

STERLING GROUP VENTURES INC
Form 10-K
August 27, 2010

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

FORM 10-K

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended May 31, 2010
OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission file number: 000-51775

STERLING GROUP VENTURES, INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

72-1535634

(I.R.S. Employer Identification No.)

4743 350 S. E. Marine Drive

Vancouver BC Canada

(Address of principal executive offices)

V5X 2S5

(Zip Code)

Registrant's telephone number, including area code (604) 689-4407

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

None

Name of each exchange on which registered

None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, par value \$0.001

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes [] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Yes [] No [X]

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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 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 No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

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

Yes No

The aggregate market value of the voting and non-voting share of Common Stock held by non-affiliates of the registrant was approximately \$1,441,570 based on the closing trading price for the common equity as of November 30, 2009 (at \$0.06 per share closing price).

The number of shares of common stock, par value \$0.001 per share, outstanding as of August 26, 2010 was 43,826,175.

Documents incorporated by reference: None.

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Cautionary Statement Regarding Forward-Looking Statements

Safe Harbor Statement under the United States Private Securities Litigation Reform Act of 1995: Except for the statements of historical fact contained herein, the information constitutes forward-looking statements within the meaning of the Private Securities Litigation reform Act of 1995. Such forward looking statements, including but not limited to those with respect to the price of lithium, lithium carbonate, potash, other metals and chemicals, the timing and amount of estimated production, costs of production, reserve determination and reserve conversion rates, involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievement of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Such factors include, among others, risks relating to the integration of the acquisition, risks that the company may not be able to raise the necessary capital, risks relating to international operations, risks relating to joint venture operations, the actual results of current exploration activities, the actual results of current reclamation activities, conclusions of economic evaluations, changes in project parameters as plans continue to be refined, future prices of lithium, lithium carbonate, potash, and other metals and chemicals, as well as those factors affecting the mineral industry. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

This annual report contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements relate to future events or our future financial performance. Some discussions in this report may contain forward-looking statements that involve risk and uncertainty. A number of important factors could cause our actual results to differ materially from those expressed in any forward-looking statements made by us in this report. Forward-looking statements are often identified by words like: believe , expect , estimate , anticipate , intend , project and similar expressions or words which, by their nature, refer to future events.

In some cases, you can also identify forward-looking statements by terminology such as may , will , should , plan , predicts , potential or continue or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled "Risk Factors", which may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our financial statements are stated in United States Dollars (US\$) and are prepared in accordance with United States Generally Accepted Accounting Principles. All references to \$ refer to US Dollars, all references to CA \$ refer to Canadian Dollars , all references to RMB refer to Chinese Yuan and all references to "common shares" refer to the common shares in our capital stock.

As used in this annual report, the terms "we", "us", "our", the Company and "Sterling" mean Sterling Group Ventures, Inc., unless otherwise indicated.

Sterling is an exploration stage company. There is no assurance that commercially viable mineral deposits exist on the claims that we have under option. Further exploration will be required before a final evaluation as to the economic and legal feasibility of the claims is determined.

PART I

ITEM 1. BUSINESS.

General

We were incorporated in the state of Nevada on September 13, 2001 and established a fiscal year end of May 31. Since our incorporation, we have engaged in the business of exploration and development of a mineral property. On January 20, 2004, Sterling completed the acquisition of all of the issued and outstanding shares of Micro Express Ltd. (Micro), which was incorporated on July 17, 1994. Pursuant to the transaction, the Company issued an aggregate of 25,000,000 shares of Sterling's common stock to the stockholders of Micro in exchange for 100% of the shares of Micro common stock. The business combination was accounted for as a reverse acquisition whereby the purchase method of accounting was used with Micro being the accounting parent and the Company being the accounting subsidiary.

We are a start-up, exploration stage company engaged in the search and exploration of lithium and related minerals. We have not yet generated or realized any revenues from our business operations. Our statutory registered agent's office is located at 123 West Nye Lane, Suite 129, Carson City, Nevada 89706 and our business office is located at 4743 350 S. E. Marine Drive, Vancouver, B.C., Canada, V5X 2S5. Our telephone number is (604) 689-4407 and fax number is (604) 408-8515

Lithium and Lithium Carbonate Overview

Lithium is a solid soft alkali metal which has an atomic number of 3 and is the lightest of all metals, with a density of about half of that of water. The metal is naturally occurring in minute amounts in ore and brine deposits. The major ores used to mine lithium are spodumene, petalite and lepidolite. While spodumene is the most common lithium ore mined, it is also more expensive than mining brine deposits as the process is more complicated.

Lithium carbonate (Li_2CO_3) occurs naturally in brine or salt lake deposits or water and is the starting point in the manufacturing of lithium and various lithium chemicals which are used in batteries, ceramics and glass, in primary aluminum production, in the manufacture of lubricants and greases, drugs and others products.

According to the Mineral Information Institute (MII), most lithium is recovered from brine, or water with a high concentration of lithium carbonate. Brines trapped in the Earth's crust (called subsurface brines) are the major source material for lithium carbonate. These sources, which are recovered generally through solar evaporation, are less expensive to mine than sources from rock such as spodumene, petalite, and other lithium-bearing minerals.

DXC Salt Lake Project

On July 11, 2005, the Company signed a letter of intent with Beijing Mianping Salt Lake Research Institute (Mianping) for the development of Dangxiongcuo (DXC) salt lake property in Nima county of Naqu district in Tibet, China. Pursuant to the Letter of Intent, the parties have agreed to set up a Joint Venture Company in Tibet, China to share the benefits, risks and losses of the project.

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

Mianping which is a private company holds the exploration permit on the Dangxiongcuo Salt Lake and the surrounding area issued by Tibet Bureau of Land and Resources of China. Dangxiongcuo Salt Lake is a classic brine

type deposit. The number of the exploration permit is 5400000620013. The area covered by the permit is 89.06 km² (8,906 hectares) and it was valid until Feb 23, 2007. The recording date is February 24, 2006. Mianping has renewed its permit on March 4th 2007. The new number is 5400000730283. The area covered by the permit is 89.06 km² (8,906 hectares) and it was valid until March 14th 2008. The recording date is March 4, 2007. The license is now under renewal process. There is a mandated routine for converting this exploration permit into a mining permit.

Pursuant to the Mianping Agreement signed on September 16, 2005, the parties agreed to set up a Cooperative Company (the Cooperative) to develop DXC Salt Lake. The objective of the Cooperative was to use the funds provided by Sterling through MEH and the skills and technology provided by Mianping to produce lithium carbonate (Li₂CO₃), potash and other chemicals from brine. MEH was to own 65% and Mianping to own 35% of the Cooperative. It was anticipated that the total investment in the Cooperative shall be approximately 240 million RMB (or approximately US\$35 million) and would result in production of 5,000 tonnes per year of lithium carbonate and by products (potash and other chemicals). Mianping guaranteed the production cost of lithium carbonate would be less than 11,000 RMB per tonne (or approximately US \$1,600 per tonne).

On July 3, 2007, MEH received a letter from Mianping stating that the agreement between MEH and Mianping should be deemed terminated as a result of lack of progress in the approval for the establishment of the joint venture company and was considering a lawsuit against the Company and MEH. MEH had responded that Mianping's claim had no legal grounds as the lack of progress was not caused by MEH or the Company. There has been no legal action to date and none is expected. By letter dated August 25, 2008, Mianping had confirmed to the Company's auditor that the agreement dated Sept. 16, 2005 was terminated effective July 8, 2008. This agreement was replaced by the agreement with Zhong Chuan International Mining Holdings Co. Ltd. dated July 8, 2008.

On July 8, 2008, the Company signed an agreement (the "Agreement") with Zhong Chuan International Mining Holding Co., Ltd. ("Zhong Chuan"), Ximing Sun and Charles Yan - shareholders of Monte Sea Holdings Ltd. (collectively hereinafter "Monte Sea Shareholders") to restructure the transactions contemplated under the Mianping Agreement signed by Mianping and MEH on September 16, 2005. Pursuant to the Agreement, the parties wish to establish a Sino-foreign cooperative joint venture company ("CJV") for the purpose of applying for and holding required approvals, permits and licenses with respect to the development of the Dangxiongcuo Salt Lake property (the "Property") located in Tibet of China.

Zhong Chuan is a Chinese mining company with connections and mineral properties in Tibet, China. Zhong Chuan is interested in expanding into lithium business. Zhong Chuan has also acquired interests in certain other salt lakes in Tibet ("Other Interests"). Monte Sea Shareholders are the shareholders holding all the issued and outstanding shares in the stock of Monte Sea Holdings Ltd. ("Monte Sea"), a company incorporated in Hong Kong.

Under the Agreement, the Mianping Agreement between Mianping and the Company shall be replaced and superseded by this Agreement upon this Agreement becoming effective. Upon this Agreement being effective and termination of the Mianping Agreement, Zhong Chuan shall cause Mianping to repay to the Company RMB 6,000,000 (\$875,000) by depositing the said amount into an account designated by the Company. Mianping has not paid the Company the required amount anticipated from the termination of the agreement.

The Parties agree that Zhong Chuan shall cause an operating company ("Opco") to be established in Tibet prior to the establishment of the CJV for the purpose of applying for and holding required approvals, permits and licenses with respect to the development of the Property. The Opco shall hold all such approvals, permits and licenses in trust for the CJV, and pursuant to the letters and spirit of this Agreement.

Under the Agreement, Monte Sea Shareholders and Zhong Chuan shall cause the CJV to be established within 90 days from date of this Agreement, subject to required regulatory approval and based on a joint venture agreement by way of acquisition of interest in the Opco by Monte Sea, or by way of incorporation under the Chinese laws. Monte Sea shall hold up to 65% but no less than 51% of shares in the CJV. CJV shall own and hold all Mianping's (and/or Opco's) title to and interest in any exploration or mining licenses in lithium resources in Tibet including the Exploration license and Other Interests.

If for any Chinese regulatory or policy reasons, Monte Sea is not permitted to have more than fifty-one percent (51%) interest in the CJV, then Monte Sea and Zhong Chuan shall cause the JV Agreement to be revised such that:

- (a) Monte Sea shall have a forty-nine percent (49%) interest in the CJV;
- (b) Monte Sea shall be entitled to receive returns on its investment in the CJV on a priority and accelerated basis until its investment in the CJV and the Property is fully recovered; and
- (c) Monte Sea shall be permitted to manage the daily operation of the CJV pursuant to a management agreement to be entered into between Monte Sea and Zhong Chuan, on terms and conditions satisfactory to Sterling.

The Parties shall cause all necessary corporate actions to be taken to approve and effect the transactions contemplated above, and to make any adjustment, registration or filings necessary to meet applicable regulatory requirements.

Upon signing of this Agreement and subject to applicable regulatory approval, Monte Sea Shareholders shall subscribe for 5,000,000 units (the "Units") to be issued by the Company at \$0.15 per unit. Each Unit shall consist of One (1) common share in the stock of the Company, and One (1) warrant which shall entitle Monte Sea Shareholders to purchase One (1) common share in the stock of the Company at \$0.16 per share within two (2) years from the date of the issuance of the Units.

Subject to applicable regulatory approval, the Company shall cause 200,000,000 shares to be issued to Monte Sea Shareholders within ten (10) working days from the date transfer of the Exploration License to the CJV is approved by the Chinese regulators, in exchange for all the shares then issued and outstanding in the stock of Monte Sea and held by Monte Sea shareholders (the "Share Exchange"). The Share Exchange may be conducted and completed at an earlier date so long as the Company and Monte Sea Shareholders may agree in writing.

Subject to applicable regulatory approval, the Company shall cause 87,910,000 shares in the capital of the Company to be issued to Monte Sea Shareholders at no additional cost, upon receipt by the CJV of a mining license and such other permits or approvals for the Property, permitting the full exploitation and development of the Property.

The Company shall use its best efforts to secure business relationships with selected major companies outside China in the form of equity participation or off-take arrangement for lithium products from the CJV.

The Company intends to, when and as required by the CJV, arrange and complete financing for the operation of the CJV. There are no assurances that the Company will be able to obtain such financing.

Zhong Chuan shall, together with Monte Sea Shareholders, provide funds no less than RMB 100,000,000 (or US dollar equivalent thereof) for the purpose of meeting registered capital payment requirements in the registration and operation of the CJV. Zhong Chuan shall keep other Parties informed of any development in the registration of the CJV and transfer of the Exploration License.

Monte Sea Shareholders shall, together with Zhong Chuan, make funds available for the purpose of acquisition and meeting registered capital payment requirements in the registration and operation of the CJV.

CJV will be located in Tibet, China and will develop Dangxiongcuo lithium property, extract and process commercially lithium carbonate using internationally advanced technologies.

In July 2009, the Company received verbal termination of the Agreement with Zhong Chuan, as advised by third party legal counsel, at a meeting in Beijing, China. Formal written notice has not been received from Zhong Chuan. The Agreement in effect, allows Zhong Chuan to terminate the Agreement if it pays the Company double the amount of funds paid by the Company to date to secure and develop the DXC Project. Zhong Chuan has not repaid the required amount as anticipated by the Agreement to date. This unfortunate delay on the part of Zhong Chuan places the termination it gave the Company in dispute as the termination is conditional upon repayment of the required funds. At this point then, the termination is incomplete. The Company is pursuing Zhong Chuan to complete the termination, as the Company deems, is mandated by the Agreement.

