



For the three months ended March 31, 2009

Message to Shareholders

Against a backdrop of weak capital markets and tight credit conditions Sterling continued to focus upon long-term value creating activities during the quarter.

Our primary focus has been upon finalizing the terms of the farm out of Romanian offshore assets and continuing to move forward with a potential farm out or sale of a portion of our 45 percent interest in the Breagh assets in the UK Southern North Sea. During March we were pleased to announce the execution of an agreement with Melrose Resources PLC (Melrose) to farm out half of Sterling's 65 percent of the Midia and Pelican blocks offshore Romania in the Black Sea in exchange for Melrose funding the Company's share of certain expenditures for the development of the Doina and Ana fields in a range up to US\$90 million depending on prevailing gas prices. The closing of the transaction is subject to regulatory approval which is expected early in the third quarter. In a separate transaction from the farm-in, Melrose is to provide a US\$12 million short-term operating loan on commercial terms to the Company repayable after one year. The Breagh process continues to evolve and we will continue to examine the options to maintain the program towards full development.

Subsequent to the quarter end we successfully closed a financing agreement of US\$11.2 million. Net proceeds of approximately US\$10.4 million will provide a bridge until the receipt of funds from these farm outs. This funding will also enable continued progress with the ongoing development activity in both the Doina and Breagh areas and a modest 2009 exploration program.

On the regulatory front, Sterling has received confirmation that an extension regarding blocks awarded in the UK North Sea during the 24th Offshore Round has been granted until November of this year. The only block not extended was Block 21/29d, which Sterling has chosen to relinquish. We have developed good prospects in the 24th Round Licenses and the recent deadline extension provides us with the opportunity to continue farm out activity and incorporate the results of currently drilling wells in nearby blocks, especially in the area known as the Mid North Sea High. Contained within the recently announced UK Government Budget is the "Small Field Allowance", a program intended to attract capital and expedite development of small offshore UK fields. We will continue to assess with our new partner, Premier Oil, the impact of this budgetary provision upon the Sheryl field in the UK Central North Sea. During the quarter, the Company assumed operatorship of the Sheryl field.

In March we announced that a letter of intent had been signed with Challenger Minerals (North Sea) Limited (CMI) under the terms of which CMI would farm in to 10 percent of Sterling's current 39.9 percent interest in the Cladhan oil discovery located in Block 210/29a in the UK Northern North Sea. In exchange for this farm out of 10 percent, CMI agrees to pay a contribution towards past well costs and the payment of a carry on the forthcoming sidetrack well at Cladhan. In addition, Sterling will acquire an interest of 10 percent, on a ground-floor basis, by farming into the CMI Crosby well on Block 110/14d located in the East Irish Sea. A fully termed agreement with CMI is planned for completion during the second quarter of 2009.

Although modest in relation to the drilling program completed during 2008, Sterling anticipates the completion of an exploration drilling program encompassing the following four areas during 2009:

- During the second quarter drilling of the well at Crosby in the East Irish Sea is expected to commence. Sterling will earn a 10 percent interest in this well with CMI as operator.
- Three onshore shallow gas wells at Craiova in Romania are expected to be drilled during the third quarter of 2009. These wells will be drilled by TransAtlantic Petroleum Corporation who will fund this program in order to earn a 50 percent interest in Craiova.
- A sidetrack well at Cladhan in the UK Northern North Sea is planned for the third quarter.
- Planning is underway to drill a further well in Quad 42 (greater Breagh area) in the UK Southern North Sea during the third or fourth quarter of 2009.

Sterling remains committed to long-term creation of value for our shareholders. Although many of our endeavors have been slowed by the recent weakness in the capital markets, we will continue to move forward wherever possible, prudently deploying capital selectively while maintaining vigilant cost containment. We also continue the process of addressing any issues raised with respect to our licenses in Romania which have been confirmed as legitimate through a process of independent legal review.

On Behalf of the Board of Directors,

[Signed]

'Stewart G. Gibson'
Chief Executive Officer

May 19, 2009

Management's Discussion and Analysis of Operations and Financial Condition

This management's discussion and analysis of operations and financial condition (MD&A) of Sterling Resources Ltd. ("Sterling" or the "Company") is dated May 19, 2009 and should be read in conjunction with the unaudited consolidated financial statements and accompanying notes as at and for the three months ended March 31, 2009 and the audited consolidated financial statements and accompanying notes for the year ended December 31, 2008.

