STERLING GROUP VENTURES INC
Form 10-Q
October 14, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended **August 31, 2016.**

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _________ to _______ .

Commission file number: **000-51775**

STERLING GROUP VENTURES, INC.

(Exact name of registrant as specified in its charter)

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

904 - 1455 Howe Street, Vancouver, B.C. Canada V6Z 1C2
(Address of principal executive offices) (Zip Code)

(604) 684-1001
(Registrant s telephone number, including area code)

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

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 [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes [X] No [ ]

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ]	Accelerated filer [ ]	Non-accelerated filer [ ]	Smaller reporting company [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes [ ] No [X]

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of October 14, 2016.

Title of each class	**Number of shares**
Common Stock, par value $0.001 per share	75,730,341

STERLING GROUP VENTURES, INC.
FORM 10-Q
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PART I. - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

STERLING GROUP VENTURES, INC.
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS
Stated in U.S. dollars
(Unaudited)

	As at	
	August 31, 2016	**May 31, 2016**
ASSETS		
Current Assets		
Cash and cash equivalents	$ 789,783	$ 907,158
Prepaid expenses and other receivable	16,704	12,620
Total current assets	806,487	919,778
Equipment - Note 4	63,477	71,422
Environmental deposit, net of provision - Note 3	1	1
Mineral Properties, net of provision - Note 3	1	1
Total Assets	$ 869,966	$ 991,202
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and other accrued liabilities - Note 5	$ 398,138	$ 426,566
Total Liabilities	398,138	426,566
Stockholders' Equity		
Common Stock : $0.001 Par Value - Note 6		
Authorized : 500,000,000		
Issued and Outstanding : 75,730,341 (May 31, 2016: 75,730,341)	75,730	75,730
Additional Paid In Capital	10,831,422	10,831,422
Accumulated Other Comprehensive Loss	(35,270)	(20,854)
Accumulated deficit	(10,400,054)	(10,321,662)
Total Stockholders' Equity	471,828	564,636
Total Liabilities and Stockholders' Equity	$ 869,966	$ 991,202

See accompanying notes to condensed interim consolidated financial statements

STERLING GROUP VENTURES, INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
Stated in U.S. dollars
(Unaudited)

	For the three months ended August 31, 2016	2015
Expenses		
Accounting, audit, legal and professional fees	$ 48,105	$ 33,085
Bank charges	300	164
Consulting fees - Notes 5	5,107	5,036
Depreciation - Note 4	6,963	10,125
Filing fees and transfer agent	2,213	2,478
General and administrative	605	671
Travel and entertainment	5,595	-
Mineral property costs - Note 3	21,407	25,094
Shareholder information and investor relations	1,875	750
	(92,170)	(77,403)
Other items		
Interest income	112	3,923
Foreign exchange gain(loss)	13,666	(10,488)
	13,778	(6,565)
Net loss and Comprehensive loss for the period	$ (78,392)	$ (83,968)
Basic and diluted loss per share	$ (0.00)	$ (0.00)
Weighted average number of shares outstanding	75,730,341	75,730,341

See accompanying notes to condensed interim consolidated financial statements

STERLING GROUP VENTURES, INC.
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
For the three months ended August 31, 2016 and year ended May 31, 2016
(Unaudited)

Stated in U.S. dollars	**Common Shares**	**Stock Amount At Par Value**	**Additional Paid In Capital**	**Accumulated Other Comprehensive Loss**	**Deficit Accumulated During The Exploration Stage**	**Total**
Balance, May 31, 2015	75,730,341	$ 75,730	$ 10,831,422	$ (582)	$ (7,229,917)	$ 3,676,653
Issuance of shares - Note 9	93,000,000	-	-	-	-	-
Shares held in escrow - Note 9	(93,000,000)	-	-	-	-	-
Net loss for the year	-	-	-	-	(3,091,745)	(3,091,745)
Translation adjustment	-	-	-	(20,272)	-	(20,272)
Balance, May 31, 2016	75,730,341	$ 75,730	$ 10,831,422	$ (20,854)	$ (10,321,662)	$ 564,636
Net loss for the period	-	-	-	-	(78,392)	(78,392)
Translation adjustment	-	-	-	(14,416)	-	(14,416)
Balance, August 31, 2016	75,730,341	$ 75,730	$ 10,831,422	$ (35,270)	$ (10,400,054)	$ 471,828

See accompanying notes to condensed interim consolidated financial statements

STERLING GROUP VENTURES, INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
Stated in U.S. dollars
(Unaudited)

	For the three months ended August 31, 2016	2015
Cash flows from operating activities		
Net loss for the period	$ (78,392)	$ (83,968)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation	6,963	10,125
Foreign exchange	(13,368)	6,581
Changes in non-cash working capital items		
Prepaid expenses and other receivable	(4,150)	(10,281)
Accounts payable and accrued liabilities	3,736	21,293
Net cash used in operating activities	(85,211)	(56,250)
Cash flows from investing activity		
Additions to equipment	-	(752)
Net cash used in investing activity	-	(752)
Cash flows from financing activity		
Amounts repaid to a director	(32,164)	(13,635)
Net cash used in financing activity	(32,164)	(13,635)
Net decrease in cash and cash equivalents	(117,375)	(70,637)
Cash and cash equivalents - beginning of period	907,158	1,433,109
Cash and cash equivalents - end of period	$ 789,783	$ 1,362,472
<u>Supplemental Information :</u>		
Cash paid for :		
Interest	$ -	$ -
Income taxes	$ -	$ -

See accompanying notes to condensed interim consolidated financial statements

Sterling Group Ventures, Inc.
Notes to the Condensed Interim Consolidated Financial Statements
August 31, 2016
(Unaudited) (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.