Jiajika Project

On September 16, 2003, the Company, through its wholly owned subsidiary, Micro Express Ltd. (Micro), entered into an agreement (the Agreement) with Sichuan Province Mining Ltd. to acquire a 75% interest in a 30-year mining joint venture company. The joint venture company would hold the mining licenses to develop the Jiajika spodumene property located in Sichuan Province, China for the extraction of lithium and lithium salts. Pursuant to the Agreement, the total investment required was estimated at 88.5 million RMB (US\$10.8 million) for the initial capacity of 240,000 tonnes/annum. The initial registered capital was 56 million RMB (US\$6.8 million). Sichuan Province Mining Ltd. would contribute 14 million RMB (US\$1.7 million) including the mining permits to hold 25% of the JV Company. Micro would contribute 42 million RMB (US\$ 5.1 million) to hold 75% of the JV Company.

On April 5, 2005, the Company through Micro, signed a joint venture contract (JV Contract) with Sichuan Province Mining Ltd. for setting up a joint venture company, Jihai Lithium Ltd., and the development of the Jiajika lithium deposit. The Contract follows an agreement signed between the parties on September 16, 2003.

Sichuan Province Mining Ltd. (SPM) which is a private Chinese company holds the mining permit on the Jiajika spodumene property in Kangding, Sichuan province, China issued by the Sichuan Bureau of Land and Resources of China. The property is an albite - spodumene pegmatite deposit. The number of mining permit is 5100000410234. The area is 0.88 km² (88 hectares) and it was valid until November 11, 2006. The recording date is May 24, 2004. Sterling was required to contribute 42 million RMB in order to earn 75% of the Joint Venture to be set up by Sterling and SPM to build an initial capacity of 240,000 tonnes per year mining and processing plant.

On March 3, 2006, the Company, through its wholly owned subsidiary, Micro, signed an agreement (the Termination Agreement) with Sichuan Province Mining Ltd. (SPM) with respect to Micro 's early investment in the Sichuan Jiajika Spodumene project.

Pursuant to the Termination Agreement, the parties agreed to terminate the joint venture and confirmed that Micro's early investment of 2.48 million RMB to the Sichuan Jiajika Spodumene project should be paid back at a rate of 1.2 million RMB before April 15, 2006 and 1.28 million RMB before March 30, 2007. Payment should be made directly to Micro by SPM. Neither party shall have any other liabilities to the other party and the Agreement shall replace all previously signed agreements, contracts and MOU between Micro and SPM. As of May 31, 2009, the Company had received the full amount of RMB 2.48 million (\$309,058) from SPM.

ITEM 1A. 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.

Factors That May Affect Future Results and Market Price of Stock

The business of the Company involves a number of risks and uncertainties that could cause actual results to differ materially from results projected in any forward-looking statement, or statements, made in this report. These risks and uncertainties include, but are not necessarily limited to the risks set forth below. The Company's securities are speculative and investment in the Company's securities involves a high degree of risk and the possibility that the investor will suffer the loss of the entire amount invested.

There is Substantial Doubt About the Company's Ability to Continue as a Going Concern

Sterling is in the exploration stage. The Company has entered into joint venture agreements to explore and develop mineral properties located in China and has not yet determined whether these properties contain reserves that are economically recoverable. The Company has not yet achieved profitable operations and is dependent on its ability to raise capital from shareholders or other sources to meet its obligations and repay its liabilities arising from normal business operations when they come due. These factors raise substantial doubt that the Company will be able to continue as a going concern.

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.

The company's exploration properties have not been examined in the field by professional geologists or mining engineers. 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 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 and is listed on Berlin Bremen Stock Exchange under the symbol GD7. As of May 31, 2010, there were approximately 43,826,175 shares of common stock outstanding. There can be no assurance that a trading market will be sustained in the future.

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.

Dilution to the Existing Shareholders

The Company has no other capital resources other than the ability to use its common stock to raise additional capital or the exercise of the warrants by the unit holders. Pursuant to the agreement signed on July 8, 2008 with Zhong Chuan, the Company shall cause total 292,910,000 shares to be issued to Monte Sea Shareholders for the DXC Salt Lake project, which will significantly dilute the Company's stockholders.

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.

Circumstances related to Tibet political activities and resulting political upheaval are beyond the control of the Company and constitute a risk to investors.

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 development involves a high degree of risk. Few properties that are explored are ultimately developed into production. 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.

Since October 2008, a severe general downturn in the U. S. economy and global economy slowdown which already affected the securities markets took place. Such a deleterious turn of events has made it much more difficult for the Company to access financing should it be required to do so.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTY

DXC Salt Lake Property

Dangxiongcuo Salt Lake (DXC) is located in the south-western part of Xizang plateau in Nima County, Tibet of China. The geographic co-ordinates are between 86°38'00" and 86°49'00" east and 31°30'00" to 31°40'00" north.

The location of the property is shown in following map.

Access to Tibet is through Lhasa which has a good efficient international airport. Road access into the property area is difficult at best. The road heads northwest from Lhasa to the town of Zamsar then northeast. This first 200 km is good paved road. Then down into the valley turning right onto a rough gravel road near the Nam Tsho Salt Lake. Thence around the eastern and northern side of the Nam Tsho Lake and on 300 kilometers to the isolated village of Pankgo. Thence proceed 400 kilometers to the City of Nima. Thence proceed another 90 kilometers of very rough road down to the DXC. The trip takes 26 hours of difficult 4X4 driving from Lhasa.

The deposit is a large salt lake 55.53 km² (5,553 hectares) in area with a maximum depth of 14 m. Brines are a common source of lithium and the DXC Salt Lake is a classic surface brine type deposit as compared with subsurface brine deposit in South America. This type of deposit is known throughout the world where ever desert climates allow evaporite deposits to form. Mineralization in the lake is in the form of dissolved salts of sodium, potassium, lithium and boron, as chlorides, oxides, sulfates and carbonates. These can be recovered through fractional precipitation of the various salts by the evaporation of the water. Variations in salinity, pH and temperature determine which compound will form crystals and precipitate from the brine.

In 1980 s, 1: 1,000,000 regional geology was conducted by the Tibet Regional Geology Brigade. 1: 250,000 regional geology was conducted by the Jiangxi Regional Geology Brigade in 2004. In 1999, two Chinese geologists conducted preliminary study in the area. In 2002, Mianping started exploration work in the area. 1:50,000 geology investigation and hydrogeology was conducted. 1:2,000 salt field site engineering geology and topography mapping was conducted. 20,000 square meters salt field was built in 2003. In 2004, 10,000 square meters of the salt field was revamped. In December 2005, Sterling and Mianping commissioned the Tibet Geothermal brigade to conduct measurements for the 20 km² salt field (1:2,000 and 1:5,000). In March 2006, Sterling and Mianping commissioned the Zhengzhou Comprehensive Utilization Institute of China Academy of Geology to conduct the purification test for the DXC salt lake rough concentrate. In 2006, the Tibet Geothermal Brigade conducted the geothermal exploration work. In May 2006, a Canadian standard NI 43-101 report was conducted by a qualified geologist. In June 2006, Mianping finished Chinese geology report and the report has passed the auditing of Ministry of Land and Resources of China. Since 2005, a technical team from Mianping has been working on the DXC Salt Lake site to conduct salt field technical test, weather monitoring and related tests and monitoring according to the plan designed by Sterling and Mianping.

There is almost no local infrastructure. The only solar power, water, and roads are those installed by the Mianping. Beicun village at the head of the lake appeared to have perhaps 300 people, local Tibetan herdsman of the Han ethnic group. They are mainly occupied with herding yaks, sheep, goats, and a few horses. They plant small gardens of barley and vegetables but are not self sufficient and import food stuffs from outside. Although people would be available from this village to work on a project in this area the skill level would be very low. Communication with the outside world is by satellite telephone. The nearest land line is at Nima a distance of 90 km away. Shipment of product does not seem to be a problem as numerous heavy trucks were noted all along the road to the property. National rail service is available from Naqu about 700 km distance to the east.

Generally, the physiography could be termed basin and range with broad valleys between sharp ridges and arretes. The valleys are generally gentle in profile both laterally and longitudinally with small to medium rivers coursing through the bottoms of the valleys. Few of the rivers are bridged and most of the crossings are by shallow fords. Along these tracks for much of the route were seen numerous large trucks of 30 40 tonnes. Most were freighting bagged material, probably salt from one of the salt lake operations. There are no services along the route except for Pankgo and Nima. The DXC Salt Lake sits in a rather confined basin between high rugged ridges. There are numerous benches or beaches around the lake indicating lake levels at one time were 200 meters above the present levels of the lake, as the last glaciation receded.

Vegetation throughout the plateau is sparse grasses which have been grazed down to the root level. Sheep, goats and yaks graze in large herds on what appeared to be very lean fodder. Herdsmen and herdswomen tend these flocks with no visible support and often many miles from the nearest shelter. Some of the herdsmen seem to rely on the 125cc motor bike for transportation. The women appeared mainly to walk. Occasional five tonne trucks were seen hauling

personal belongings grossly overloaded with household items and people.

In June 2006, Mianping finished a Chinese geology report (Chinese reserve report) and the report passed the auditing of the Ministry of Land and Resources of China on September 13, 2006 which is the basis for converting the exploration permit into a mining permit. Mianping led by Professor Mianping Zheng, an academician of Chinese Academy of Engineering, is still collecting information such as yearly weather information, wind information and brine chemistry using a test pond system. Development plans are being studied.

Mianping has installed solar power, water, and roads on the site. Water comes from mountain springs. There are several rivers which flow into the lake area.

DXC salt lake Sampling by Mianping was done on a 2 km X 2 km grid with 106 samples taken at 16 sample points at various depths. Location control was provided by GPS. If the water depth was less than 2 meters deep, one sample was taken; if the water depth was between 2 and 10 meters, then two samples were taken at 3 and 8 meters and if the water was deeper than 10 meters then three samples were taken. Each sample consisted of two 500 ml. bottles of brine.

The sampling method used a standard water sampling technique where a bottle is lowered into the lake to the required depth, the stopper removed, and the bottle allowed to fill. AAS analytical techniques were used to determine the composition of the brine sample. This sampling program was repeated several times during the various seasons of the year. Several hundred samples have been collected in this way and analyzed by Mianping at their AAS laboratory on site.

Two samples were collected by Norm Tribe, an independent geologist, for the confirmation of Mianping's assay and analyzed by an independent laboratory, ALS Canada Ltd., in Vancouver, BC, Canada in June 2006. The results indicate that the concentration of salts is comparable with the results provided by Mianping. The lake water returned values of 376 ppm lithium, 893 ppm boron and 11,300 ppm potassium. This sample was collected from DXC Lake at a depth of 1.0 meter.

Mianping's analytical procedures were also reviewed by the Resources & Reserve Audit Center of Ministry of Land and Resources of China.

As of the date of this report, the application to establish a joint venture has not yet been approved by the regulators in Tibet, China

As at May 31, 2010, the Company incurred expenses of \$1,042,167 related to the DXC Salt Lake Property.

For further discussion of our interests in DXC Salt Lake Property, see the discussion of the agreements under "DXC Salt Lake Project" contained in Item 1, Business.

ITEM 3. LEGAL PROCEEDINGS

We have no knowledge of any pending or threatened material litigation, settlement of litigation, or other material claim involving us.

ITEM 4. Submission of Matters to a Vote of Security Holders

None

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Common Stock

Our common stock is traded on the OTC Bulletin Board under the symbol SGGV. The table below sets forth the high and low sales prices for the Company's common stock for the fiscal years ended May 31, 2009 and 2010. The quotations below reflect inter-dealer prices, without retail markup, markdown or commission and may not represent actual transactions.

| Quarter Ended | High (\$) | Low (\$) |
|---------------|-----------|----------|
|---------------|-----------|----------|

| | | |
|-------------------|------|-------|
| August 31, 2008 | 0.16 | 0.04 |
| November 30, 2008 | 0.10 | 0.01 |
| February 28, 2009 | 0.04 | 0.01 |
| May 31, 2009 | 0.04 | 0.003 |
| August 31, 2009 | 0.12 | 0.01 |
| November 30, 2009 | 0.06 | 0.03 |
| February 28, 2010 | 0.08 | 0.03 |
| May 31, 2010 | 0.04 | 0.03 |

Pacific Stock Transfer Company is the registrar and transfer agent for our common shares, and is located at Suite 403 - 4045 South Spencer Street, Las Vegas, NV 89119 (Telephone: (702) 361-3033; Facsimile: (702) 433-1979).

On May 31, 2010, we had 43,826,175 shares of common stock outstanding and we had approximately 30 stockholders of record plus common shares held by brokerage clearing houses, depositories or other entity.

We currently intend to retain all future earnings to fund the development and growth of our business. We have not paid dividends on our common stock and do not anticipate paying cash dividends in the immediate future. We did not repurchase any of our equity securities and have not adopted a stock repurchase program.

Recent Sales of Unregistered Securities

None.

