; and should further be read in conjunction with the financial statements included in this report. Comparisons made between reporting periods herein are for the three months ended August 31, 2005, as compared to the three months ended August 31, 2004.

The Company had interest income of $719 for the quarter ended August 31, 2005 as compared to $1,485 for the quarter ended August 31, 2004.

The operating loss decreased to $110,757 for the quarter ended August 31, 2005, as compared to $278,510 for the quarter ended August 31, 2004.

The consulting services fees increased to $32,274 for the three months ended August 31, 2005, as compared to $23,853 for the three months ended August 31, 2004. The increases in consulting services resulted from the Company s expanded operations focusing on development activities and financing activities.

Accounting, audit and legal fees increased to $19,680 for the three months ended August 31, 2005, as compared to $4,235 for the three months ended August 31,2004.

Travel expenses increased to $3,388 for the three months ended August 31, 2005, as compared to $2,499 for the three months ended August 31, 2004.

The Company expects the trend of losses to continue at an increasing rate until we can achieve commercial production on some of the mineral properties, of which there can be no assurance.

LIQUIDITY AND WORKING CAPITAL

As of August 31, 2005, the Company had total current assets of $ 840,024 and total liabilities of $41,526. The Company has a working capital surplus of $ 798,498 as a result of proceeds of $1,858,000 from a private placement commenced in February 2004.

Stock Options

During the three months ended August 31, 2005, no stock options were granted, exercised or cancelled.

As of August 31, 2005, there were 3,636,000 stock options outstanding exercisable at $0.50 per share, expiring on February 3, 2009.

Share Purchase Warrants

During the three months period ended August 31, 2005, there were no warrants issued, exercised or cancelled.

As of August 31, the Company has a total of 3,817,500 share purchase warrants outstanding. Each warrant entitles the holder thereof the right to purchase one common share at $0.75 per share expiring on February 16, 2006. Upon exercising of the warrant, an additional share purchase warrant will be granted at $1.00 per share expiring on February 16, 2007.

The Company has no other capital resources other than the ability to use its common stock to achieve additional capital or exercise of the options or exercise of the warrants by the unit holders.

RISK FACTORS

We have sought to identify what we believe to be the most significant risks to our business. However, we cannot predict whether, or to what extent, any of such risks may be realized nor can we guarantee that we have identified all possible risks that might arise. Investors should carefully consider all of such risk factors before making an investment decision with respect to our Common Stock. We provide the following cautionary discussion of risks, uncertainties and possible inaccurate assumptions relevant to our business. These are factors that we think could cause our actual results to differ materially from expected results. Other factors besides those listed here could adversely affect us.

Lack of Technical Training of Management

The Management of our Company has academic and scientific experience related to mining issues but lacks technical training and experience exploring for, commissioning and operating a mine. With no direct training or experience in these areas, management may not be fully aware of many of the specific requirements related to working within this industry. The decisions and choices may not take into account standard engineering or managerial approaches mineral exploration companies commonly use. Consequently, operations, earnings and the ultimate financial success of the Company could suffer irreparable harm due to management s lack of experience in this industry.

Exploration Risk

Development of mineral properties is contingent upon obtaining satisfactory exploration results. Mineral exploration and development involves substantial expenses and a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to adequately mitigate.

There is no assurance that commercial quantities of ore will be discovered on any of the Company s exploration properties. There is also no assurance that, even if commercial quantities of ore are discovered, a mineral property will be brought into commercial production. The discovery of mineral deposits is dependent upon a number of factors not the least of which is the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit, once discovered, is also dependent upon a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, metal prices and government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. In addition, assuming discovery of a commercial ore body, depending on the type of mining operation involved, several years can elapse from the initial phase of drilling until commercial operations are commenced. Most of the above factors are beyond the control of the Company.

The exploration process is conducted in phases. When each phase of a project is completed, and upon analysis of the results of that phase, the Company will make a decision whether to proceed with each successive phase of the exploration program. There is no assurance that projects will be carried to completion.