Sterling Group Ventures, Inc. (the Company) is in the exploration stage. The Company 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, 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 condensed interim 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 as 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. The Company incurred a net loss of $78,392 during the period ended August 31, 2016 and, as at that date, had a cumulative loss of $10,400,054 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.

Certain information and footnote disclosures normally included in the condensed interim consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although we believe that the disclosures are adequate to make the information presented not misleading.

These statements reflect all adjustments, which are, in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented in accordance with accounting principles generally accepted in the United States of America. Except where noted, the condensed interim consolidated financial statements follow the same accounting policies and methods of their application as our May 31, 2016 annual consolidated financial statements. All adjustments are of a normal recurring nature. It is suggested that these condensed interim consolidated financial statements be read in conjunction with our May 31, 2016 annual consolidated financial statements.

Operating results for the three months ended August 31, 2016 are not necessarily indicative of the results that can be expected for the year ending May 31, 2017.

These condensed interim 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., Makaelo Limited, Silver Castle Investments Limited (Silver Castle) and its 100% controlled subsidiary, Chenxi County Hongyu Mining Co. Ltd. ("Hongyu"). All inter-company transactions and account balances have been eliminated.

Sterling Group Ventures, Inc.
Notes to the Condensed Interim Consolidated Financial Statements
August 31, 2016
(Unaudited) (Stated in US Dollars)

Note 2 Recent Accounting Pronouncements

The Company has evaluated all the recent accounting pronouncements and believes that none of them will have a material effect on the Company s condensed interim consolidated financial statements.

a. Accounting standards adopted

On June 1, 2016, the Company adopted FASB issued Accounting Standard Update (ASU) 2014-12, Accounting for Share-Based Payments When the Terms of an Award Allow a Performance Target to Be Achieved After the Requisite Service Period, which requires that a performance target that could be achieved after the requisite service period be treated as a performance condition that affects the vesting of the award. The Company applies the amendments in ASU 2014-12 prospectively to all awards granted or modified after the effective date. Adoption of the new update to ASU 2014-12 did not have any impact on the financial statements of the Company.

b. Accounting standards not yet adopted

In August, 2014, the FASB issued ASU 2014-15, Disclosure of Uncertainties About an Entity s Ability to Continue as a Going Concern, which provides guidance on determining when and how to disclose going-concern uncertainties in the financial statements. The new standard requires management to perform interim and annual assessments of an entity s ability to continue as a going concern within one year of the date the financial statements are issued. An entity must provide certain disclosures if conditions or events raise substantial doubt about the entity s ability to continue as a going concern. The ASU applies to all entities and is effective for annual periods ending after December 15, 2016, and interim periods thereafter, with early adoption permitted. The Company is currently assessing the impact the new standard will have on the financial statements.

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting,* which modifies the accounting for excess tax benefits and tax deficiencies associated with share-based payments, the accounting for forfeitures, and the classification of certain items on the statement of cash flows. ASU 2016-09 eliminates the requirement to recognize excess tax benefits in additional paid-in capital ("APIC"), and the requirement to evaluate tax deficiencies for APIC or income tax expense classification, and provides for these benefits or deficiencies to be recorded as an income tax expense or benefit in the income statement. With these changes, tax-related cash flows resulting from share-based payments will be classified as operating activities as opposed to financing, as currently presented. The standard is effective for us in the first quarter of fiscal year 2018, although early adoption is permitted. We are currently assessing the impact the new standard will have on our financial statements.

Sterling Group Ventures, Inc.
Notes to the Condensed Interim Consolidated Financial Statements
August 31, 2016
(Unaudited) (Stated in US Dollars)

Note 3 Mineral Properties

A summary of mineral property costs for the period ended August 31, 2016 and year ended May 31, 2016 were incurred and accounted for in the condensed interim consolidated statement of operations as follows:

Summary of mineral property expenditures		**Gaoping Phosphate Property**
Balance, May 31, 2015	$	1,074,701
Administrative		536
Consulting fees		6,935
Mining permit		2,107
Wages and benefits		15,516
Balance, August 31, 2015	$	1,099,795
Administrative		2,826
Consulting fees		9,388
Mining permit		8,815
Travel & promotion		13,092
Wages and benefits		42,559
Balance, May 31, 2016	$	1,176,475
Administrative		2,064
Consulting fees		1,880
Travel & promotion		2,601
Wages and benefits		14,862
Balance, August 31, 2016	$	1,197,882

a) Gaoping Phosphate Property

During the period ended August 31, 2016, the Company incurred mineral property expenditures of $21,407 (August 31, 2015: $25,094). As of August 31, 2016, the Company has incurred total mineral property costs of $1,197,882 (May 31, 2016: $1,176,475) on this property which have been expensed to the statement of operations as disclosed in the table above.

On May 31, 2016, in accordance with its accounting policy, the Company performed an impairment test on the carrying value of the Gaoping Phosphate Property. Due to the prolonged and significant decline in the phosphate price and the lack of planned exploration program on the property, the Company recorded impairment provisions to the mineral properties and its related environmental deposit of $3,147,801 and $123,204, respectively, during its fiscal year ended May 31, 2016.