Equity Compensation Plan Information

On February 3, 2004, the Board of Directors of the Company approved the 2004 Stock Option Plan which allows the Company to grant up to 3,636,000 stock options as an incentive to directors, officers, employees and consultants.

On May 12, 2004, the Company registered a 2004 incentive stock option plan consisting of 3,636,000 common shares. Pursuant to the stock option plan, the number of shares that may be issued under the plan may not exceed 15% of the issued and outstanding shares of the company. 15% of the issued and outstanding shares of the Company was 6,573,926 as of May 31, 2010.

During the years ended May 31, 2010 and 2009, no stock options were granted or exercised. On February 3, 2009, a total of 3,636,000 stock options with an exercise price of \$0.50 per share expired unexercised.

At May 31, 2010, there were no outstanding stock options

Share Purchase Warrants

During the year ended May 31, 2010, no warrant was exercised or cancelled.

As at May 31, 2010 the Company has a total of 3,817,500 and 2,873,990 Series A and C share purchase warrants outstanding, respectively.

On February 14, 2006, the Company reduced the exercise price of the 3,817,500 Series A Share Purchase Warrants from \$0.75 to \$0.50 each and extended the terms of Series A Share Purchase Warrants for two years to the earlier of:

- (i) February 16, 2008; or
- (ii) The 90th day after the day on which the weighted average trading price of the Company's shares exceed \$0.85 per share for 30 consecutive trading days.

Upon exercise of the Series A Share Purchase Warrants at \$0.50 each, the holder will receive one Common Share of the Company and a Series B Share Purchase Warrant exercisable at \$1.00 expiring one year after the occurrence of either (i) or (ii) as described above.

On December 22, 2006, the Company extended the expiry date of the 2,873,990 Series C Share Purchase Warrants from December 29, 2006 to February 29, 2008. The exercise price of the warrants remains unchanged at \$0.18 per share.

On February 7, 2008, the Company extended the expiry date of the 3,817,500 Series A Share Purchase Warrants from February 16, 2008 to February 16, 2009. The exercise price of the warrants remains unchanged at \$0.50 per share. The Company also extended the expiry date of the 2,873,990 Series C Share Purchase Warrants from February 29, 2008 to February 27, 2009. The exercise price of the warrants remains unchanged at \$0.18 per share.

On February 6, 2009, the Company re-extended the expiry date of 3,817,500 Series "A" Share Purchase Warrants from February 16, 2009 to February 16, 2010. The exercise price of the warrants remains unchanged at \$0.50 per share. The Company also re-extended the expiry date of 2,873,990 Series "C" Share Purchase Warrants from February 27, 2009 to February 26, 2010. The exercise price of the warrants remains unchanged at \$0.18 per share.

On February 12, 2010, the Company re-extended the expiry date of 3,817,500 Series "A" Share Purchase Warrants from February 16, 2010 to February 16, 2011. The exercise price of the warrants remains unchanged at \$0.50 per share. The Company also re-extended the expiry date of 2,873,990 Series "C" share purchase Warrants from February 26, 2010 to February 16, 2011. The exercise price of the warrants remains unchanged at \$0.18 per share.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

The information presented here should be read in conjunction with Sterling Group Venture Inc.'s financial statements and other information included in this Form 10-K. When used in this Form 10-K, 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.

Overview

Sterling is an exploration stage company, and its objective is to become a recognized leader in mineral property acquisition, exploration, development and production.

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

On July 8, 2008, the Company signed an agreement (the "Agreement") with Zhong Chuan International Mining Holding Co., Ltd. ("Zhong Chuan"), Ximing Sun and Charles Yan - shareholders of Monte Sea Holdings Ltd. (collectively hereinafter "Monte Sea Shareholders") to complete an equity financing, to accelerate the development of the DXC salt lake deposits in China and to restructure the transactions contemplated under the Mianping Agreement signed by Beijing Mianping Salt Lake Research Institute ("Mianping") and Micro Express Holdings Inc. ("MEH") on

September 16, 2005. Pursuant to the Agreement, the parties wish to establish a Sino-foreign cooperative joint venture company ("CJV") for the purpose of applying for and holding required approvals, permits and licenses with respect to the development of the DXC Salt Lake property (the "Property") located in Tibet of China.

In July 2009, the Company received verbal termination of the Agreement with Zhong Chuan, as advised by third party legal counsel, at a meeting in Beijing, China. Formal written notice has not been received from Zhong Chuan. The Agreement in effect, allows Zhong Chuan to terminate the Agreement if it pays the Company double the amount of funds paid by the Company to date to secure and develop the DXC Project. Zhong Chuan has not repaid the required amount as anticipated by the Agreement to date. This unfortunate delay on the part of Zhong Chuan places the termination it gave the Company in dispute as the termination is conditional upon repayment of the required funds. At this point then, the termination is incomplete. The Company is pursuing Zhong Chuan to complete the termination, as the Company deems, is mandated by the Agreement.

Results of Operations

The Company had no operating revenue except interest income of \$412 for the year ended May 31, 2010 and interest income of \$3,678 for the year ended May 31, 2009. The operating loss decreased to \$214,116 for the year ended May 31, 2010, as compared to \$249,083 for the year ended May 31, 2009 mainly due to the decrease of consulting fees, mineral property cost and general and administrative expenses; these cost decreases were offset by the Company not recognizing a recovery of doubtful accounts as it did in the year ended May 31, 2009, as well, incurring a foreign exchange loss of \$6,083 in the current year compared to a gain of \$ 6,197 in the year ended May 31, 2009 , and also offset by the increase of stock-based compensation expense of \$91,704 with respect to revaluing the extension of Class A and Class C Share Purchase Warrants and the increase in accounting & audit fees in current year.

For the year ended May 31, 2010 relative to the year ended May 31, 2009, consulting fees decreased by \$101,539, mineral property costs decreased by \$52,724, and general and administrative decreased by \$767, but accounting & audit fees increased by \$10,839, Stock-based compensation expense increased by \$7,852, and foreign exchange loss increased by \$12,280.

The Company also incurred expenses on the following related party transactions during the year ended May 31, 2010:

- (a) The Company was charged consulting fees for administrative, corporate, financial, engineering, and management services during the year ended May 31, 2010 totalling \$22,625 (2009: \$123,726) by companies controlled by two directors of the Company.
- (b) The Company was charged rental fees included in general and administrative expense during the year ended May 31, 2010 totalling \$12,847 (2009: \$17,072) by a company controlled by a director of the Company.
- (c) The Company was charged consulting fees included in mineral property costs during the year ended May 31, 2010 in the amount of \$nil (2009: \$22,042) by a company controlled by a director of the Company.
- (d) Included in accounts payable and accrued liabilities is \$509,990 (2009: \$459,043) which was due to companies controlled by the directors of the Company for their services provided.
- (e) The Company was charged consulting fees included in mineral property costs during the year ended May 31, 2010 in the amount of \$nil (2009: \$4,094) by the Vice President of Micro.
- (f) Cash and cash equivalents at May 31, 2010 include \$33 (2009: \$55,320) held in trust by a director of the Company.

The Company expects the trend of losses to continue at an increasing rate.

Liquidity and Working Capital

As of May 31, 2010, the Company had total current assets of \$196,547, and total liabilities of \$522,516. As of May 31, 2010, the Company had cash and cash held in trust of \$192,535 and negative working capital of \$325,969.

Cash used in operating activities for the year ended May 31, 2010 was \$54,787 as compared to cash used in operating activities for the year ended May 31, 2009 of \$126,805. The decrease in cash used in operating activities was primarily due to the decrease in cash expenditures for consulting and mineral property costs as well as the increase in accounts payable and accrued liabilities.

According to the agreement signed with Zhong Chuan on July 8, 2008, Mianping will repay the Company RMB 6,000,000 (\$875,000) and Monte Sea Shareholders shall subscribe for 5,000,000 units (the "Units") to be issued by the

Company at \$0.15 per unit so the Company will raise working capital in the amount of \$750,000 to meet its short term working capital requirements.

In July 2009, the Company received verbal termination of the Agreement with Zhong Chuan, as advised by third party legal counsel, at a meeting in Beijing, China. Formal written notice has not been received from Zhong Chuan. The Agreement in effect, allows Zhong Chuan to terminate the Agreement if it pays the Company double the amount of funds paid by the Company to date to secure and develop the DXC Project. Zhong Chuan has not repaid the required amount as anticipated by the Agreement to date. This unfortunate delay on the part of Zhong Chuan places the termination it gave the Company in dispute as the termination is conditional upon repayment of the required funds. At this point then, the termination is incomplete. The Company is pursuing Zhong Chuan to complete the termination, as the Company deems, is mandated by the Agreement.

The Company has no other capital resources other than the ability to use its common stock to raise additional capital or the exercise of the warrants by the unit holders. The Company's current cash can provide the Company with working capital for over one year since consulting fees are being accrued. Estimated cash needed for next 12 months is about \$80,000. The cash will be mainly used for general administrative, corporate (legal, accounting and audit), financing and management.

No commitments to provide additional funds have been made by management or other stockholders except as set forth above. Accordingly, there can be no assurance that any additional funds will be available to the Company to allow it to cover operation expenses except as set forth in the agreement dated July 8, 2008 where under, Zhong Chuan and Monte Sea Shareholders will provide RMB 100,000,000 (US\$14,584,000) to put the DXC property into production. As a result of the Company's financial condition, this raises substantial doubt that the Company will be able to continue as a going concern unless additional capital is raised.

Off-Balance Sheet Arrangements

As of May 31, 2010, we were not involved in any form of off-balance sheet arrangement.

Application of Critical Accounting Policies

Our consolidated financial statements and accompanying notes are prepared in accordance with generally accepted accounting principles in the United States. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. These estimates and assumptions are affected by management's application of accounting policies. We believe that understanding the basis and nature of the estimates and assumptions involved with the following aspects of our consolidated financial statements is critical to an understanding of our financial statements.

Impairment of Long-lived Assets

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 360-10, Property, Plant and Equipment - Overall (prior authoritative literature: Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*), the carrying value of intangible assets and other long-lived assets is reviewed on a regular basis for the existence of facts or circumstances that may suggest impairment. The Company recognizes impairment when the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset. Impairment losses, if any, are measured as the excess of the carrying amount of the asset over its estimated fair value.

Mineral Properties

Costs of acquiring mineral properties are capitalized by the project area unless the mineral properties do not have proven reserves. Costs to maintain mineral rights and leases are expensed as incurred. When a property reaches the production state, the related capitalized costs are amortized using the unit of production method on the basis of annual estimates of ore reserves. Management reviews the carrying value of mineral properties at least annually and will recognize impairment in value based upon current exploration results, and any impairment or subsequent losses are charged to operations at the time of impairment. If a property is abandoned or sold, its capitalized costs are charged to operations. Mineral property exploration costs are expensed as incurred. Exploration activities conducted jointly with others are reflected at the Company's proportionate interest in such activities. As at May 31, 2010 and 2009, the Company did not have proven or probable ore reserves.

Stock-based Compensation

On June 1, 2006, the Company adopted the fair value recognition provisions of ASC Topic 718-10, *Compensation - Stock Compensation Overall* (prior authoritative literature: SFAS No. 123R, *Accounting for Stock-Based Compensation*). Prior to June 1, 2006, the Company accounted for stock-based payments under the recognition and measurement provisions of APB Opinion No. 25, Accounting for Stock Issued to Employees (APB 25), and related Interpretations, as permitted by SFAS No. 123, Accounting for Stock-Based Compensation. In accordance with APB 25, no compensation cost was required to be recognized for options granted that had an exercise price equal to the market value of the underlying common stock on the date of grant.

The Company adopted ASC Topic 718-10, using the modified-prospective transition method. Under that transition method, compensation cost recognized for the year ended May 31, 2007 and thereafter will include: (a) compensation costs for all share-based payments granted prior to, but not yet vested as of June 1, 2006, based on the grant-date fair value estimated in accordance with the original provisions of ASC Topic 718-10, and (b) compensation cost for all share-based payments granted subsequent to June 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of ASC Topic 718-10. The financial results for the prior periods have not been restated. The Company will amortize stock compensation cost ratably over the requisite service period. Adoption of ASC Topic 718-10 had no impact on the consolidated financial statements of the Company.

Going Concern

These consolidated financial statements have been prepared on a going concern basis which assumes that adequate sources of financing will be obtained as required, and that our assets will be realized and liabilities settled in the ordinary course of business. These consolidated financial statements do not include any adjustments related to the recoverability of assets and classification of assets and liabilities that might be necessary if we are unable to continue as a going concern.

In order to continue as a going concern, we require additional financing. There can be no assurance that additional financing will be available to us when needed or, if available, that it can be obtained on commercially reasonable terms. If we are not able to continue as a going concern, we would likely be unable to realize the carrying value of our assets reflected in the balances set out in the preparation of the consolidated financial statements.