Forward-looking Statements and Business Risks

Certain statements contained in this MD&A are forward-looking statements. These statements relate to future events or our future performance. All statements other than statements of historical fact may be forward-looking statements. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", or the negative of these terms or other comparable terminology. In addition, statements relating to reserves or resources are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions that the reserves and resources described can be profitably produced in the future.

These statements are only predictions. Actual events or results may differ materially. In addition, this MD&A may contain forward-looking statements attributed to third party industry sources, which sources are not endorsed or adopted by us expressly or impliedly.

Undue reliance should not be placed on these forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will prove inaccurate. Certain of these risks are beyond the Company's control, including: the impact of general economic conditions in the areas in which the Company operates, civil unrest, industry conditions, changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced, increased competition, the lack of availability of qualified personnel or management, fluctuations in commodity prices, foreign exchange or interest rates, stock market volatility and obtaining required approvals of regulatory authorities. In addition there are risks and uncertainties associated with oil and gas operations. Readers should also carefully consider the matters discussed under the heading "Risk Factors" in the Company's Annual Information Form for 2008 beginning on page 10.

Forward-looking statements in this MD&A include, but are not limited to, statements with respect to:

- Capital expenditure programs, including the success or otherwise, of exploration and appraisal initiatives.
- Commodity prices.
- Factors upon which we will decide whether or not to undertake a specific course of action.
- Expectations regarding our ability to raise capital or bank debt.
- The sale, farming in, farming out or development of certain exploration properties using third party resources.
- The use of development activity and acquisitions to replace and add to reserves.
- Drilling plans.

- Our tax horizon.
- Oil and natural gas production levels and the quantity of reserves.
- Supply and demand for oil and natural gas.
- The performance and characteristics of our oil and natural gas properties.
- The impact of governmental regulation or change on us.
- Our corporate strategies, the criteria to be considered in connection therewith and the benefits to be derived therefrom.
- The emergence of accretive growth opportunities.
- Realization of the anticipated benefits of acquisitions and dispositions.
- Our ability to benefit from the combination of growth opportunities and the ability to grow through the capital markets.
- Treatment under government taxation regimes.

In addition, readers are directed to the disclosure contained under the heading Future Plans on page 8 of this MD&A setting forth management's plans and expectations with respect to 2009.

With respect to forward-looking statements in this MD&A we have assumed, among other things, that the Company:

- Operates in an environment of fiscal and political stability.
- Operates in an environment of increasing competition.
- Is able to obtain additional financing or farm-out additional interests on satisfactory terms.
- Is able to continue to attract and retain qualified personnel.
- Is able to obtain necessary approvals from partners for a particular course of action.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. We cannot guarantee future results, levels of activity, performance, or achievements.

The Company's actual results and future plans could differ materially from those anticipated in similar forward-looking statements in this MD&A as a result of the risks described above. These statements speak only as of the date of the MD&A. The Company does not intend and does not assume any obligation to update these forward-looking statements except as required by law.

The forward-looking statements contained in this MD&A are expressly qualified by the foregoing cautionary statement. Financial outlook information contained in this MD&A about prospective results of operations, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action, based on management's assessment of the relevant information currently available. Readers are cautioned that such financial outlook information contained in this MD&A should not be used for purposes other than for which it is disclosed herein.

Overview and Corporate Strategy

We are an international energy company with our corporate head office located in Calgary, Canada, and our operations headquartered in Banchory, near Aberdeen, Scotland. We also maintain an office in Bucharest, Romania.

We are engaged in the exploration for, and development of crude oil and natural gas in selected areas of the world outside Canada.

Our strategy for achieving growth is to source and initiate international projects with the potential for large, low-cost reserves. We concentrate on accumulating, exploring and exploiting licenses and prospects in selected core areas of the world so that we can take advantage of existing infrastructure and economies of scale from joint-development projects. Our strategy also targets blocks with high initial working interests where possible and financial exposure and technical risk are managed by obtaining partner participation through farm-out and other arrangements. Under these arrangements, a portion of our interest is given up in exchange for the partner paying a share of our costs of exploration, appraisal or development of the license. Our current activities are focused in the UK and Romania.