Sterling Group Ventures, Inc.
Notes to the Condensed Interim Consolidated Financial Statements
August 31, 2016
(Unaudited) (Stated in US Dollars)

Note 4 Equipment

	August 31, 2016			May 31, 2016		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Computer equipment	$ 14,710	$ 14,139	$ 571	$ 14,742	$ 14,073	$ 669
Automobile	55,923	50,057	5,866	56,738	47,962	8,776
Office equipment	3,332	3,332	-	3,381	3,381	-
Machinery	152,788	95,748	57,040	155,012	93,035	61,977
	$ 226,753	$ 163,276	$ 63,477	$ 229,873	$ 158,451	$ 71,422

The depreciation for the period ended August 31, 2016 was $6,963 (August 31, 2015: $10,125).

Note 5 Related Party Transactions

The Company was charged consulting fees for administrative, corporate, financial, engineering, and management services during the three-month period ended August 31, 2016 totalling $4,637 (August 31, 2015: $4,541) by company controlled by a former director of the Company.

Included in accounts payable and accrued liabilities is $365,017 (May 31, 2016: $397,181) which was due to companies controlled by the directors and former directors for their services provided in previous years.

These transactions were measured at the amount of consideration established and agreed to by the related parties.

Note 6 Capital Stock

a) Capital Stock

There were 93,000,000 shares issued in escrow during the year ended May 31, 2016 in connection with the Purchase and Sales Agreement and were then cancelled on September 9, 2016 (Note 9). There were no share issuances during the period ended August 31, 2016 and year ended May 31, 2016.

b) Stock Options

There were no stock options granted during the period ended August 31, 2016 and year ended May 31, 2016. At August 31, 2016, there were 5,200,000 stock options (May 31, 2016: 5,200,000) outstanding and exercisable with an exercise price at $0.25 each expiring on February 3, 2019, with an aggregate intrinsic value of $nil (May 31, 2016: $nil) and a weighted average remaining contractual term of 2.43 years (May 31, 2016: 2.68 years).

c) Share Purchase Warrants

At August 31, 2016, there were 24,570,000 share purchase warrants (May 31, 2016: 24,570,000) outstanding and exercisable with weighted average exercise price at $0.204.

Series	Number	Price	Expiry Date
"A"	3,817,500	$ 0.50	February 17, 2017
"D"	20,752,500	$ 0.15	February 17, 2017
	24,570,000		

Sterling Group Ventures, Inc.
Notes to the Condensed Interim Consolidated Financial Statements
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(Unaudited) (Stated in US Dollars)

Note 7 Foreign Currency Risk

The Company is exposed to fluctuations in foreign currencies through amounts held in China in RMB: Cash and cash equivalents $14,433 (May 31, 2016 - $30,615).

The Company is exposed to fluctuations in foreign currencies through amounts held in Canada in CAD: Cash $19,025 (May 31, 2016 - $15,595).

The Company is exposed to fluctuations in foreign currencies through amounts held in Hong Kong in HKD: Cash $147 (May 31, 2016 - $76).

Note 8 Segment Information

The Company has offices in Canada and China, with operations in one segment only, i.e. mineral resources sector. The Company s assets are allocated to each country as follows:

	August 31, 2016			May 31, 2016		
	Canada	China	Total	Canada	China	Total
Cash and cash equivalents	$ 56,227	$ 733,556	$ 789,783	$ 132,382	$ 774,776	$ 907,158
Prepaid expense and other receivable	14,326	2,378	16,704	6,438	6,182	12,620
Equipment	121	63,356	63,477	154	71,268	71,422
Environmental deposit	-	1	1	-	1	1
Mineral properties	-	1	1	-	1	1
	$ 70,674	$ 799,292	$ 869,966	$ 138,974	$ 852,228	$ 991,202

Note 9 Purchase and Sales Agreement

On April 9, 2016, the Company signed a Purchase and Sale Agreement (Agreement) with Chenguo Capital Limited (Chenguo). As a result of the transaction, the Company had plans to diversify and become a timeshare exchange provider, a manager of timeshare assets through agreements, and a developer of timeshare assets with fee relationships with other organizations or resorts.

Under the terms of the Agreement, the Company would be required to issue 85,000,000 shares on April 19, 2016 to Chenguo. Pursuant to an escrow agreement, the 85,000,000 shares are contingently issuable and only released from escrow upon completion of the transaction and when the timeshare assets are transferred to the Company. In connection with this agreement, the Company also issued 8,000,000 shares, pursuant to an escrow agreement, representing a finder s fee to be released on completion of the transaction.

The Company also remitted RMB1,895,353 ($295,726) to the other party on April 22, 2016 for the development of the timeshare platform.

On September 5, 2016, both parties agreed to terminate the Agreement and the Company agreed to reimburse the parties to the Agreement HK$125,000 ($16,090) on the related expenses incurred.

Pursuant to the termination agreement, on September 9, 2016, the Company cancelled the 85,000,000 escrow shares and 8,000,000 shares issued as finder s fees, subject to the escrow agreement. During the year ended May 31, 2016, the Company also expensed in project development cost $295,726 funds advanced for the development of timeshare platform and recorded $16,090 and an additional $7,750 for expenses incurred by the other parties affiliated with Chenguo termination in due diligence cost in the consolidated statement of operations. The Company has determined there is a contingent liability related to the cancellation of the 8,000,000 shares related to the finder s fee. Based on the early stage of the claim and evaluation of the facts available at this time, the amount or range of reasonably possible losses to which the Company is exposed cannot not be estimated and the ultimate resolution of this matter and the associated financial impact to the Company, if any, remains uncertain at this time. We believe the claim is without merit and intend to defend ourselves vigorously.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes for the year ended May 31, 2016, the financial statements and related notes in this Quarterly Report for the period ended August 31, 2016, the risk factors in our 10K for the year ended May 31, 2016, and all of the other information contained elsewhere in this report.