The Company is in the exploration stage, has not yet achieved profitable operations and is dependent on its ability to raise capital from shareholders or other sources to meet its obligations and repay its liabilities arising from normal business operations when they come due. These factors raise substantial doubt that the Company will be able to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In addition to the U.S. Dollar, we conduct our business in Chinese Yuan (RMB) and Canadian Dollar and, therefore, are subject to foreign currency exchange risk on cash flows related to expenses and investing transactions. In July 2005, the Chinese government began to permit the Chinese Yuan to float against the U.S. Dollar. All of our costs to operate our Chinese project are paid in Chinese Yuan and all of our costs to operate our principal executive office in Canada are paid in Canadian dollar. Our exploration costs in China may be incurred under contracts denominated in Chinese Yuan or U.S. Dollars. If the Chinese Yuan continues to appreciate with respect to the U.S. Dollar, our costs in China may increase. If the Canadian Dollar continues to appreciate with respect to the U.S. Dollar, our costs in Canada may increase. To date we have not engaged in hedging activities to hedge our foreign currency exposure. In the future, we may enter into hedging instruments to manage our foreign currency exchange risk or continue to be subject to exchange rate risk.

Although inflation has not materially impacted our operations in the recent past, increased inflation in China or Canada could have a negative impact on our operating and general and administrative expenses, as these costs could increase. China has recently experienced inflationary pressures, which could increase our costs associated with our operations in China. If there are material changes in our costs, we may seek to raise additional funds earlier than anticipated.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

**To the Stockholders,
Sterling Group Ventures, Inc.
(An Exploration Stage Company)**

We have audited the accompanying consolidated balance sheets of Sterling Ventures Group Inc. (the Company) (An Exploration Stage Company) and its subsidiaries as of May 31, 2010 and 2009, and the related consolidated statements of operations, cash flows and changes in stockholders' equity (capital deficit) for the years then ended and for the period from July 27, 1994 (Date of Inception) to May 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sterling Ventures Group Inc. and its subsidiaries as of May 31, 2010 and 2009, and the results of its operations and their cash flows for the years then ended and for the period from July 27, 1994 (Date of Inception) to May 31, 2010, in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company is in the exploration stage, has not yet achieved profitable operations and is dependent on its ability to raise capital from shareholders or other sources to meet its obligations and repay its liabilities arising from normal business operations when they come due. These factors, along with other matters as set forth in Note 1, raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ BDO Canada LLP

Chartered Accountants

Vancouver, Canada
August 26, 2010

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STERLING GROUP VENTURES, INC.
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
May 31, 2010 and 2009

| Stated in U.S. dollars | 2010 | 2009 |
|---|-------------------|-------------------|
| ASSETS | | |
| Current Assets | | |
| Cash | \$ 192,502 | \$ 192,002 |
| Cash held in trust - Note 4 | 33 | 55,320 |
| GST receivable | 4,000 | 9,577 |
| Prepaid expenses and other receivable | 12 | 270 |
| Total current assets | 196,547 | 257,169 |
| Equipment | 47 | 454 |
| Total Assets | \$ 196,594 | \$ 257,623 |
| LIABILITIES AND CAPITAL DEFICIT | | |
| Current Liabilities | | |
| Accounts payable and other accrued liabilities - Note 4 | \$ 522,516 | \$ 461,545 |
| Commitments and contingencies | - | - |
| | \$ 522,516 | \$ 461,545 |
| Capital Deficit | | |
| Common Stock : \$0.001 Par Value - Note 5 | | |
| Authorized : 500,000,000 | | |
| Issued and Outstanding : 43,826,175 | 43,826 | 43,826 |
| Additional Paid In Capital | 2,652,924 | 2,652,924 |
| Warrants - Note 5 | 636,668 | 544,964 |
| Accumulated Other Comprehensive Loss | (583) | (583) |
| Deficit accumulated during the exploration stage | (3,658,757) | (3,445,053) |
| Total Capital Deficit | (325,922) | (203,922) |
| Total Liabilities and Capital Deficit | \$ 196,594 | \$ 257,623 |

See accompanying notes to consolidated financial statements

STERLING GROUP VENTURES, INC.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS
For the years ended May 31, 2010 and 2009 and
for the period from July 27, 1994 (date of inception) to May 31, 2010

| Stated in U.S. dollars | Years ended May 31, | | July 27, 1994 (Date of inception) to May 31, 2010 |
|--|---|---------------------|---|
| | 2010 | 2009 | |
| Expenses | | | |
| Accounting, audit and legal fees | \$ 64,716 | \$ 53,877 | \$ 435,024 |
| Bank charges | 228 | 168 | 1,914 |
| Consulting fees - Note 4 | 22,625 | 124,164 | 711,628 |
| Depreciation | 407 | 1,287 | 9,299 |
| Filing fees and transfer agent | 5,074 | 2,027 | 41,620 |
| Foreign exchange loss (gain) | 6,083 | (6,197) | (23,426) |
| General and administrative - Note 4 | 18,673 | 19,440 | 117,215 |
| Mineral property costs - Note 3 | - | 52,724 | 1,264,394 |
| Printing and mailing | - | - | 16,883 |
| Shareholder information and investor relations | - | 1,530 | 61,230 |
| Stock-based compensation - Note 5b | 91,704 | 83,852 | 953,722 |
| Travel and entertainment | 4,606 | 1,034 | 127,038 |
| Recovery of doubtful collection - Note 3b | - | (84,823) | (272,358) |
| Allowance for doubtful collection | - | - | 246,708 |
| | (214,116) | (249,083) | (3,690,891) |
| Other item | | | |
| Interest income | 412 | 3,678 | 32,134 |
| Net loss for the period | \$ (213,704) | \$ (245,405) | \$ (3,658,757) |
| Basic and diluted loss per share | \$ (0.00) | \$ (0.01) | |
| Weighted average number of shares outstanding | 43,826,175 | 43,826,175 | |
| | See accompanying notes to consolidated financial statements | | |

STERLING GROUP VENTURES, INC.

(An Exploration Stage Company)

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (CAPITAL DEFICIT)

For the period from July 27, 1994 (date of inception) to May 31, 2010

| 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 inception) | - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 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 | 1,766,000 | 1,766 | 881,234 | - | - | - | 883,000 |

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| | | | | | | | | |
|---|------------|-----------|--------------|-----------|----------|----------------|-----------|-----------|
| \$0.50 | | | | | | | | |
| Stock-based compensation | - | - | 368,641 | - | - | - | - | 368,641 |
| Net loss of the year | - | - | - | - | - | - | (527,446) | (527,446) |
| 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 year ended May 31, 2006 | - | - | - | - | - | - | (461,201) | (461,201) |
| Balance, May 31, 2006 | 40,277,500 | \$ 40,278 | \$ 2,190,611 | \$ 40,110 | \$ (583) | \$ (1,818,723) | \$ | 451,693 |
| Issuance of shares for cash pursuant to a private placement - at \$0.15 | 2,750,300 | 2,750 | 409,795 | - | - | - | - | 412,545 |
| Issuance of shares for finder's fee of private placement | 123,690 | 124 | 21,522 | - | - | - | - | 21,646 |
| Finders' fees | - | - | (21,646) | - | - | - | - | (21,646) |
| Share issuance costs | - | - | (3,687) | - | - | - | - | (3,687) |

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| | | | | | | | |
|---|---------------|-----------|--------------|------------|----------|----------------|-----------|
| Fair value of share purchase warrants (finders' fees) | - | - | (9,895) | 9,895 | - | - | - |
| Revaluation of share purchase warrants | - | - | (1,582) | 1,582 | - | - | - |
| Issuance of shares for services rendered | 350,000 | 350 | 48,650 | - | - | - | 49,000 |
| Net loss for the year ended May 31, 2007 | - | - | - | - | - | (864,485) | (864,485) |
| Balance, May 31, 2007 | 43,501,490 \$ | 43,502 \$ | 2,633,768 \$ | 51,587 \$ | (583) \$ | (2,683,208) \$ | 45,066 |
| Issuance of shares for services rendered at \$0.06 | 324,685 | 324 | 19,156 | - | - | - | 19,480 |
| Revaluation of share purchase warrants | - | - | - | 409,525 | - | - | 409,525 |
| Net loss for the year ended May 31, 2008 | - | - | - | - | - | (516,440) | (516,440) |
| Balance, May 31, 2008 | 43,826,175 \$ | 43,826 \$ | 2,652,924 \$ | 461,112 \$ | (583) \$ | (3,199,648) \$ | (42,369) |
| Revaluation of share purchase warrants | - | - | - | 83,852 | - | - | 83,852 |
| Net loss for the year ended May 31, 2009 | - | - | - | - | - | (245,405) | (245,405) |
| Balance, May 31, 2009 | 43,826,175 \$ | 43,826 \$ | 2,652,924 \$ | 544,964 \$ | (583) \$ | (3,445,053) \$ | (203,922) |
| Revaluation of share purchase warrants | - | - | - | 91,704 | - | - | 91,704 |
| Net loss for the year ended May 31, 2010 | - | - | - | - | - | (213,704) | (213,704) |
| Balance, May 31, 2010 | 43,826,175 \$ | 43,826 \$ | 2,652,924 \$ | 636,668 \$ | (583) \$ | (3,658,757) \$ | (325,922) |

See accompanying notes to consolidated financial statements

STERLING GROUP VENTURES, INC.
 (An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended May 31, 2010 and 2009 and
for the period from July 27, 1994 (date of inception) to May 31, 2010

| Stated in U.S. dollars | Years ended May 31, | | July 27, 1994 |
|--|----------------------------|-------------------|--|
| | 2010 | 2009 | (Date of inception) to May 31, 2010 |
| Cash flows from operating activities | | | |
| Net loss for the period | \$ (213,704) | \$ (245,405) | \$ (3,658,757) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities | | | |
| Stock compensation expenses | 91,704 | 83,852 | 953,722 |
| Depreciation | 407 | 1,287 | 9,299 |
| Permit and engineering studies | - | - | 150,000 |
| Shareholder information and investor relations | - | - | 20,447 |
| Accounting, audit and legal fees | - | - | 49,000 |
| Translation adjustment | - | - | (106) |
| Changes in non-cash working capital items related to operations | | | |
| GST refundable | 5,577 | (4,170) | (4,000) |
| Prepaid expenses and other receivable | 258 | (259) | 21,541 |
| Advance receivable | - | 8,850 | - |
| Accounts payable and accrued liabilities | 60,971 | 29,040 | 541,996 |
| Net cash provided by (used in) operating activities | (54,787) | (126,805) | (1,916,858) |
| Cash flows from investing activities | | | |
| Advance on investment | - | - | (150,000) |
| Additions to equipment | - | - | (9,346) |
| Net change in cash held in trust | 55,287 | 170,380 | (33) |
| Net cash flows used in investing activities | 55,287 | 170,380 | (159,379) |
| Cash flows from financing activities | | | |
| Net proceeds on issuance of common stock | - | - | 2,266,858 |
| Amounts contributed by director | - | - | 1,881 |
| Net cash flows provided by financing activities | - | - | 2,268,739 |
| Net increase in cash | 500 | 43,575 | 192,502 |
| Cash - beginning of period | 192,002 | 148,427 | - |
| Cash - end of period | \$ 192,502 | \$ 192,002 | \$ 192,502 |
| Supplemental Information : | | | |
| Cash paid for : | | | |
| Interest | \$ - | \$ - | \$ - |
| Income taxes | \$ - | \$ - | \$ - |
| Non-cash Transactions : | | | |
| Issuance of shares for commission paid to broker for private placement | \$ - | \$ - | \$ 72,396 |

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| | | | | | | |
|--|----|---|----|---|----|--------|
| Issuance of shares for services rendered | \$ | - | \$ | - | \$ | 91,000 |
| Issuance of shares for settlement of accounts payable | \$ | - | \$ | - | \$ | 19,480 |
| Issuance of share purchase warrants for finder's fee paid to broker for private placement | \$ | - | \$ | - | \$ | 11,477 |

See accompanying notes to consolidated financial statements

STERLING GROUP VENTURES, INC.
(An Exploration Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2010 and 2009
(Stated in US Dollars)

Note 1 Nature of Operations and Ability to Continue as a Going Concern

Sterling Group Ventures Inc. was incorporated in the State of Nevada on September 13, 2001 and its fiscal year-end is May 31. On January 20, 2004, the Company acquired all of the issued and outstanding shares of Micro Express Ltd. (Micro), which was incorporated on July 27, 1994. The business combination was accounted for as a reverse acquisition whereby the purchase method of accounting was used with Micro being the accounting acquirer and the Company being the accounting subsidiary. The cumulative figures are shown on a reverse acquisition basis with respect to the accounting acquirer's date of inception, July 27, 1994.

Sterling Group Ventures Inc. (the Company) is in the exploration stage. The Company has entered into joint venture agreements to explore and develop mineral properties located in China and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts from these properties will be dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying properties, the ability of the Company to obtain necessary financing to satisfy the expenditure requirements under the joint venture agreements and to complete the development of the properties and upon future profitable production or proceeds from the sale thereof.

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At May 31, 2010, the Company had not yet achieved profitable operations, has a working capital deficiency of \$325,969, has accumulated losses of \$3,658,757 since its inception and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management has no formal plan in place to address this concern but considers that the Company will be able to obtain additional funds by equity financing and/or related party advances, however there is no assurance of additional funding being available.

Note 2 Summary of Significant Accounting Policies

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of consolidated financial statements for a period necessarily involves the use of estimates, which have been made using careful judgement. Actual results may vary from these estimates.

