

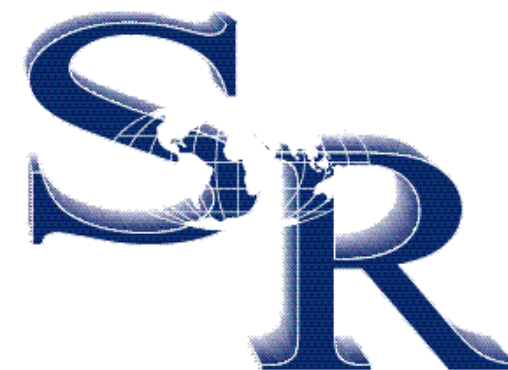
## CONSOLIDATED BALANCE SHEETS

Unaudited	March 31, 2000	Dec. 31, 1999
<b>ASSETS</b>		
<b>Current</b>		
Cash and short term investments	\$ 1,033,010	\$ 1,512,435
Accounts receivable	168,469	79,166
	<u>1,201,479</u>	<u>1,591,601</u>
Due from officers	540,000	540,000
<b>Capital assets</b>		
Petroleum and natural gas properties and equipment	4,179,645	3,911,668
Furniture and fixtures	37,486	39,142
	<u>4,217,131</u>	<u>3,950,810</u>
	<u>\$ 5,958,610</u>	<u>\$ 6,082,411</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 162,207	\$ 119,324
<b>Shareholders' equity</b>		
Share capital	7,807,728	7,807,728
Contributed surplus	66,479	66,479
Deficit	(2,077,804)	(1,911,120)
	<u>5,796,403</u>	<u>5,963,087</u>
	<u>\$ 5,958,610</u>	<u>\$ 6,082,411</u>

## CONSOLIDATED STATEMENTS OF CASHFLOW

Unaudited	Three months ended March 31, 2000	Three months ended March 31, 1999
<b>OPERATING ACTIVITIES</b>		
Net loss for period	\$ (166,684)	\$ (18,835)
Items not affecting cash:		
Depletion, depreciation and amortization	2,151	60,279
Gain on disposal of fixed assets	---	(47,976)
Cash flow from operations	<u>(164,533)</u>	<u>(6,532)</u>
Change in non-cash working capital	(68,733)	(29,436)
Cash used in operating activities	<u>(233,266)</u>	<u>(35,968)</u>
<b>INVESTING ACTIVITIES</b>		
Petroleum and natural gas properties and equipment additions	(245,656)	(302,567)
Furniture and fixture additions	(503)	(5,007)
Abandonment trust fund	---	(204)
Cash used in investing activities	<u>(246,159)</u>	<u>(307,778)</u>
<b>FINANCING ACTIVITIES</b>		
Loan receivable	---	(154,245)
Cash used in financing activities	<u>---</u>	<u>(154,245)</u>
Decrease in cash	(479,425)	(497,991)
Cash and term investments, beginning of period	1,512,435	2,051,311
Cash and term investments, end of period	<u>\$ 1,033,010</u>	<u>\$ 1,553,320</u>

# Sterling Resources Ltd.



First  
Quarter  
Report

## Sterling Resources Ltd.

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for the three  
months ended  
march 31, 2000

## MESSAGE TO SHAREHOLDERS

In the first quarter of 2000, Sterling concentrated on preparations for drilling several prospects later this year and into early 2001.

**Offshore Romania**, a 1600 km high-resolution seismic survey to appraise further the Diona gas discovery trend, and select a location for the next well, was completed in April. Seismic interpretation should be completed by the end of July. Once drilling locations are chosen, environmental permitting and seabed surveys will take place and the first well is scheduled for drilling in early 2001. Sterling and Paladin Resources, the operator of the blocks, have finalized a gas marketing agreement with Enron under which Enron has acquired the option to purchase and market any gas produced from Doina and subsequent discoveries on the blocks. This agreement gives the joint venture the benefit of Enron's commitment to the Romanian energy sector through its association with Petrom, the national oil company.

**Onshore United Kingdom**, a small seismic program to choose the first well location on PL 090 is scheduled to start within the next month. The first drilling location for PEDL 048 has already been chosen. The planning process is proceeding with local authorities for drilling on these licenses. Current plans are to commence drilling in the fourth quarter. In the Weald Basin in southern United Kingdom, additional seismic has been purchased for reprocessing to assist ranking of the prospects mapped to date.

**Onshore Denmark**, a geochemical survey over License 5/97 was completed during April. This exploration tool was initiated as a cost effective aid to evaluate further the possible presence of hydrocarbons within two significant structures mapped to date. Detailed analysis and results from the survey are expected in July and following a period of integration with existing geological and geophysical data will be used to formulate a plan for future activity on the license.

**Onshore Romania**, our concession agreement signed with the National Agency for Mineral Resources of Romania is progressing well through the various government departments toward final approval.

**Sterling is currently pursuing additional opportunities.** In May applications were submitted for four areas in the United Kingdom's 9th Round of Onshore Licensing. The results are expected to be announced midsummer. Negotiations are continuing on potential projects in North Africa, the Middle East and East Asia.

Expenditures and financial position for the first quarter are in line with budget.



R. G. Welty  
Chairman, Chief Executive Officer & President

May 10, 2000

## CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICITS

Unaudited	Three months ended March 31,2000	Three months ended March 31,1999
<b>REVENUES</b>		
Oil and gas,net of royalties	\$ ---	\$ 167,852
	---	167,852
<b>EXPENSES</b>		
Operating	---	31,099
General and administrative	180,033	163,863
Depletion and depreciation	2,151	60,279
	182,184	255,241
<b>OTHER INCOME</b>		
Interest	15,500	20,578
Gain on sale of capital assets	---	47,976
	15,500	68,554
Net loss for the period	(166,684)	(18,835)
Deficit,beginning of period	(1,911,120)	(1,277,888)
Deficit,end of period	\$ (2,077,804)	\$ (1,296,723)

### Note to Consolidated Financial Statements 1.Change in Accounting Policy

Effective January 1,2000,the Company adopted the liability method of accounting for income taxes as recommended by the Canadian Institute of Chartered Accountants ("CICA"). Under the liability method, the Company will record future income taxes for the effect of any differences between the accounting and income tax basis of an asset or liability. There is no material affect to the financial statements at January 1,2000 or March 31,2000.