As used in this quarterly report, the terms we , us , our , our company , Company and Sterling refer to Sterli Ventures, Inc. and its subsidiaries, unless otherwise indicated.

Forward-Looking Statements. When used in this Form 10-Q, the words believe , may , will , plan , estimate , c anticipate , intend , expect , project , estimates , and similar expressions are intended to identify forward-lo 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

Business of Sterling Group Ventures Inc.

Sterling is a natural resource company engaged in acquisition and exploration of mineral properties. At present, the Company has acquired the Gaoping phosphate Property and is exploring for phosphate concentrate. It continues to seek out other projects to add value to the Company.

Gaoping Phosphate Property

On October 18, 2010, Sterling signed two agreements (the "Agreements") with Chenxi County Hongyu Mining Co. Ltd. ("Hongyu") and its shareholders ("Hongyu Shareholders") regarding the Gaoping phosphate mine (the "GP Property") located in Tanjiachang village, Chenxi County, Hunan Province, China and other phosphate resources in Hunan Province. Hongyu holds a business license and a mining permit in the GP Property which is in effect until November 10, 2014 and covers 42.5 hectares. On April 29, 2015, Hongyu obtained the renewal of the mining permit, which is valid until April 2, 2018.

The Agreements required an investment company to be incorporated in Hong Kong (the "Investment Company") which was to be owned 20% by the Hongyu Shareholders and 80% by Sterling. On October 13, 2010, the Investment Company was incorporated in Hong Kong under the name Silver Castle Investments Ltd. ("Silver Castle"). Silver Castle acquired 90% of Hongyu and the other 10% of Hongyu was transferred to the nominees of Sterling. During the acquisition phase, Sterling ensured that Hongyu's net assets retained a minimum value of RMB 5,000,000 ($771,545). Upon completion of this acquisition, Hongyu became a Hong Kong / China joint venture company. Sterling received all required approvals from Chinese authorities for the completion of its acquisition of Hongyu pursuant to the Agreements dated October 18, 2010. Sterling paid a total RMB 2,000,000 ($310,438) to the Hongyu Shareholders with RMB 200,000 (US$30,934) paid as down payment on December 14, 2010 and the remaining RMB1,800,000 ($279,504) paid on July 8, 2011 for completion of the transaction.

Pursuant to the Agreements, Hongyu agreed to surrender its future exclusive cooperative rights to Sterling, and the Hongyu Shareholders agreed that Sterling shall have all Hongyu's title and interest in any phosphate properties, including but not limited to the GP Property, and Sterling should arrange for the financing of building a mining and processing plant on the GP Property together with other facilities required for a mining operation thereon.

When requested by Sterling, the Hongyu Shareholders agreed to sell their 20% interest in the Investment Company to Sterling for the issuance of 10,000,000 common shares of Sterling's capital stock. On July 5, 2011, Sterling issued 10,000,000 shares to the Hongyu Shareholders with the closing market price of the shares at $0.22 for acquiring the remaining 20% equity interest in Silver Castle from the Hongyu Shareholders. As a result of this transaction, Sterling effectively controls 100% of Hongyu through its wholly owned subsidiary, Silver Castle Investments Ltd. which holds 90% of Hongyu with the other 10% held by the nominees of Sterling.

Sterling through its subsidiary company, Silver Castle Investments Ltd., also signed a letter of intent for a larger area known as Tanjiachang Exploration Concession with Chenxi County Merchants Bureau, Hunan Province, China. Tanjiachang Exploration Concession is surrounding the Gaoping Mining permit.

As a mining license was obtained for the Gaoping Phosphate Property and a Chinese engineering report was completed, Hongyu is making progress on this property as follows. On February 13, 2012, Hongyu received approval for installing the power line for the Gaoping Phosphate Property. Hongyu also reached an understanding for land rental with a local village committee on March 17, 2012. Hongyu signed and completed a land rental agreement with each family in the mining area on March 27, 2012. On April 1, 2012, Hongyu also received conditional safety approval from the Supervision and Management Bureau for Safety Operation of Chenxi County and the project is essentially ready to begin production on a small scale basis to be further ramped up as the development and production plan takes effect. On April 22, 2012, Hongyu signed a mining agreement with the mining contractor, Yichang Rongchang Mining Co. Ltd., to be the operator of the mining and production activities on the project. On June 16, 2012, Hongyu completed power line construction. On July 19, 2012, Hongyu received the explosive operation permit. Accommodations for mining people have been built. An onsite office and accommodations for workers and mining management are complete. The water supply for the mining operation and living quarters is connected to the site. The road to the mining site has been completed. Three adits have been dug and they will be used to access the phosphorite along its strike length.

On March 10, 2013, Hongyu signed a profit sharing agreement with Yichang Baolin Mining Engineering Co. Ltd ("Baolin") for mining and processing phosphate rock from the Project. Baolin has a processing plant using a scrubbing processing which can process up to 100,000 t/a. However, Baolin has also built a new simple washing processing plant near Gaoping property to reduce the transportation cost. Hongyu has also signed an agreement with the Yichang Yinuo Biotech Co. Ltd ("Yinuo") to jointly produce and market bio-phosphate fertilizer. Yinuo has its own microbial inoculants and its fertilizer market brand is Mingxinglinde which is an organic biofertilizer. The aforementioned progress is presented as an interim measure to gauge the ease and efficiency of the mining process together with the efficacy of the contractual arrangements made to produce and market the phosphate rock.

As a substantial decrease of phosphate rock and phosphate fertilizer market pricing has occurred, Hongyu has halted further exploration and development since August 2013 until the world market prices rebound and has kept the property in care and maintenance mode. Such an action preserves the phosphate rock in situ and saves operating capital while world prices for phosphate rock are in a depressed state. The Company's capital contributions to the project were held to a minimum by its contracting the mining and washing functions to Yichang Baolin Mining Engineering Co. Ltd.