The consolidated financial statements have, in management's opinion, been properly prepared within the framework of the significant accounting policies summarized below:

Sterling Group Ventures, Inc.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
May 31, 2010 and 2009
(Stated in US Dollars)

Note 2 Summary of Significant Accounting Policies (cont. d)

Exploration Stage Company

The Company complies with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 915, Development Stage Entities (prior authoritative literature: FASB Statement of Financial Accounting Standards (SFAS) No. 7) and Exchange Commission Act Guide 7 for its characterization of the Company as an exploration stage company.

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. The Company's subsidiaries were all incorporated under the laws of the Territory of the British Virgin Islands on the following dates: Micro Express Holdings Inc. was incorporated on February 25, 2004; Micro Express Ltd. was incorporated on July 27, 1994; Huyana Ventures Limited was incorporated on August 18, 2004; Makaelo Holdings Inc. was incorporated on March 21, 2005 and Makaelo Limited was incorporated on February 14, 2005.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Mineral Properties

Costs of acquiring mineral properties are capitalized by the project area unless the mineral properties do not have proven reserves. Costs to maintain mineral rights and leases are expensed as incurred. When a property reaches the production state, the related capitalized costs are amortized using the unit of production method on the basis of annual estimates of ore reserves. Management reviews the carrying value of mineral properties at least annually and will recognize impairment in value based upon current exploration results, and any impairment or subsequent losses are charged to operations at the time of impairment. If a property is abandoned or sold, its capitalized costs are charged to operations. Mineral property exploration costs are expensed as incurred. Exploration activities conducted jointly with others are reflected at the Company's proportionate interest in such activities. As at May 31, 2010 and 2009, the Company did not have proven or probable ore reserves.

Impairment of Long-lived Assets

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 360-10, Property, Plant and Equipment - Overall (prior authoritative literature: SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*), the carrying value of intangible assets and other long-lived assets is reviewed on a regular basis for the existence of facts or circumstances that may suggest impairment. The Company recognizes impairment when the sum of the expected

undiscounted future cash flows is less than the carrying amount of the asset. Impairment losses, if any, are measured as the excess of the carrying amount of the asset over its estimated fair value.

Sterling Group Ventures, Inc.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
May 31, 2010 and 2009
(Stated in US Dollars)

Note 2 Summary of Significant Accounting Policies (cont d)

Asset Retirement Obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease in the carrying amount of the liability for an asset retirement obligation and the related asset retirement cost capitalized as part of the carrying amount of the related long-lived asset. No asset retirement obligation was recognized at May 31, 2010 and 2009.

Equipment

Equipment is carried at cost and consists of computer equipment. Depreciation is provided on a straight-line basis over the useful life of the equipment being 3 years.

Income Taxes

The Company accounts for income taxes under the provisions of ASC Topic 740, *Income Taxes* (prior authoritative literature: SFAS 109, *Accounting for Income Taxes*). Under ASC Topic 740, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income taxes are provided using the liability method. Under this method, deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. The effect on deferred taxes of a change in tax rates is recognized in income in the period of change. A valuation allowance is provided to reduce the amount of deferred tax assets if it is considered more likely than not that some portion of, or all of, the deferred tax assets will not be realized.

On June 1, 2007, the Company adopted Financial Accounting Standards Board (FASB) interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes* , (codified in FASB ASC Topic 740). FIN 48 contains a two-step approach to recognizing and measuring uncertain tax positions taken or expected to be taken in a tax return. The first step is to determine if the weight of available evidence indicates that it is more likely than not that the tax position will be sustained in an audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. The Company recognizes interest and penalties accrued on unrecognized tax benefits within general and administrative expense. To the extent that accrued interest and penalties do not ultimately become payable, amounts accrued will be reduced and

reflected as a reduction in general and administrative expenses in the period that such determination is made. The adoption of FIN 48 did not have a material impact on the Company's financial position, results of operations or cash flows.

Sterling Group Ventures, Inc.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
May 31, 2010 and 2009
(Stated in US Dollars)

Note 2 Summary of Significant Accounting Policies (cont d)

Fair Value of Financial Instruments

The Company applies the provisions of ASC 820 (prior authoritative literature: SFAS No. 157, *Fair Value Measurements*). ASC 820 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - observable inputs other than Level I, quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, and model-derived prices whose inputs are observable or whose significant value drivers are observable; and

Level 3 - assets and liabilities whose significant value drivers are unobservable by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company's financial instruments consist of cash, cash held in trust, accounts receivables and accounts payable and accrued liabilities. The carrying values of the Company's financial instruments approximate fair value due to the short maturity of these instruments. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The Company did not have any Level 1, Level 2 or Level 3 inputs as at May 31, 2010.

Concentration of Credit Risk

The Company places its cash and cash equivalents with high credit quality financial institutions. As of May 31, 2010, the Company had no deposit in a bank beyond insured limits.

Sterling Group Ventures, Inc.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
May 31, 2010 and 2009
(Stated in US Dollars)

Note 2 Summary of Significant Accounting Policies (cont d)

Basic Loss per Share

The Company reports basic loss per share in accordance with the ASC Topic 260-10, *Earnings Per Share - Overall* (prior authoritative literature: SFAS No. 128, *Earnings Per Share*, and EITF No. 03-06, *Participating Securities and the Two-Class Method under FASB Statement No. 128*, respectively). Basic loss per share is computed using the weighted average number of shares outstanding during the period. Diluted loss per share is computed similar to basic loss per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued. In addition, in computing the dilutive effect of convertible securities, the numerator is adjusted to add back any convertible preferred dividend and the after-tax amount of interest in the period associated with any convertible debt. The numerator is also adjusted for any other changes in income or loss that would result from the assumed conversion of these potential common shares. Common share equivalents represent the dilutive effect of the assumed exercise of the outstanding stock options and warrants, using the treasury stock method, at either the beginning of the respective period presented or the date of issuance, whichever is later, and only if the common stock equivalents are considered dilutive based upon the Company's net loss position at the calculation date. At May 31, 2010, the Company had 6,691,490 (2009 6,691,490) common share equivalents in respect to options and warrants. Because the Company incurred a loss, diluted loss per share is the same as basic loss per share.

Comprehensive Loss

The Company reports comprehensive income (loss) in accordance with ASC Topic 220-10, *Comprehensive Income - Overall* (prior authoritative literature: SFAS No. 130, *Reporting Comprehensive Income*). Comprehensive loss is comprised of foreign currency translation adjustments.

Foreign Currency Translation

Foreign currency transactions are translated into US dollars, the functional and reporting currency, by the use of the exchange rate in effect at the date of the transaction, in accordance with ASC Topic 830-20, *Foreign Currency Matters - Foreign Currency Translation* (prior authoritative literature: SFAS No. 52, *Foreign Currency Translation*).

Assets and liabilities denominated in a foreign currency are translated at the exchange rate in effect at the period end and capital accounts are translated at historical rates. Income statement accounts are translated at the average rates of exchange prevailing during the period which approximates the exchange rate in effect at the date of the transaction. Translation adjustments from the use of different exchange rates from period to period are included in the Comprehensive Income account in Stockholders' Equity, if applicable.

Transactions undertaken in currencies other than the functional currency of the entity are translated using the exchange rate in effect as of the transaction date. Any exchange gains and losses are included in the Statement of Operations.

Sterling Group Ventures, Inc.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
May 31, 2010 and 2009
(Stated in US Dollars)

Note 2 Summary of Significant Accounting Policies (cont. d)

Stock-based Compensation

The Company adopted ASC Topic 718-10, *Compensation - Stock Compensation Overall* (prior authoritative literature: SFAS No. 123R, *Accounting for Stock-Based Compensation*), using the modified prospective method on June 1, 2006 to account for its stock options and similar equity instruments issued. Under this application, the Company is required to record compensation expense, based on the fair value of the awards, for all awards granted after the date of adoption and for the unvested portion of previously granted awards that remain outstanding as at the date of adoption. In accordance with ASC 718-10, the compensation expense is amortized on a straight- line basis over the requisite service period which approximates the vesting period. ASC Topic 718-10 requires excess tax benefits to be reported as a financing cash inflow rather than as a reduction of taxes paid.

With the adoption of ASC 718-10, the Company has elected to use the Black-Scholes option pricing model to determine the fair value of the extension of the expiry dates of share purchase warrants previously granted. The Company has estimated the fair value of share purchase warrants for the years ended May 31, 2010 and May 31, 2009 using the assumptions more fully described in Note 5(b).

Comparative Figures

Certain comparative figures have been reclassified to conform to current year s presentation.

New Accounting Pronouncements

FASB Accounting Standards Codification Effective for interim and annual periods ending after September 15, 2009, the FASB has defined a new hierarchy for U.S. GAAP and established the FASB Accounting Standards Codification (ASC) as the sole source for authoritative guidance to be applied by nongovernmental entities. On the effective date of this standard, FASB Accounting Standards Codification (ASC) will become the source of authoritative U.S. accounting and reporting standards for nongovernmental entities, in addition to guidance issued by the Securities and Exchange Commission (SEC). ASC significantly changes the way financial statement preparers, auditors, and academics perform accounting research but is not intended to change GAAP. The adoption of the ASC changes the manner in which U.S. GAAP guidance is referenced, but it does not have any impact on the Company s financial position or results of operations. In order to ease the transition to the Codification, the Company is providing the Codification cross- reference alongside the references to the standards issued and adopted prior to the adoption of the Codification.

The Company adopted ASC 805 *Business Combinations* which was issued in December 2007. ASC 805 requires that upon initially obtaining control, an acquirer should recognize 100% of the fair values of acquired assets, including goodwill and assumed liabilities, with only limited exceptions, even if the acquirer has not acquired 100% of its target. Additionally, contingent consideration arrangements will be fair valued at the acquisition date and included on that basis in the purchase price consideration and transaction costs will be expensed as incurred. This statement also modifies the recognition for pre-acquisition contingencies, such as environmental or legal issues, restructuring plans and acquired research

and development value in purchase accounting. This statement amends ASC 740-10, *Income Taxes* (ASC 740) to require the acquirer to recognize changes in the amount of its deferred tax benefits that are recognizable because of a business combination either in income from continuing operations in the period of the combination or directly in contributed capital, depending on the circumstances. ASC 805 is effective for fiscal years beginning after December 15, 2008. The adoption of this standard did not have any impact on the Company's financial position or results from operations.

Sterling Group Ventures, Inc.
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
May 31, 2010 and 2009
(Stated in US Dollars)

Note 2 Summary of Significant Accounting Policies (cont d)

New Accounting Pronouncements (cont d)

In December 2007, the Company adopted ASC 810-10, *Non-controlling Interests in Consolidated Financial Statements* (prior authoritative literature: SFAS No. 160, *Non-controlling Interests in Financial Statements - an amendment of ARB No. 5*). ASC 810-10 establishes accounting and reporting standards for non-controlling interest in a subsidiary and for deconsolidation of a subsidiary. ASC 810-10 requires retroactive adoption of the presentation and disclosure requirements for existing minority interests. The adoption of ASC 810-10 did not have a material impact on the Company's consolidated financial statements.

In March 2008, the Company adopted ASC 815-10 *Disclosures about Derivative Instruments and Hedging Activities* (prior authoritative literature: SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133*). ASC 815-10 amends and expands the disclosure requirements of ASC 815 (prior authoritative literature: SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*) to include qualitative disclosures regarding the objectives and strategies for using derivatives, fair value amounts of gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative agreements. The pronouncement also requires the cross-referencing of derivative disclosures within the financial statements and notes thereto. The adoption of ASC 815-10 did not have a material impact on the Company's consolidated financial statements.

The Company adopted ASC 470-20. In June 2008, the Emerging Issues Task Force (EITF) reached consensus on Issue No. 07-5, *Determining Whether an Instrument (or Embedded Feature) is Indexed to an Entity's Own Stock* (EITF 07-5). EITF 07-5 was incorporated into ASC 470-20, *Distinguishing Liabilities vs. Equity*. ASC 470-20 provides guidance for instruments (including options or warrants on a company's shares, forward contracts on a company's shares, and convertible debt instruments and convertible preferred stock) that may contain contract terms that call into question whether the instrument or embedded feature is indexed to the entity's own stock. ASC 470-20 is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008. The adoption of this standard did not have any impact on the Company's financial position or results from operations.

In April 2009, the FASB issued additional disclosure requirements related to fair values, which are included in ASC 820, *Interim Disclosures about Fair Value of Financial Instruments*. The provisions require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in the annual financial statements. The required disclosures were effective for interim reporting periods ending after June 15, 2009. The adoption of the provision did not have a material impact on the Company's statements of financial position, results of operations and cash flows.

