

CONSOLIDATED BALANCE SHEETS

Unaudited	June 30, 2000	Dec. 31, 1999
ASSETS		
Current		
Cash and short term investments	\$ 490,738	\$ 1,512,435
Accounts receivable	608,021	79,166
	<u>1,098,759</u>	<u>1,591,601</u>
Due from officers	540,000	540,000
Capital assets		
Petroleum and natural gas properties and equipment	4,511,055	3,911,668
Furniture and fixtures	36,125	39,142
	<u>4,547,180</u>	<u>3,950,810</u>
	\$ 6,185,939	\$ 6,082,411
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 113,505	\$ 119,324
Shareholders' equity		
Share capital	8,310,333	7,807,728
Contributed surplus	66,479	66,479
Deficit	(2,304,378)	(1,911,120)
	<u>6,072,434</u>	<u>5,963,087</u>
	\$ 6,185,939	\$ 6,082,411

CONSOLIDATED STATEMENTS OF CASHFLOW

Unaudited	Six months ended June 30, 2000	Six months ended June 30, 1999
OPERATING ACTIVITIES		
Net loss for period	\$ (393,258)	\$ (212,556)
Items not affecting cash:		
Depletion, depreciation and amortization	4,210	62,387
Gain on disposal of fixed assets	---	(31,594)
Cash flow from operations	<u>(389,048)</u>	<u>(181,763)</u>
Change in non-cash working capital	29,902	28,966
Cash used in operating activities	(359,146)	(152,797)
INVESTING ACTIVITIES		
Petroleum and natural gas properties and equipment additions	(736,950)	(614,991)
Furniture and fixture additions	(1,201)	(5,800)
Abandonment trust fund	---	11,387
Proceeds on disposal of capital assets	---	1,049,567
Cash used in investing activities	(738,151)	440,163
FINANCING ACTIVITIES		
Issue of common shares, net of issue costs	75,600	---
Loan receivable	---	(157,601)
Cash used in financing activities	75,600	(157,601)
Increase (decrease) in cash	<u>(1,021,697)</u>	<u>129,765</u>
Cash and term investments, beginning of period	1,512,435	2,051,311
Cash and term investments, end of period	\$ 490,738	\$ 2,181,076

Sterling Resources Ltd.



Second
Quarter
Report

Sterling Resources Ltd.

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for the six
months ended
June 30, 2000

In the second quarter of 2000 Sterling added additional projects within its focus countries and increased its operator standing. Sterling now has interests in 12 international licenses and agreements and is operator of four of them.

Onshore United Kingdom, Sterling is obtaining interests in five exploration licenses from the UK Department of Trade and Industry as a result of applications made in the 9th Round of Onshore Licensing. The five licenses encompass 27 blocks or partial blocks and cover a gross area of approximately one half million acres. Sterling will have significant working interests in the licenses and will be operator of two of the licenses. The 9th Round applications successfully added to both existing areas and established a presence in a new area.

Sterling now has significant gross (and net) land holdings onshore UK in three Basins: the Wessex Basin, the Weald Basin and the Cleveland Basin. All three Basins have established production, some undeveloped discoveries and their own particular play type and associated exploration targets.

In the Wessex Basin, a small seismic program over PL 090 was completed in June and is undergoing interpretation. The results will be used in conjunction with the results of the recently completed geochemical survey to select the optimum location for the first well on PL 090. The planning process is underway with the local Planning Authorities for drilling location approval on both PEDL 048 and PL 090.

Offshore Romania, a 1600 km. high-resolution seismic survey to appraise further the Doina gas discovery trend was completed in April. The data gathered have been processed and the majority integrated with existing data to select the well location for the Doina appraisal well to be drilled in early 2001. A portion of the new seismic has been used to upgrade the interpretation over several large exploration targets.

Onshore Romania, planning is underway for initial geological and geophysical work program on this 1.5 million acre block where Sterling has a 100% working interest.

Onshore Denmark, a geochemical survey over License 5/97 was completed in the second quarter. The results are being integrated with the geological and geophysical data to plan future activity on the block.

Sterling has entered into two agreements for additional equity of approximately Cdn. \$5,000,000. The proceeds will be used to fund Sterling's expenditures on its existing projects, as well as acquisitions of additional exploration and exploitation projects, and to augment working capital. The agreements are subject to due diligence and regulatory approvals.

At the Annual General Meeting held on June 1, Mr. Stewart Gibson was elected to the Board of Directors and was appointed to the position of President in addition to his position as Chief Operating Officer. He also retains his positions as Managing Director and a Director of our wholly owned subsidiary, Sterling Resources (UK) Ltd. As President of Sterling Mr. Gibson will be working together with the Chief Executive Officer, Mr. Robert Welty, on all aspects of Sterling's activities.

Sterling is continuing to negotiate on additional projects which, if acquired, would be valuable additions to Sterling's growing international portfolio of oil and gas projects. With three projects coming close to initial drilling and a full exploration agenda, the remainder of the year will be very active.



Robert G. Welty
Chairman and
Chief Executive Officer



Stewart G. Gibson
President and
Chief Operating Officer

August 16,2000

Unaudited	Six months ended June 30,2000	Six months ended June 30,1999
REVENUES		
Oil and gas,net of royalties	\$ ---	\$ 167,852
	---	167,852
EXPENSES		
Operating	---	31,099
General and administrative	412,177	163,863
Depletion and depreciation	4,210	60,279
	416,387	255,241
OTHER INCOME		
Interest	23,129	20,578
Gain on sale of capital assets	---	47,976
	23,129	68,554
Net loss for the period	(393,258)	(18,835)
Deficit,beginning of period	(1,911,120)	(1,277,888)
Deficit,end of period	\$ (2,304,378)	\$ (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 June 30,2000.