The Company has continued the services of several key employees in China to review other mining properties and opportunities. In pursuit of one such opportunity, Hongyu has obtained a registration code from Customs of People's Republic of China for the import and export business which may afford the Company the opportunity to act as an agent or distributor for the importation and exportation of fertilizer products. Hongyu is also continuously reviewing and looking other opportunities in mining.

As of August 31, 2016, the Gaoping mineral property is still an exploration stage property as it does not yet have proven reserves.

On April 9, 2016, the Company signed a Purchase and Sale Agreement ("Agreement") with Chenguo Capital Limited ("Chenguo"). As a result of the transaction, the Company had plans to diversify and become a timeshare exchange provider, a manager of timeshare assets through agreements, and a developer of timeshare assets with fee relationships with other organizations or resorts.

Under the terms of the Agreement, the Company would be required to issue 85,000,000 shares on April 19, 2016 to Chenguo. Pursuant to an escrow agreement, the 85,000,000 shares are contingently issuable and only released from escrow upon completion of the transaction and when the timeshare assets are transferred to the Company. In connection with this agreement, the Company also issued 8,000,000 shares, pursuant to an escrow agreement, representing a finder's fee to be released on completion of the transaction.

The Company also remitted RMB1,895,353 ($295,726) to the other party on April 22, 2016 for the development of the timeshare platform.

On September 5, 2016, both parties agreed to terminate the Agreement and the Company agreed to reimburse the parties to the Agreement HK$125,000 ($16,090) on the related expenses incurred.

Pursuant to the termination agreement, on September 9, 2016, the Company cancelled the 85,000,000 escrow shares and 8,000,000 shares issued as finder's fees, subject to the escrow agreement. The Company also expensed in project development cost $295,726 funds advanced for the development of timeshare platform and recorded $16,090 and an additional $7,750 for expenses incurred by the other parties affiliated with Chenguo termination in due diligence cost in the consolidated statement of operations. The Company has determined there is a contingent liability related to the cancellation of the 8,000,000 shares related to the finder's fee. Based on the early stage of the claim and evaluation of the facts available at this time, the amount or range of reasonably possible losses to which the Company is exposed cannot not be estimated and the ultimate resolution of this matter and the associated financial impact to the Company, if any, remains uncertain at this time. We believe the claim is without merit and intend to defend ourselves vigorously.

Application of Critical Accounting Policies and Use of Estimates

Our condensed interim consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires that we make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ significantly from these estimates under different assumptions or conditions. There have been no material changes to these estimates for the periods presented in this quarterly report.

We believe that of our significant accounting policies, which are described in Note 2 to our annual financial statements, the following accounting policies involve a greater degree of judgment and complexity. Accordingly, the following policies are the most critical to aid in fully understanding and evaluating our financial condition and results of operations.

Basis of Presentation

These condensed interim consolidated financial statements include the accounts of our Company and our wholly-owned subsidiaries, Micro Express Holdings Inc., Micro Express Ltd., Huyana Ventures Limited, Makaelo Holdings Inc., Makaelo Limited, Silver Castle Investments Limited ("Silver Castle") and our 100% controlled subsidiary, Chenxi County Hongyu Mining Co. Ltd. ("Hongyu"). All inter-company transactions and account balances have been eliminated.

Interim Reporting

The information presented in the accompanying condensed interim consolidated financial statements is without audit pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures normally included in the condensed interim consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although we believe that the disclosures are adequate to make the information presented not misleading.

These statements reflect all adjustments, which are, in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented in accordance with accounting principles generally accepted in the United States of America. Except where noted, the condensed interim consolidated financial statements follow the same accounting policies and methods of their application as our May 31, 2016 annual consolidated financial statements. All adjustments are of a normal recurring nature. It is suggested that these condensed interim consolidated financial statements be read in conjunction with our May 31, 2016 annual consolidated financial statements.

Operating results for the three months ended August 31, 2016 are not necessarily indicative of the results that can be expected for the year ending May 31, 2017.

Mineral Property Costs

Costs of acquiring mineral properties are capitalized by the project area. 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. The Company does not consider a resource property to be at the development stage until such time as either mineral reserve are proven or permits to operate the mineral resource property are received and financing to complete the development has been obtained. Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and amortized on the unit of production method based upon estimated proven and probable reserves or resources.

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, 2016, management reviewed the carrying value of the mineral properties and the environmental deposit and determined that the prolonged and significant decline in phosphate prices and the lack of a current and foreseeable planned exploration budget on its Gaoping phosphate property and has impaired these assets to a nominal value. An impairment charge of $3,271,005 has been recorded in the consolidated statement of operations for the year ended May 31, 2016. As at August 31, 2016 and 2015, the Company did not have proven or probable ore reserves.

Stock-based Compensation

The Company accounts for stock-based compensation in accordance with ASC Topic 718-10, Compensation - Stock Compensation - Overall.

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. The Company has elected to use the Black-Scholes option pricing model to determine the fair value of options and the extension of the expiry date of share purchase warrants previously granted

Foreign Currency Translation

Our functional and reporting currency is U.S. dollars. Our consolidated financial statements are translated to U.S. dollars in accordance with ASC 830, "Foreign Currency Matters". Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate prevailing at the balance sheet date. Gains and losses arising on translation or settlement of foreign currency denominated transactions or balances are included in the determination of income. We have not, to the date of these condensed interim consolidated financial statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

Use of Estimates

The preparation of condensed interim consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the condensed interim consolidated financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

Going Concern

These condensed interim 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 condensed interim 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 condensed interim consolidated financial statements.