In May 2009, the FASB issued ASC 855 (prior authoritative literature: SFAS No. 165, *Subsequent*). The statement establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but prior to the issuance of financial statements. This statement was effective for interim or annual reporting periods after June 15, 2009. ASC 855 sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may

occur for potential recognition or disclosure in the financial statements as well as the circumstances under which the entity would recognize them and the related disclosures an entity should make. The Company adopted ASC 855 during the first quarter of fiscal 2010. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

Sterling Group Ventures, Inc.
 (An Exploration Stage Company)
 Notes to Consolidated Financial Statements
 May 31, 2010 and 2009
 (Stated in US Dollars)

Note 2 Summary of Significant Accounting Policies (cont d)

New Accounting Pronouncements (cont d)

In August 2009, the FASB issued ASU No. 2009-05, *Measuring Liabilities at Fair Value*, or ASU 2009-05, which amends ASC 820 to provide clarification of circumstances in which a quoted price in an active market for an identical liability is not available. A reporting entity is required to measure fair value using one or more of the following methods: 1) a valuation technique that uses a) the quoted price of the identical liability when traded as an asset or b) quoted prices for similar liabilities (or similar liabilities when traded as assets) and/or 2) a valuation technique that is consistent with the principles of ASC 820. ASU 2009-05 also clarifies that when estimating the fair value of a liability, a reporting entity is not required to adjust to include inputs relating to the existence of transfer restrictions on that liability. The adoption of this ASU did not have an impact on the Company's consolidated financial statements.

In January 2010, the FASB issued Accounting Standards Update No. 2010-06, *Improving Disclosures about Fair Value Measurements (Topic 820) Fair Value Measurements and Disclosures* (ASU 2010-06), to add additional disclosures about the different classes of assets and liabilities measured at fair value, the valuation techniques and inputs used, the activity in Level 3 fair value measurements, and the transfers between Levels 1, 2, and 3. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In February 2010, the FASB issued ASU 2010-09, *Subsequent Events*. ASU 2010-09 was issued to amend ASC 855 to remove the requirement for SEC filers to disclose the date through which an entity has evaluated subsequent events. This change is intended to alleviate potential conflicts with current SEC guidance. The provisions of ASU 2010-09 are effective upon issuance. The adoption of ASC 855 and ASU 2010-09 did not have a material impact on the Company's financial statements.

Note 3 Mineral Properties

Summary of mineral properties expenses for the years ended May 31, 2010 and 2009 and for the cumulative period from date of inception (July 27, 1994) to May 31, 2010:

| | DXC Salt Lake Property | |
|--------------------------------|---------------------------------------|--------|
| Year ended May 31, 2010 | \$ | - |
| Year ended May 31, 2009 | | |
| Administrative | \$ | 867 |
| Consulting fees | | 27,890 |
| Travel | | 16,959 |
| Legal fees | | 7,008 |
| | \$ | 52,724 |

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Note 3 Mineral Properties (cont d)

| Summary of mineral property expenditures | DXC Salt Lake Property | Jiajika Spodumene Property |
|---|---------------------------------------|---|
| From Date of Inception (July 27, 1994) to May 31, 2010 | | |
| Balance, May 31, 2003 | \$ - | \$ - |
| Administrative | - | 471 |
| Consulting fees | - | 9,263 |
| Travel | - | 2,763 |
| Balance, May 31, 2004 | - | 12,497 |
| Administrative | - | 6,598 |
| Consulting fees | - | 33,799 |
| Feasibility study | - | 157,769 |
| Permit costs | - | 150,000 |
| Travel | - | 15,085 |
| Balance, May 31, 2005 | - | 375,748 |
| Administrative | 5,560 | 2,100 |
| Consulting fees | 46,629 | 12,062 |
| Engineering studies | 26,933 | - |
| Feasibility study | 29,080 | - |
| Geophysical study | 31,114 | - |
| Legal fees | 623 | - |
| Topography measurement | 32,266 | - |
| Travel | 30,953 | 8,009 |
| Wages and benefits | 33,601 | - |
| Cost recovery | - | (309,058) |
| Balance, May 31, 2006 | 236,759 | 88,861 |
| Administrative | 5,200 | - |
| Consulting fees | 134,580 | - |
| Engineering studies | 38,063 | - |
| Mining permit | 382,920 | - |
| Topography measurement | 15,001 | - |
| Legal fees | 9,695 | - |
| Travel | 53,262 | 488 |
| Wages and benefits | 35,687 | - |
| Balance, May 31, 2007 | 911,167 | 89,349 |
| Administrative | 706 | - |
| Consulting fees | 60,548 | - |
| Travel | 5,456 | - |
| Legal fees | 11,566 | - |
| Balance, May 31, 2008 | 989,443 | 89,349 |
| Administrative | 867 | - |
| Consulting fees | 27,890 | - |

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| | | |
|--------------------------------|-----------|--------|
| Travel | 16,959 | - |
| Legal fees | 7,008 | - |
| Balance, May 31, 2009 and 2010 | 1,042,167 | 89,349 |

Not included in the table above was a total of \$132,878 of costs incurred on other properties which were abandoned during the years ended May 31, 2006 and 2007.

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Note 3 Mineral Properties (cont d)

a) Dangxiongcuo Salt Lake Project

On September 16, 2005, the Company, through its wholly owned subsidiary, Micro Express Holdings Inc. (Micro), signed an agreement (the Mianping Agreement) for the development of Dangxiongcuo salt lake property (DXC Salt Lake) in Nima county of Naqu district in Tibet, China.

Pursuant to the Mianping Agreement, the parties agreed to set up a Cooperative Company, (the Cooperative) to develop the DXC Salt Lake. The objective of the Cooperative was to use the funds provided by the Company and the skills and technology provided by the other party to produce lithium carbonate and borate from brine. The Company, through Micro, was to own 65% of the Cooperative. It was anticipated that the total investment in the Cooperative would be approximately 240 million RMB (or approximately US\$35 million). The Cooperative Company was never set up. On July 3, 2007, Micro received a letter from the other party to the Mianping Agreement stating that the agreement between Micro and the other party should be deemed terminated as a result of lack of progress in the approval for the establishment of the joint venture company and is considering a lawsuit against the Company and Micro. Micro has responded that the other party's claim has no legal grounds as the lack of progress is not caused by Micro. There has been no legal action to date and none is expected. By letter dated August 25, 2008, Beijing Mianping Salt Lake Research Institute (Mianping) has confirmed that the agreement dated September 16, 2005 was terminated effective July 8, 2008. This agreement was replaced by the agreement with Zhong Chuan International Mining Holdings Co. Ltd. dated July 8, 2008.

On July 8, 2008, the Company signed an agreement (the "Agreement") with the shareholders of Monte Sea Holdings Ltd. ("Monte Sea Shareholders") and a third party to restructure the transactions contemplated under the September 16, 2005 agreement. The parties wish to jointly develop the DXC Salt Lake property and lithium resources in Tibet including an exploration license, and elsewhere (the Property), by way of a cooperative joint venture. Monte Sea Shareholders and the third party are to provide RMB100,000,000 (\$14,584,000) to finance the DXC property to production.

Pursuant to the Agreement, the parties wish to establish a Sino-foreign cooperative joint venture company ("CJV") for the purpose of applying for and holding required approvals, permits and licenses with respect to the development of the Property.

The Parties agree that an operating company ("Opco") will be established in Tibet prior to the establishment of the CJV for the purpose of applying for and holding required approvals, permits and licenses with respect to the development of the Property. The Opco shall hold all such approvals, permits and licenses in trust for the CJV.

Under the Agreement, the CJV will be established within 90 days from date of this Agreement, subject to required regulatory approval and based on a joint venture agreement by way of acquisition of interest in the Opco by Monte Sea Holdings Ltd. (Monte Sea), or by way of incorporation under the Chinese laws. Monte Sea shall hold up to 65% but no less than 51% of shares in the CJV. CJV

shall own and hold all the Property.

If for any Chinese regulatory or policy reasons, Monte Sea is not permitted to have more than fifty-one percent (51%) interest in the CJV, then the CJV agreement will be revised such that:

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Note 3 Mineral Properties (cont d)

a) Dangxiongcuo Salt Lake Project (cont d)

- (i) Monte Sea shall have a forty-nine percent (49%) interest in the CJV;
- (ii) Monte Sea shall be entitled to receive returns on its investment in the CJV on a priority and accelerated basis until its investment in the CJV and the Property is fully recovered; and
- (iii) Monte Sea shall be permitted to manage the daily operation of the CJV pursuant to a management agreement to be entered into on terms and conditions satisfactory to the Company.

Upon the Agreement being effective and termination of the agreement dated September 16, 2005, the Company will be repaid RMB6,000,000 (approximately \$875,000). As of May 31, 2010, the Company has received \$nil in regards to this agreement.

Upon signing of this Agreement and subject to applicable regulatory approval, Monte Sea Shareholders shall subscribe for 5,000,000 units (the "Units") to be issued by the Company at \$0.15 per Unit. Each Unit shall consist of one common share in the stock of the Company, and one warrant which shall entitle the Monte Sea shareholders to purchase one common share in the stock of the Company at \$0.16 per share within two years from the date of the issuance of the Units.

Subject to applicable regulatory approval, the Company shall cause 200,000,000 shares to be issued to the Monte Sea Shareholders within ten working days from the date transfer of the exploration license to the CJV is approved by the Chinese regulators, in exchange for all the shares then issued and outstanding in the stock of Monte Sea and held by Monte Sea Shareholders (the "Share Exchange"). The Share Exchange may be conducted and completed at an earlier date as long as the Company and Monte Sea Shareholders may agree in writing. This transaction would be accounted for as a reverse acquisition.

Subject to applicable regulatory approval, the Company shall cause 87,910,000 shares in the capital of the Company to be issued to the Monte Sea Shareholders at no additional cost, upon receipt by the CJV of a mining license and such other permits or approvals for the Property, permitting the full exploitation and development of the Property.

The Company intends to, when and as required by the CJV, arrange and complete financing for the operation of the CJV.

Zhong Chuan shall, together with Monte Sea Shareholders, provide funds no less than RMB 100,000,000 (or US dollar equivalent thereof) for the purpose of meeting registered capital payment requirements in the registration and operation of the CJV. Zhong Chuan shall keep other Parties informed of any development in the registration of the CJV and transfer of the exploration license.

The application to establish a joint venture has not yet been approved by the regulators in Tibet, China.

As of May 31, 2010, the Company has incurred a total of \$1,042,167 in mineral property costs on this property.

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Note 3 Mineral Properties (cont d)

a) Dangxiongcuo Salt Lake Project (cont d)

The Company received verbal termination of the Agreement with Zhong Chuan in July 2009, as advised by third party legal counsel, at a meeting in Beijing, China. The Agreement, in effect, allows Zhong Chuan to terminate the Agreement if it pays the Company double the amount of funds paid by the Company to date to secure and develop the DXC Project. Zhong Chuan has not paid the required amount anticipated by the Agreement to date. The delay in payment has delayed the termination process and the Company is pursuing Zhong Chuan to complete the termination, as the Company deems, is mandated by the Agreement.

b) Jiajika Spodumene Property

On September 16, 2003, the Company, through its wholly owned subsidiary, Micro Express Ltd. (Micro), entered into an agreement with Sichuan Province Mining Ltd. to acquire a 75% interest in a 30-year mining joint venture company. The joint venture company would hold the mining licenses to develop the Jiajika spodumene property located in Sichuan province, China for the extraction of lithium and lithium salts. Pursuant to the agreement, the total investment required was estimated at RMB88,500,000 (US\$10,800,000) for the initial capacity of 240,000 tonnes/annum. The initial registered capital was RMB56,000,000 (US\$6,800,000). Sichuan Province Mining Ltd. would contribute RMB14,000,000 (US\$1,700,000) including the mining permits to hold 25% of the JV Company. Micro would contribute RMB42,000,000 (US\$ 5,100,000) to hold 75% of the JV Company.

On April 5, 2005, the Company, through its wholly-owned subsidiary Micro Express Ltd. (MEL), signed a joint venture contract with a Chinese partner for the establishment of a joint venture company, Jihai Lithium Ltd. and the development of the Jiajika lithium deposit in Kangding District, Sichuan province, China. On March 3, 2006, both parties agreed to terminate the joint venture and the Chinese partner agreed to pay back RMB2,480,000 (\$309,058) incurred by MEL on the project. The Chinese partner agreed to pay RMB1,200,000 (\$149,520) and RMB1,280,000 (\$159,538) before April 15, 2006 and March 30, 2007, respectively. If the Chinese partner does not pay the RMB1,280,000, the amount will be converted into an interest in the Jiajika project based on the percentage of MEL's investment as to the registered capital contribution in Jiajika project by the Chinese partner. As at May 31, 2006, the Company had received RMB500,000 (\$62,350) and a receivable of RMB1,980,000 (\$246,708) was recorded. As of May 31, 2009, the Company had received the full amount of RMB2,480,000 (\$334,707) from the Chinese partner.

As the Chinese partner had not paid the remaining RMB700,000 (\$87,170) and the recoverability of the RMB1,280,000 (\$159,538) was uncertain, the Company recorded an allowance for doubtful collection totalling \$246,708 for the year ended May 31, 2006.

During the year ended May 31, 2007, the Company received RMB 300,000 (\$40,381) from the Chinese partner and this was recorded as a recovery of doubtful collection on the statement of operations.

During the year ended May 31, 2008, the Company received RMB1,100,000 (\$147,154) from the Chinese partner. This amount was reported as recovery of doubtful collection in the consolidated statements of operation.

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Note 3 Mineral Properties (cont d)

b) Jiajika Spodumene Property Continued

During the year ended May 31, 2009, the Company received RMB580,000 (\$84,823) from the Chinese partner and this was recorded as a recovery of doubtful collection on the statement of operations.