Limited Management Resource Development Experience

The Company does not have a track record of exploration and mining operation history. The Company's management has limited experience in mineral resource development and exploitation, and has relied on and may continue to rely upon consultants and others for development and operation expertise.

Limited Operating History; Anticipated Losses; Uncertainty of Future Results

Sterling is an exploration stage company and there is no assurance a commercially viable mineral deposit exists on any of the properties. Further exploration will be required before final evaluation as to the economic and legal feasibility is determined.

Sterling Group Ventures, Inc. has only a limited operating history upon which an evaluation of the Company and its prospects can be based. The Company's prospects must be evaluated with a view to the risks encountered by a company in an early stage of development, particularly in light of the uncertainties relating to the new and evolving distribution methods with which the Company intends to operate and the acceptance of the Company's business model. To the extent that such expenses are not subsequently followed by commensurate revenues, the Company's business, results of operations and financial condition will be materially adversely affected. There can be no assurance that the Company will be able to generate sufficient revenues from the sale of its products. If cash generated by operations is insufficient to satisfy the Company's liquidity requirements, the Company may be required to sell additional equity or debt securities. The sale of additional equity or convertible debt securities would result in additional dilution to the Company's stockholders.

Limited Financial Resources

Furthermore, the Company has limited financial resources with no assurance that sufficient funding will be available to it for future exploration and development or to fulfill its obligations under current agreements. There is no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects.

Limited Public Market, Possible Volatility of Share Price

The Company's Common Stock is currently quoted on the NASD OTC Bulletin Board under the ticker symbol SGGV. As of October 3, 2005, there were approximately 40,277,500 shares of Common Stock outstanding. There can be no assurance that a trading market will be sustained in the future.

Potential Fluctuations in Quarterly Results

Significant variations in our quarterly operating results may adversely affect the market price of our common stock. Our operating results have varied on a quarterly basis during our limited operating history, and we expect to experience significant fluctuations in future quarterly operating results. These fluctuations have been and may in the future be caused by numerous factors, many of which are outside of our control. We believe that period-to-period comparisons of our results of operations will not necessarily be meaningful and that you should not rely upon them as an indication of future performance. Also, it is likely that our operating results could be below the expectations of public market analysts and investors. This could adversely affect the market price of our common stock.

Dependence on Executive Officers and Technical Personnel

The success of our business plan depends on attracting qualified personnel, and failure to retain the necessary personnel could adversely affect our business. Competition for qualified personnel is intense, and we may need to pay premium wages to attract and retain personnel. Attracting and retaining qualified personnel is critical to our business. Inability to attract and retain the qualified personnel necessary would limit our ability to implement our business plan successfully.

Need for Additional Financing

The Company believes it has sufficient capital to meet its short-term cash needs, including the costs of compliance with the continuing reporting requirements of the Securities Exchange Act of 1934. However, if losses continue it may have to seek loans or equity placements to cover longer term cash needs to continue operations and expansion.

No commitments to provide additional funds have been made by management or other stockholders. Accordingly, there can be no assurance that any additional funds will be available to the Company to allow it to cover operation expenses.

If future operations are unprofitable, it will be forced to develop another line of business, or to finance its operations through the sale of assets it has, or enter into the sale of stock for additional capital, none of which may be feasible when needed. The Company has no specific management ability or financial resources or plans to enter any other business as of this date.

Political Risks

The market in China is monitored by the government, which could impose taxes or restrictions at any time which would make operations unprofitable and infeasible and cause a write-off of investment in the mineral properties. Other factors include political policy on foreign ownership, political policy to open the doors to foreign investors, and political policy on mineral claims and metal prices.

Market Risk

The Company does not hold any derivatives or other investments that are subject to market risk. The carrying values of any financial instruments, approximate fair value as of those dates because of the relatively short-term maturity of these instruments which eliminates any potential market risk associated with such instruments.