At August 31, 2016, the Company had not yet achieved profitable operations and has accumulated losses of $10,400,054 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.

Sterling is involved in the development of Phosphate in Hunan, China. The projects are not yet commercial and have not reached profitability.

Results Of Operations

The Company had no operating revenue except interest income of $112 for the quarter ended August 31, 2016 compared with interest income of $3,923 for the quarter ended August 31, 2015. The net loss for the quarter ended August 31, 2016 decreased to $78,392, as compared to $83,968 for the quarter ended August 31, 2015 as a result of foreign exchange gains of $13,666. Without the foreign exchange gain, overall expenses of would have been $92,170, an increase of $14,767 over the quarter ended August 31, 2015 due to an increase in professional fees.

Accounting, audit, legal and professional fees increased by $15,020 for the quarter ended August 31, 2016 when compared to the quarter ended August 31, 2015 due to complexities in the year-end Audit as a result of the Purchase and Sale Agreement signed with Chenguo which has since been cancelled.

Depreciation decreased by $3,162 for the quarter ended August 31, 2016 when compared to the quarter ended August 31, 2015.

Foreign exchange gain increased by $24,154 for the quarter ended August 31, 2016 when compared to the quarter ended August 31, 2015 because of the exchange rate fluctuation among US dollar, Canadian dollar and RMB.

Travel and entertainment increased by $5,595 for the quarter ended August 31, 2016 when compared to the quarter ended August 31, 2015. These expenses were incurred in relation to the Purchase and Sale Agreement with Chenguo which has since been cancelled.

Mineral property costs decreased by $3,687 for the quarter ended August 31, 2016 when compared to the quarter ended August 31, 2015 because the Gaoping phosphate property was kept in care and maintenance mode during the period ended August 31, 2016 due to ongoing challenges in the phosphate market.

The Company expects the trend of losses to continue until we can achieve commercial production at the Gaoping phosphate project, of which there can be no assurance as described in Risk Factors.

Liquidity And Working Capital

As of August 31, 2016, the Company had total current assets of $806,487 and total current liabilities of $398,138. As of August 31, 2016, the Company had cash totaling $789,783, and a working capital of $408,349. A balance of approximately $733,556 of cash is held on deposit in China at August 31, 2016. The cash held on deposits in Hongyu is regulated by the People Republic of China laws and regulations relating to intercorporate transfers and capital accounts.

Cash used in operating activities for the three months ended August 31, 2016 was $85,211 as compared to cash used in operating activities for the three months ended August 31, 2015 was $56,250.

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. If all warrants outstanding are exercised, the Company will receive approximately $5 million in cash. The Company's current cash cannot meet its needs for the next 12 months. The Company is currently looking at funding its activities such as a private placement, related party advances, sale of non-core assets and possible repatriation of our foreign capital. The Company believes it needs to raise $100,000 in order to meet its needs for the next 12 months. The cash will be mainly used for general administrative, corporate (accounting, audit, and legal), financing and management. The Company currently does not have commitments in place for financing as of the date of this filing.

No other 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. This raises substantial doubt that the Company will be able to continue as a going concern. In order to continue as a going concern, we require additional financing.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

ITEM 3. 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 mining costs in China may be incurred under contracts denominated in Chinese Yuan or U.S. Dollars. If the Chinese Yuan continues to depreciate with respect to the U.S. Dollar, our costs in China may decrease. If the Canadian Dollar continues to depreciate with respect to the U.S. Dollar, our costs in Canada may decrease. 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.

The majority of the Company's assets, liabilities, revenues and expenses are denominated in Chinese RMB. The appreciation of the RMB against the U.S. dollar would result in an increase in the assets, liabilities, revenues and expenses of the Company and a foreign exchange gain included in comprehensive income. Conversely, the devaluation of the RMB against the U.S. dollar would result in a decrease in the assets, liabilities, revenues and expenses of the Company and a foreign exchange loss included in comprehensive income.

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 4. CONTROLS AND PROCEDURES

a. Evaluation of Disclosure Controls and Procedures:

As required by paragraph (b) of Rules 13a-15 under the Exchange Act, the Company's principal executive officer and principal financial officer evaluated the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this quarterly report on Form 10-Q. Based on this evaluation, these officers concluded that as of the end of the period covered by this quarter report on Form

10-Q, the Company's disclosure controls and procedures were not effective. The ineffectiveness of the Company's disclosure controls and procedures was due to the existence of unresolved material weaknesses identified in the company's 10-K for the year ended May 31, 2016.

The disclosure controls and procedures are controls and procedures that are designed to ensure that the information required to be disclosed by the Company in reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and include controls and procedures designed to ensure that such information is accumulated and communicated to the Company's management, including the company's principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake.

b. Changes in Internal Control over Financial Reporting:

There were no changes in the Company's internal control over financial reporting that occurred during the last quarter ended August 31, 2016 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II. - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

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 engaged in acquisition, exploration and development of mineral properties. The Company has acquired the Gaoping phosphate properties located in Chenxi County, Hunan Province, China. 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.

Failure to comply with the United States Foreign Corrupt Practices Act could subject us to penalties and other adverse consequences.