As at May 31, 2010, the Company had incurred a total of \$398,407 in the Jiajika Spodumene Property before the cumulative cost recovery of RMB2,480,000 (\$309,058).

Note 4 Related Party Transactions

The Company was charged consulting fees for administrative, corporate, financial, engineering, and management services during the year ended May 31, 2010 totalling \$22,625 (2009: \$123,726) by companies controlled by two directors of the Company.

The Company was charged rental fees included in general and administrative expense during the year ended totalling \$12,847 (2009: \$17,072) by a company controlled by a director of the Company.

The Company was charged consulting fees included in mineral property costs during the year ended May 31, 2010 in the amount of \$nil (2009: \$4,094) by the Vice President of Micro.

The Company was charged consulting fees included in mineral property costs during the year ended May 31, 2010 in the amount of \$nil (2009: \$22,042) by a company controlled by a director of the Company.

Cash and cash equivalents at May 31, 2010 include \$33 (2009: \$55,320) held in trust by a director of the Company.

Included in accounts payable and accrued liabilities is \$509,990 (2009: \$459,043) which was due to companies controlled by the directors of the Company for their services provided.

These transactions were in the normal course of operations and were measured at the exchange amount which represented the amount of consideration established and agreed to by the related parties.

Note 5 Capital Stock

a) Stock Options

On February 3, 2004, the Board of Directors of the Company approved the 2004 Stock Option Plan which allows the Company to grant up to 3,636,000 stock options as an incentive to directors, officers, employees and consultants.

During the years ended May 31, 2010 and 2009, no stock options were granted or exercised. On February 3, 2009, 3,636,000 stock options with an exercise price of \$0.50 per share expired

unexercised.

At May 31, 2010, there were no outstanding stock options (2009 - nil).

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Note 5 Capital Stock - (cont d)

b) Share Purchase Warrants

Share purchase warrants outstanding at May 31, 2010 were as follows:

| <u>Number</u> | <u>Price</u> | <u>Expiry</u> |
|---------------|--------------|-------------------|
| 3,817,500 | \$ 0.50 | February 16, 2011 |
| 2,873,990 | \$ 0.18 | February 16, 2011 |
| 6,691,490 | | |

During the years ended May 31, 2010 and 2009, no warrants were exercised, cancelled or expired.

Each Series A warrant entitles the holder thereof the right to purchase one common share at \$0.50 per share expiring on the earlier of:

- 1) February 16, 2008; or
- 2) The 90th day after the day on which the weighted average trading price of the Company's shares exceeds \$0.85 per share for 30 consecutive trading days.

Upon exercise of the Series "A" Share Purchase Warrant at \$0.50 each, the holder will receive one Common Share of the Company and a Series "B" Share Purchase Warrant exercisable at \$1.00 expiring one year after the occurrence of either (1) or (2) as described above. The Series "A" Share Purchase Warrants were originally issued in 2004 pursuant to a private placement commenced in February 2004.

On February 7, 2008, the Company extended the expiry date of the 3,817,500 Series A Share Purchase Warrants from February 16, 2008 to February 16, 2009. The exercise price of the warrants remains unchanged at \$0.50 per share. The additional fair value of the 3,817,500 extended life Series A Share Purchase Warrants was estimated at \$252,989, by using the Black-Scholes Option Pricing Model with the following weighted average assumptions: dividend yield of 0%, expected volatility of 218.52%, risk free interest rates of 2.08% and expected life of one year.

On February 6, 2009, the Company re-extended the expiry date of 3,817,500 Share Purchase Warrants (the Series "A" Share Purchase Warrants) from February 16, 2009 to February 16, 2010. The exercise price of the warrants remains unchanged at \$0.50 per share. The additional fair value of the 3,817,500 extended life Series A Share Purchase Warrants was estimated at \$35,593 using the Black-Scholes Option Pricing Model with the following weighted average assumptions: dividend yield of 0%, expected volatility of 223.36%, risk free interest rates of 0.82% and expected life of one year.

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Note 5 Capital Stock - (cont d)

b) Share Purchase Warrants - (cont d)

On February 12, 2010, the Company re-extended the expiry date of 3,817,500 Share Purchase Warrants (the Series "A" Share Purchase Warrants) from February 16, 2010 to February 16, 2011. The exercise price of the warrants remains unchanged at \$0.50 per share. The additional fair value of the 3,817,500 extended life Series A Share Purchase Warrants was estimated at \$44,283 using the Black-Scholes Option Pricing Model with the following weighted average assumptions: dividend yield of 0%, expected volatility of 244%, risk free interest rates of 0.56% and expected life of one year.

On February 7, 2008, the Company extended the expiry date of the 2,873,990 Series C Share Purchase Warrants from February 29, 2008 to February 27, 2009. The exercise price of the warrants remained unchanged at \$0.18 per share. The additional fair value of the 2,873,990 extended life Series C Share Purchase Warrants was estimated at \$156,536, by using the Black-Scholes Option Pricing Model with the following weighted average assumptions: dividend yield of 0% expected volatility of 222.09%, risk-free interest rates of 2.08% and expected life of one year.

The Company also re-extended the expiry date of 2,873,990 Share Purchase Warrants (the Series "C" share purchase Warrants) from February 27, 2009 to February 26, 2010. The exercise price of the warrants remains unchanged at \$0.18 per share. The Series "C" Share Purchase Warrants were originally issued in September 2006 pursuant to a private placement commenced in August 2006. The additional fair value of the 2,873,990 extended life Series C Share Purchase Warrants was estimated at \$48,259 using the Black-Scholes Option Pricing Model with the following weighted average assumptions: dividend yield of 0% expected volatility of 244.01%, risk-free interest rates of 0.82% and expected life of one year.

The Company also re-extended the expiry date of 2,873,990 Share Purchase Warrants (the Series "C" share purchase Warrants) from February 26, 2010 to February 16, 2011. The exercise price of the warrants remains unchanged at \$0.18 per share. The additional fair value of the 2,873,990 extended life Series C Share Purchase Warrants was estimated at \$47,421 using the Black-Scholes Option Pricing Model with the following weighted average assumptions: dividend yield of 0% expected volatility of 244%, risk-free interest rates of 0.56% and expected life of one year.

As at May 31, 2010, the Company has a total of 3,817,500 Series A and 2,873,990 Series C share purchase warrants outstanding, respectively.

Note 6 Foreign Currency Risk

The Company is exposed to fluctuations in foreign currencies through amounts held in China in RMB:

- Cash held in trust \$33 (2009 - \$55,320)

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Note 7 Deferred Tax Assets

The Company's income tax expense for the years ended May 31, 2010 and 2009 differed from the United States statutory rates:

| | 2010 | 2009 |
|---|-------------|-------------|
| Effective tax rate | 35% | 35% |
| Statutory rate applied to loss before income taxes | \$ (74,800) | \$ (85,800) |
| Increase in income taxes resulting from: | | |
| Foreign income taxed at other than US statutory rates | 1,600 | - |
| Non-deductible expenses | 32,100 | 29,400 |
| Change in valuation allowance | 41,100 | 56,400 |
| Income tax expense | \$ - | \$ - |

The significant components of the Company's deferred tax assets are as follows:

| | 2010 | 2009 |
|--|-----------|-----------|
| Future income tax assets (liability) | | |
| Share issuance cost | \$ - | \$ 5,200 |
| Equipment | 3,600 | 3,700 |
| Mineral property and related deferred explorations | 520,600 | 500,000 |
| Non-capital losses | 400,700 | 374,900 |
| | 924,900 | 883,800 |
| Valuation allowance | (924,900) | (883,800) |
| | \$ - | \$ - |

At May 31, 2010, the Company has incurred accumulated net operating losses totalling approximately \$1,192,677 (2009: \$1,071,084) which are available to reduce taxable income in future taxation years.

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Note 7 Deferred Tax Assets (cont d)

These losses expire as follows:

| Year of Expiry | Amount |
|----------------|--------------|
| 2025 | \$ 359,680 |
| 2026 | 213,619 |
| 2027 | 256,068 |
| 2028 | 119,731 |
| 2029 | 121,986 |
| 2030 | 121,593 |
| | \$ 1,192,677 |

The amount taken into income as deferred tax assets must reflect that portion of the income tax loss carryforwards that is more likely-than-not to be realized from future operations. The Company has chosen to provide an allowance of 100% against all available income tax loss carryforwards, regardless of their time of expiry.

As at May 31, 2010, the Company is in arrears on filing its statutory income tax returns and the amounts presented above are based on estimates. The actual losses available could differ from these estimates. In addition, the Company could be subject to penalties for these unfiled tax returns.

The Company operates in foreign jurisdictions and is subject to audit by taxing authorities. These audits may result in the assessment of amounts different than the amounts recorded in the consolidated financial statements. The Company liaises with the relevant authorities in these jurisdictions in regard to its income tax and other returns. Management believes the Company has adequately provided for any taxes, penalties and interest that may fall due.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

a. Evaluation of Disclosure Controls and Procedures:

The management of the Company has evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period of the report, May 31, 2010 and has concluded that the disclosure controls, and procedures was effective based upon their evaluation as of the evaluation date.

b. Management's Report on Internal Control over Financial Reporting

The Company's management, including its chief executive officer and chief financial officer, is responsible for establishing and maintaining adequate internal control over our financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, our chief executive and chief financial officers and implemented by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements. Because of their inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

An evaluation was performed under the supervision and with the participation of the Company's management, including the chief executive officer and the chief financial officer, of the effectiveness of the design and operation of the Company's internal controls over financial reporting as defined in Rules 13a-15(e) or 240.15d-15(e) of the Securities Exchange Act of 1934, as amended, as of May 31, 2010. Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Company's internal controls over financial reporting are effective.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit our company to provide only management's report in this annual report.

c. Changes in Internal Control over Financial Reporting:

There were no significant changes in the Company's internal control over financial reporting identified in connection with the Company's evaluation required by paragraph (d) of Rule 13a-15 or Rule 15d-15 under the Exchange act that during the Company's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

All directors of the Company hold office until the next annual general meeting of the shareholders or until their successors are duly elected and qualified. The officers of our company are appointed by our board of directors and hold office until the earlier of death, retirement, resignation or removal.

Our directors, executive officers and other significant employees, their ages, positions held and duration each person has held that position, are as follows:

| Name | Position Held with the Company | Age | Date First Elected / Appointed |
|------------------|---------------------------------------|------------|---------------------------------------|
| Richard Shao | President, Director, CFO | 47 | January 21, 2004 |
| Raoul Tsakok | Chairman of the Board, CEO | 60 | January 21, 2004 |
| Gerald Runolfson | Director | 68 | April 5, 2004 |
| Robert Smiley | Director | 66 | June 6, 2007 |

Business Experience

The following sets forth the business experience of each of the Company's directors and executive officers:

Raoul N. Tsakok, Chairman

Mr. Tsakok has worked in the Investment Management business for over 30 years. He has been Chairman of Sagit Investment Management Ltd. since 1987. He has been Chairman and director of Richco Investors Inc. and Constitution Insurance Company of Canada. He holds an MBA degree.

Xuxin (Richard) Shao, President and Director

Mr. Shao was born and educated in China. He received his degrees from engineering schools in China, specializing in mineral processing. Between his Bachelor and Ph.D. degrees, he held a research engineer position with the Chemical Mines Design and Research Institute of the Ministry of Chemical Industry in Lianyung Harbour, Jiangsu, China. During his graduate studies at the China University of Mining and Technology, he conducted research on phosphate flotation using interfacial, colloidal and solution chemical theories and authored and coauthored more than 50 research reports and publications on this and other related subjects. After receiving his Ph.D. in 1990 from China University of Mining and Technology, Mr. Shao taught as an associate Professor and was acting Department Head in Mineral Processing at the China University of Mining and Technology for six years.

In 1996, Mr. Shao accepted a position as Research Scientist for the Center for Applied Energy Research at the University of Kentucky in cooperation with the Department of Energy of the US Federal Government. Since 1998, Dr. Shao has worked as an advisor to a number of companies in the evaluation and processing of minerals in North America and China.

Gerald Runolfson, Professional Engineer, Director

Mr. Runolfson is a professional engineer (P. Eng.) and has been in the construction industry for over 35 years. He is currently President and controlling shareholder of Elkon Products Inc., a company that has the exclusive distribution rights for all silica fume produced in Canada. Silica fume is used in oil well cementing operation and concrete construction. Major customers include Halliburton and BJ Services. Mr. Runolfson has been a Director of a number of

public companies.

Robert G. Smiley, J. D., Director

Mr. Smiley is a business consultant working with junior companies. He has been self-employed in this capacity for the past ten years. He is a former lawyer who specialized in oil and gas and securities law for twenty-five years. He is currently president of Richco Investors Inc. and Drucker, Inc. and a director of Canadian Imperial Ventures Corp., Teuton Resource Corp. and Silver Grail Resources Inc. He has served on the boards of a number of junior and intermediate companies in the past.

Our directors, executive officers and control persons have not been involved in any of the following events during the past five years:

1. any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
2. any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offences);
3. being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or
4. being found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

Employees

At present, we have no employees, other than our officers and directors. Our officers and directors do not have employment agreements with us, except consulting agreements which can be cancelled on 30-days notice.