Other Risks and Uncertainties

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored are ultimately developed into production. At present, none of the Company s properties has a known body of commercial mineral deposit. Other risks facing the Company include competition, reliance on third parties and joint venture partners, environmental and insurance risks, political and environmental instability, statutory and regulatory requirements, fluctuations in mineral prices and foreign currency, share price volatility, title risks, and uncertainty of additional financing.

The Company has sought to identify what it believes to be the most significant risks to its business, but cannot predict whether or to what extent any of such risks may be realized nor can there be any assurances that the Company has identified all possible risks that might arise. Investors should carefully consider all of such risk factors before making an investment decision with respect to the Company's stock.

ITEM 3. CONTROLS AND PROCEDURES

The management of the company has evaluated the effectiveness of the issuer's disclosure controls and procedures as of May 31, 2005, the date of their last annual report on Form 10KSB, and have concluded that the disclosure controls and procedures are adequate and effective based upon their evaluation as of the evaluation date.

There were no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of the most recent evaluation of such, including any corrective actions with regard to significant deficiencies and material weaknesses.

Outlook

The Company has not completed the required contribution of the April 5, 2005 agreement for JIAJIKA project and intends to seek an amendment. In the meantime, the company is under going a feasibility studies for the development of DXC salt lake property in Tibet.

The pre-feasibility studies for the Lushi property will determine to what extent, if any, the required funding will be for the property.

As a joint venture contract with the property owner has so far not been completed on acceptable terms, the Company may not proceed with the DX project for the exploration and development of copper and silver in the areas of Donggou and Xiaoxigou (DX) in Inner Mongolia, China.

The Company is also conducting due diligence and is in further negotiations for the possible development of the Lithium Metal and Lithium Salt Projects with Jianzhong Chemicals Corporation.

Part II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Capital Stock

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In February 2004, the Company commenced a private placement of up to 5,000,000 units at $0.50 per unit for total proceeds of $2,500,000. Each unit consists of one common share and one non-transferable share purchase warrant entitling the holder to purchase one common share for two years, at $0.50 per share in the first year or $0.75 in the second year (A warrant), with a expire date on February 16, 2006. Upon exercising an A warrant, the holder of each unit will have one additional non-transferable share purchase warrant at $1.00 (B warrant) for another year, with an expire date on February 16, 2007.

During the year ended May 31, 2005, the Company received total subscriptions of $1,858,000 for 3,716,000 units. Finder s fee of 101,500 units with the aforementioned terms was issued during the financial year ended May 31, 2005.

Stock Options

During the three months ended August 31, 2005, no stock options were granted, exercised or cancelled.

As of August 31, 2005, there were 3,636,000 stock options outstanding exercisable at $0.50 per share, expiring on February 3, 2009.

Share Purchase Warrants

During the three months period ended August 31, 2005, there were no warrants issued, exercised or cancelled.

As of August 31, the Company has a total of 3,817,500 share purchase warrants outstanding. Each warrant entitles the holder thereof the right to purchase one common share at $0.75 per share expiring on February 16, 2006. Upon exercising of the warrant, an additional share purchase warrant will be granted at $1.00 per share expiring on February 16, 2007.

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

3.1	Articles of Incorporation of the Registrant (1)
3.2	Amended Bylaws of the Registrant (2)
31.1	Section 302 Sarbanes-Oxley Certification of Chief Executive Officer
31.2	Section 302 Sarbanes-Oxley Certification of Chief Financial Officer
32.1	Section 906 Sarbanes-Oxley Certification of Chief Executive Officer
32.2	Section 906 Sarbanes-Oxley Certification of Chief Financial Officer

(1) Previously filed as an exhibit to Sterling Group Ventures, Inc. registration statement on Form SB-2 filed July 26, 2002

(2) Previously filed as an exhibit to Sterling Group Ventures, Inc. quarterly report on Form 10QSB filed October 14, 2004.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COMPANY NAME

Date: October 14, 2005

By: */s/ Richard Shao*

Title: Richard (Xuxin) Shao,
President

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