We are subject to the United States Foreign Corrupt Practices Act, which generally prohibits U.S. companies from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. In addition, we are required to maintain records that accurately and fairly represent our transactions and have an adequate system of internal accounting controls. Foreign companies, including some that may compete with us, are not subject to these prohibitions, and therefore may have a competitive advantage over us. Our executive officers and employees have not been subject to the United States Foreign Corrupt Practices Act prior to 2010. We have no control over whether our employees or other agents will or will not engage in such conduct for which we might be held responsible. If our employees or other agents are found to have engaged in such practices, we could suffer severe penalties and other consequences that may have a material adverse effect on our business, financial condition and results of operations.

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The PRC laws and regulations governing our current business operations are sometimes vague and uncertain. Any changes in such PRC laws and regulations may have a material and adverse effect on our business.

The PRC s legal system is a civil law system based on written statutes, in which system-decided legal cases have little value as precedents unlike the common law system prevalent in the United States. There are substantial uncertainties regarding the interpretation and application of PRC laws and regulations, including but not limited to the laws and regulations governing our business, or the enforcement and performance of our arrangements with customers in the event of the imposition of statutory liens, death, bankruptcy and/or criminal proceedings. The Chinese government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, because these laws and regulations are relatively new, and because of the limited volume of published cases and judicial interpretation and their lack of force as precedents, interpretation and enforcement of these laws and regulations involve significant uncertainties that are unclear at this time. New laws and regulations that affect existing and proposed future businesses may also be applied retroactively. We are considered a foreign persons or foreign funded enterprise under PRC laws, and as a result, we are required to comply with PRC laws and regulations. We cannot predict what effect the interpretation of existing or new PRC laws or regulations may have on our businesses. If the relevant authorities find us in violation of any PRC laws or regulations, they would have broad discretion in dealing with such a violation, including, without limitation:

- levying fines;
- revoking our business and other licenses;
- requiring that we restructure our ownership or operations; and/or
- requiring that we discontinue any portion or all of our business operations in the PRC.

Restrictions on currency exchange may limit our ability to receive and use our foreign cash effectively.

Foreign exchange transactions by PRC operating subsidiaries under the capital account continue to be subject to significant foreign exchange controls and require the approval of or need to register with PRC government authorities, including State Administration of Foreign Exchange or SAFE. In particular, if the PRC subsidiaries borrow foreign currency through loans from us or other foreign lenders, these loans must be registered with SAFE, and if we finance the subsidiaries by means of additional capital contributions, these capital contributions must be approved by certain government authorities, including the Ministry of Commerce, or their respective local counterparts. These limitations could affect the PRC operating subsidiaries ability to obtain foreign exchange through debt or equity financing, which could limit our business operations and impact our future revenues and financial condition.

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.

Our disclosure controls and procedures and internal control over financial reporting were not effective, which may cause our financial reporting to be unreliable and lead to misinformation being disseminated to the public

Our management evaluated our disclosure controls and procedures as of August 31, 2016 and concluded that as of that date, our disclosure controls and procedures were not effective. In addition, there were material weaknesses in our internal control over financial reporting as of that date and that our internal control over financial reporting was not effective as of that date. A material weakness is a control deficiency, or combination of control deficiencies, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected on a timely basis.

We have not yet remediated this material weakness and we believe that our disclosure controls and procedures and internal control over financial reporting continue to be ineffective. Until these issues are corrected, our ability to report financial results or other information required to be disclosed on a timely and accurate basis may be adversely affected and our financial reporting may continue to be unreliable, which could result in additional misinformation being disseminated to the public. Investors relying upon this misinformation may make an uninformed investment decision.

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 Gaoping property has been examined in the field by professional geologists/mining engineers. The Company received the National Instrument 43-101 report (Canadian Standard) entitled Property Evaluation Report (PER). The production decision announced was based on Chinese Technical Reports and the PER and not based on a Preliminary Economic Assessment (PEA) or mining study (a Prefeasibility or Feasibility Study) of mineral reserves demonstrating economic and technical viability. Resources that are not reserves do not have demonstrated economic viability. There is an increased risk of technical and economic failure because the development decision was based on inferred resources, without a preliminary economic analysis or mining study as defined by NI 43-101. Professional geologists also made an exploration proposal for the Tanjiachang Exploration Concession which is surrounding the Gaoping property which is under letter of intent with Chenxi County Merchants Bureau, Hunan Province, China. There is no assurance that the exploration license for the Tanjiachang Exploration Concession will be issued. There is no assurance that commercial quantities of ore will be discovered on the Tanjiachang Exploration Concession. There is also no assurance that, even if commercial quantities of ore are discovered, the Tanjiachang Exploration Concession will be brought into commercial production. Since 2012, the Central Government made its move to change the mining laws to provincial jurisdiction. The new application process was held. Previously issued licenses are being honored.

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 properties may need exploration and such exploration processes shall be conducted in phases. When each phase of a particular project is completed, and upon analysis of the results thereto, the Company will make a decision on 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 OTCQB marketplace under the ticker symbol SGGV. As of August 31, 2016, there were 75,730,341 shares of common stock outstanding. There is no assurance that a sufficient market will develop in our stock, in which case it could be difficult for shareholders to sell their stock. The market price of our common stock could fluctuate substantially due to a variety of factors, including market perception of our ability to achieve our planned growth, quarterly operating results of our competitors, trading volume in our common stock, changes in general conditions in the economy and the financial markets or other developments affecting our competitors or us. In addition, the stock market is subject to extreme price and volume fluctuations. This volatility has had a significant effect on the market price of securities issued by many companies for reasons unrelated to their operating performance and could have the same effect on our common stock.

A decline in the price of our common stock could affect our ability to raise further working capital and adversely impact our ability to continue operations.