Audit Committee and Charter

We have an audit committee and audit committee charter. Our audit committee is comprised of Mr. Raoul Tsakok, Mr. Richard Shao and Mr. Robert Smiley. During the year ended May 31, 2010, the audit committee met six times. A copy of our audit committee charter is filed as an exhibit to the Form 10-K on August 28, 2009.

The Audit Committee's responsibilities include:

- selecting and reviewing our independent registered public accounting firm and their services;
- reviewing and discussing the audited financial statements, related accounting and auditing principles, practices and disclosures with the appropriate members of management;
- reviewing and discussing our quarterly financial statements prior to the filing of those quarterly financial statements;
- establishing procedures for the receipt of, and response to, any complaints received regarding accounting, internal accounting controls, or auditing matters, including anonymous submissions by employees;
- reviewing the accounting principles and auditing practices and procedures to be used for the audit of our financial statements and reviewing the results of those audits; and
- monitoring the adequacy of our operating and internal controls as reported by management and the independent registered public accounting firm.

Code of Ethics

We have adopted a corporate code of ethics that applies to all employees, including our directors and officers. A copy of the code of ethics is filed as an exhibit to the Form 10-K on August 28, 2009. We believe our code of ethics is reasonably designed to deter wrongdoing and promote honest and ethical conduct; provide full, fair, accurate, timely and understandable disclosure in public reports; comply with applicable laws; ensure prompt internal reporting of code violations; and provide accountability for adherence to the code.

ITEM 11. EXECUTIVE COMPENSATION**(a) Officers' Compensation.**

Compensation paid by the Company for all services provided up to the fiscal years ended May 31, 2010 and 2009 to each of the executive officers and to all officers as a group is set forth below.

SUMMARY COMPENSATION TABLE OF EXECUTIVES

| Name and Year Principal ended Position May 31, | Cash Compensation | | | Restricted Stock Awards (\$) | Security Grants | | TOTAL (\$) |
|---|-------------------------|-----------------|---|---------------------------------------|---|--|---------------|
| | Salary (\$) (1) | Bonus (\$) | All Other Compensation (\$) (2) | | Securities Underlying Options / SARs (#) (SHARES) | Long Term Compensation / Options (\$) | |
| Richard 2009 | 0 | 0 | 62,076 | 0 | 0 | 0 | 62,076 |
| Shao 2010 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| President | | | | | | | |
| Raoul 2009 | 0 | 0 | 63,000 | 0 | 0 | 0 | 63,000 |
| Tsakok 2010 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Chairman | | | | | | | |
| Kathy 2009 | 0 | 0 | 20,692 | 0 | 0 | 0 | 20,692 |
| Wang 2010 | 0 | 0 | 22,625 | 0 | 0 | 0 | 22,625 |
| Secretary | | | | | | | |
| Officers 2009 | 0 | 0 | 145,768 | 0 | 0 | 0 | 145,768 |
| as a 2010 | 0 | 0 | 22,625 | 0 | 0 | 0 | 22,625 |
| Group | | | | | | | |

(1) Executive officers did not receive any salary during the fiscal years ended December 31, 2010 or 2009.

(2) The amounts listed under the Column entitled All other Compensation in the Summary Compensation Table related to consulting fees earned during the period reported.

(b) Directors' Compensation

Directors who are also officers receive no cash compensation for services as a director. However, the directors will be reimbursed for out-of-pocket expenses incurred in connection with attendance at board and committee meetings. The Company granted options to directors under its 2004 Incentive Stock Option Plan subsequently adopted.

SUMMARY COMPENSATION TABLE OF DIRECTORS

(For fiscal years ended May 31, 2010 and 2009)

| Name and Principal Position | Year ended May 31, | Cash Compensation | | | Security Grants | | All Other Compensation (\$) | TOTAL (\$) |
|-----------------------------------|--------------------------|---------------------------------|----------------------|--|-------------------------------|---|-----------------------------------|---------------|
| | | Annual Retainer Fees (\$) | Meeting Fees (\$) | Consulting Fees/ Other Fees (\$) | Number of Shares (#) | Securities Underlying Options / SARs (#) (SHARES) | | |
| Raoul Tsakok Director | 2009 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2010 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

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| | | | | | | | | |
|---------------------------------|------|---|---|---|---|---|---|---|
| Richard Shao Director | 2009 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2010 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Gerald Runolfson Director | 2009 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2010 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Robert G. Smiley Director | 2009 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2010 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Directors as a Group | 2009 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2010 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

During the year ended May 31, 2004, we granted 2,100,000 stock options to our directors or officers. The options were granted at an exercise price of \$0.50 per share and expired on February 3, 2009. During the year ended May 31, 2010, no stock options were granted to our directors or officers.

Directors are entitled to reimbursement for reasonable travel and other out-of-pocket expenses incurred in connection with attendance at meetings of our board of directors. Our board of directors may award special remuneration to any director undertaking any special services on our behalf other than services ordinarily required of a director. No director received and/or accrued any compensation for their services as a director, including committee participation and/or special assignments.

There are no management agreements with our directors or executive officers and we do not anticipate that written agreements will be put in place in the foreseeable future.

We have no plans or arrangements in respect of remuneration received or that may be received by our executive officers to compensate such officers in the event of termination of employment (as a result of resignation, retirement, change of control) or a change of responsibilities following a change of control.

There are no plans or arrangements in which we provide pension, retirement or similar benefits for directors or executive officers. We have no material bonus or profit sharing plans pursuant to which cash or non-cash compensation is or may be paid to our directors or executive officers, except that stock options may be granted at the discretion of the Board of Directors or a committee thereof.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth, as of August 26, 2010, certain information with respect to the beneficial ownership of our common shares by each shareholder known to us to be the beneficial owner of 5% of our common shares, and by each of our officers and directors. Each person has sole voting power with respect to the common shares, except as otherwise indicated. Beneficial ownership consists of a direct interest in the common shares, except as otherwise indicated. As of August 26, 2010, there were 43,826,175 common shares issued and outstanding.

| Title of Class | Name and Address of Beneficial Owner (1) | Amount and Nature of Beneficial Ownership | Percentage of Class(2) |
|----------------|--|---|------------------------|
| Common stock | Raoul Tsakok | 15,000,000 (3) | 34.23% |
| Common stock | Richard Shao | 4,000,000 | 9.13% |
| Common stock | Gerald Runolfson | 1,700,000 (4) | 3.87% |
| Common stock | Robert Smiley | 0 | 0 |
| | TOTAL | 20,700,000 | 47.23% |

- (1) The address of each beneficial owner is 4743 350 SE Marine Drive, Vancouver, BC V5X 2S5 Canada
- (2) Based on 43,826,175 shares outstanding as of August 26, 2010 and, as to a specific person, shares issuable pursuant to the conversion or exercise, as the case may be, of currently exercisable or convertible debentures, share purchase warrants and stock options within 60 days.
- (3) 15,000,000 common shares held through Cobilco Inc.
- (4) Includes 800,000 common shares and 300,000 A warrants, 300,000 B warrants and 300,000 C warrant held through Elkon Products Inc.

Changes in Control

Pursuant to the agreement signed on July 8, 2008 with Zhong Chuan, the Company will cause 287,910,000 shares in the capital of the Company to be issued to Monte Sea Shareholders for the DXC Salt Lake project. This share issuance will result in a change of control of the Company.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

There have been no transactions, or proposed transactions, which have materially affected or will materially affect us in which any director, executive officer or beneficial holder of more than 10% of the outstanding common stock, or any of their respective relatives, spouses, associates or affiliates, has had or will have any direct or material indirect interest.

As at the date of this annual report, we do not have any policies in place with respect to whether we will enter into agreements with related parties in the future.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit Fees

BDO Canada LLP (BDO) provided audit services to the Company in connection with its annual report for the fiscal years ended May 31, 2010 and May 31, 2009. The aggregate fees billed by BDO for the May 31, 2010 year ended audit and the fiscal year 2010 quarterly reviews of the Company was \$40,852. The aggregate fees billed by BDO for the May 31, 2009 year ended audit and the fiscal year 2009 quarterly reviews of the Company was \$42,284.

Audit Related Fees

No fees were billed by BDO to the Company for professional services that are reasonably related to the audit or review of the Company's financial statements that are not disclosed in "Audit Fees" above.

Tax Fees

No fees were billed by BDO to the Company in the years ended May 31, 2010 and 2009 for professional tax services.

All Other Fees

No fees were billed by BDO to the Company for other professional services rendered or any other services not disclosed above during the years ended May 31, 2010 and 2009.

Audit Committee Pre-Approval

The Audit Committee has the sole authority to appoint, terminate and replace our independent auditor and to approve the scope, fees and terms of all audit engagements, as well as all permissible non-audit engagements of our independent auditor.

All audit work was performed by the auditors' full time employees.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as part of this report:

1. Financial Statements.

Our consolidated financial statements are included in Part II, Item 8 of this report:

| | <u>Page</u> |
|---|--------------|
| <u>Report of Independent Registered Public Accounting Firm</u> | <u>17</u> |
| <u>Consolidated Balance Sheets</u> | <u>18</u> |
| <u>Consolidated Statements of Operations</u> | <u>19</u> |
| <u>Consolidated Statements of Changes in Stockholders' Equity (Capital Deficit)</u> | <u>20</u> |
| <u>Consolidated Statements of Cash Flows</u> | <u>21</u> |
| <u>Notes to the Consolidated Financial Statements</u> | <u>22-38</u> |

2. Financial statement schedules and supplementary information required to be submitted.

Schedules other than that listed above are omitted because they are not applicable.

3. Exhibits

A list of the exhibits filed or furnished with this report on Form 10-K (or incorporated by reference to exhibits previously filed or furnished by us) is provided in the Exhibit Index beginning on page 47 of this report. Those exhibits incorporated by reference herein are indicated as such by the information supplied in the parenthetical thereafter. Otherwise, the exhibits are filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

STERLING GROUP VENTURES, INC.

(Registrant)

By: /s/ Richard Shao

Richard Shao, President and Chief Financial Officer

Date: August 26, 2010

By: /s/ Raoul Tsakok

Raoul Tsakok, Chairman and Chief Executive Officer

Date: August 26, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Richard Shao

Richard Shao, President and Chief Financial Officer

Date: August 26, 2010

By: /s/ Raoul Tsakok

Raoul Tsakok, Chairman and Chief Executive Officer

Date: August 26, 2010

Index of Exhibits

| Exhibit Number | Description |
|-----------------------|--|
| 3.1 | Articles of Incorporation of the Company, (filed as Exhibit 3.1 to the Company's Registration Statement on Form SB-2 filed on July 26, 2002, and incorporated herein by reference). |
| 3.2 | Bylaws of the Company (filed as Exhibit 3.2 to the Company's Registration Statement on Form SB-2 filed on July 26, 2002, and incorporated herein by reference). |
| 4.1 | Specimen stock certificate (filed as Exhibit 4.1 to the Company's Registration Statement on Form SB-2 filed on July 26, 2002, and incorporated herein by reference). |
| 10.1 | Acquisition Agreement between the Company and Micro Express Ltd., dated January 20, 2004. (Filed as Exhibit 10.1 to the Company's current report on Form 8-K filed on January 29, 2004, and incorporated herein by reference). |
| 10.2 | Joint Venture Contract between Micro Express Ltd. (the Company's wholly subsidiary) and Sichuan Province Mining Ltd., dated April 5, 2005 (Filed as Exhibit 10.1 to the Company's current report on Form 8-K filed on April 11, 2005, and incorporated herein by reference). |
| 10.3 | Agreement for Development of DXC Salt Lake Property between Micro Express Holdings Inc. (the Company's wholly subsidiary) and Beijing Mianping Salt Lake Research Institute, dated September 16, 2005 (Filed as Exhibit 10.1 to the Company's current report on Form 8-K filed on September 21, 2005, and incorporated herein by reference). |
| 10.4 | Agreement for Termination of Joint Venture between Micro Express Ltd. and Sichuan Province Mining Ltd., dated March 3, 2006 (Filed as Exhibit 10.1 to the Company's current report on Form 8-K filed on March 6, 2006, and incorporated herein by reference). |
| 10.5 | Agreement between the Company, Zhong Chuan International Mining Holding Co., Ltd., and shareholders of Monte Sea Holdings Ltd., dated July 8, 2008 (Filed as Exhibit 10.1 to the Company's current report on Form 8-K filed on July 15, 2008, and incorporated herein by reference). |
| 14.1 | Code of Ethics. (Filed as Exhibit 14.1 to the Company's annual report on Form 10-K filed on August 28, 2009, and incorporated herein by reference). |
| <u>31.1</u> | <u>Certification of Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.</u> |
| <u>31.2</u> | <u>Certification of Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.</u> |
| <u>32.1</u> | <u>Certification of Chief Executive Officer Pursuant to 18 U.S.C. Sec. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Filed herewith.</u> |
| <u>32.2</u> | <u>Certification of Chief Financial Officer Pursuant to 18 U.S.C. Sec. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Filed herewith.</u> |
| 99.1 | Audit Committee Charter. (Filed as Exhibit 99.1 to the Company's annual report on Form 10-K filed on August 28, 2009, and incorporated herein by reference). |