A prolonged decline in the price of our common stock could result in a reduction in the liquidity of our common stock and a reduction in our ability to raise capital. Because a significant portion of our operations have been and will be financed through the sale of equity securities, a decline in the price of our common stock could be especially detrimental to our liquidity and our operations. Such reductions may force us to reallocate funds from other planned uses and may have a significant negative effect on our business plan and operations, including our ability to develop new properties and continue our current operations. If our stock price declines, we can offer no assurance that we will be able to raise additional capital or generate funds from operations sufficient to meet our obligations. If we are unable to raise sufficient capital in the future, we may not be able to have the resources to continue our normal operations.

The market price for our common stock may also be affected by our ability to meet or exceed expectations of analysts or investors. Any failure to meet these expectations, even if minor, may have a material adverse effect on the market price of our common stock.

If we issue additional shares in the future, it will result in the dilution of our existing shareholders.

Our articles of incorporation, as amended, authorizes the issuance of up to 500,000,000 shares of common stock with a par value of $0.001. Our board of directors may choose to issue some or all of such shares to acquire one or more businesses or to provide additional financing in the future. The issuance of any such shares will result in a reduction of the book value and market price of the outstanding shares of our common stock. If we issue any such additional shares, such issuance will cause a reduction in the proportionate ownership and voting power of all current shareholders. Further, such issuance may result in a change of control of our corporation.

Trading of our stock may be restricted by the Securities Exchange Commission s penny stock regulations, which may limit a stockholder s ability to buy and sell our stock.

The Securities and Exchange Commission has adopted regulations which generally define penny stock to be any equity security that has a market price (as defined) less than $5.00 per share or an exercise price of less than $5.00 per share, subject to certain exceptions. Our securities are covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and accredited investors . The term accredited investor refers generally to institutions with assets in excess of $5,000,000 or individuals with a net worth in excess of $1,000,000 or annual income exceeding $200,000 or $300,000 jointly with their spouse. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the Securities and Exchange Commission, which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer s account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer s confirmation. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from these rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser s written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the stock that is subject to these penny stock rules. Consequently, these penny stock rules may affect the ability of broker-dealers to trade our securities. We believe that the penny stock rules discourage investor interest in and limit the marketability of our common stock.

The Financial Industry Regulatory Authority, or FINRA, has adopted sales practice requirements which may also limit a stockholder s ability to buy and sell our stock.

In addition to the penny stock rules described above, FINRA has adopted rules that require that in recommending an investment to a customer, a broker- dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer s financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares.

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 does not haves sufficient capital to meet its needs for at least the next 12 months, including the costs of compliance with the continuing reporting requirements of the Securities Exchange Act of 1934. If losses continue, it may have to seek loans or equity placements to cover longer-term cash needs to continue operations and expansion within the next 6 months. The Company does not currently have any commitments for financing.

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, the Company 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.

Market Risk and Political Risks

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.

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.

The disruptions in the financial markets and economic conditions have adversely affected the US and the world economy. Turmoil in global credit markets and turmoil in the geopolitical environment in many parts of the world have adversely affected global economic conditions. There can be no assurances that government responses to the disruptions in financial markets will restore investor confidence and economic activity. This could affect our ability to raise capital.

Additionally, the uncertain economic environment may cause farmers to use less fertilizer to cut costs, which will adversely affect the demand for phosphate. A similar situation occurred in 2008 leading to a sharp decline in phosphate prices.

The Hongyu s phosphate deposit is located in China which, as a result of its operations, exposes the Company to political and market risks in China. Exports of phosphate rock are currently subject to an export tax due to domestic phosphate requirements.

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.

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

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

Exhibits required to be attached by Item 601 of Regulation S-K are listed in the Index to Exhibits beginning on page 24 of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements 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.

/s/ Christopher Tsakok
Christopher Tsakok, President and Chief Executive Officer

Date: October 14, 2016

/s/ Robert Smiley
Robert Smiley, Chief Financial Officer

Date: October 14, 2016

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).
10.6	Agreement between the Company, Hongyu Mining Co., Ltd., and the shareholders of Hongyu Mining Co., Ltd., dated October 18, 2010 (Filed as Exhibit 10.1 to the Company's current report on Form 8-K filed on October 21, 2010, and incorporated herein by reference).
10.7	Letter of Intent between the Company and Shimen County Merchants Bureau, dated November 10, 2010 (Filed as Exhibit 10.1 to the Company's current report on Form 8-K filed on November 16, 2010, and incorporated herein by reference).
10.8	Agreement for Termination of Joint Venture between the Company, Micro Express Holdings Inc. and Beijing Mianping Salt Lake Research Institute, dated October 31, 2011 (Filed as Exhibit 10.1 to the Company's current report on Form 8-K filed on November 3, 2011, and incorporated herein by reference).
10.9	PURCHASE AND SALE AGREEMENT between the Company, Chenguo Capital Limited, and Euro Asia Premier Real Estate (HK), Dated April 9, 2016 (Filed as Exhibit 10.1 to the Company's current report on Form 8- K filed on April 12, 2016, and incorporated herein by reference).

10.10	Settlement and Termination Agreement between the Company, Chenguo Capital Limited, and Sterling Group Ventures (HK) Ltd., Dated August 30, 2016 and Related Undertaking Agreement Dated September 4, 2016 (Filed as Exhibit 10.1 to the Company's current report on Form 8-K filed on September 7, 2016, 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).
31.1	Certification of Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.
31.2	Certification of Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.
32.1	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.
32.2	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.
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).
101.INS	XBRL Instance Document. Furnished herewith.
101.SCH	XBRL Taxonomy Extension Schema Document. Furnished herewith.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document. Furnished herewith.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document. Furnished herewith.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document. Furnished herewith.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document. Furnished herewith.