The prevailing uncertainty in international financial markets continues to be a concern, and management is monitoring developments closely. The situation is expected to affect our business in a number of different ways which could affect our strategy, the underlying value of our assets, our ability to raise finance through equity or debt markets, and ultimately our share price.

Discussion of Financial Results and Operations

Overview

Three months ended March 31	2009	2008
\$ except share and per share information		
Oil and gas revenues, net of royalties	-	-
Interest and other income	41,916	214,155
Expenses	(1,195,716)	(258,259)
Income taxes	(137)	-
Net loss	(1,153,937)	(44,104)
– per common share – basic and diluted	(0.01)	(0.00)
Net working capital (deficiency)	(713,296)	57,791,149
Petroleum and natural gas properties and equipment additions	13,905,721	7,540,238
Dispositions of interests in properties	-	(2,240,687)
Total assets	160,047,789	124,572,906
Share capital	156,801,452	129,099,312
Common shares outstanding – basic	130,991,472	119,110,203

For the three months ended March 31, 2009, we recorded a net loss of \$1,153,937 (\$0.01 per share – basic and diluted) compared with a loss of \$44,104 (\$0.00 per share – basic and diluted) for the three months ended March 31, 2008. The net loss for the quarter increased over the loss for the same quarter of the prior year mainly due to foreign exchange losses and lower interest income as a result of the lower average cash balances and interest rates in the first quarter of 2009, and lower capitalization of overhead.

General and Administrative Expenses

The following is a summary of our general and administrative expense for the period:

Three months ended March 31	2009	2008
	\$	\$
Gross general and administrative expenses	1,417,502	1,416,430
Recoveries from partners	(331,546)	(487,159)
Charged to capital projects	(289,555)	(427,415)
	796,401	501,856

Gross general and administrative expenses before recoveries and charges to capital projects for the three months ended March 31, 2009 are at similar levels to the prior year. Management incentive payments for 2009 have been deferred, but the effect of this has been offset by increased professional fees related to farm-out activity and to increased costs of the reserves audit for 2008. Recoveries from partners and internal capitalization have also decreased due to lower operational activity in 2009 following the completion of the Breagh and Doina appraisal drilling programs.

Stock-based Compensation

Non-cash stock based compensation expense of \$241,819 for the three month period ended March 31, 2009 has increased over the expense for the same period in the prior year of \$156,341, due to the issue of new options in the second quarter of 2008.

In addition to the amount expensed, a further \$206,641 (2008 – \$116,144) of stock based compensation has been capitalized on a basis consistent with the capitalization of salaries and related benefits.

Foreign Exchange Gains

The Company has no derivative financial instruments. In order to minimize exposure to foreign exchange fluctuations, non-cash working capital is held only in foreign currencies where it is required for operating activities, and cash is converted into foreign currencies for known or anticipated expenditures within the near term. Foreign currency gains and losses are due to translation into Canadian dollars of monetary assets and liabilities held in foreign currencies, primarily UK Pounds, US Dollars and Romanian Lei.

Foreign exchange losses of \$73,320 for the three months ended March 31, 2009 (three months ended March 31, 2008 – gains of \$463,606), have resulted primarily from the impact of weakening of the Canadian dollar against the US dollar and UK Pound on the translation of net foreign currency liabilities into Canadian dollars.

Revenue

Interest and other income of \$41,916 for the three months ended March 31, 2009, (three months ended March 31, 2008 – \$214,155) consists primarily of interest earned on investment of surplus funds. The decrease over the same period in 2008 is due mainly to lower average cash balances and lower average interest rates in 2009.

Income Taxes

The Company does not recognize the tax benefit of losses incurred at this time as the Company has no significant current production and there is no assurance that the tax benefit will be realized as development consent has not yet been received for its key projects. As at March 31, 2009 the Company has non-capital losses of approximately \$7.9 million available to reduce future Canadian taxable income, subject to expiry over the next twenty years, and approximately \$7.0 million of subsidiary UK tax losses available to reduce future UK taxable income which are not subject to expiry. Approximately \$0.2 million of Canadian non-capital loss carry-forwards expire at the end of 2009 if unused.

Petroleum and Natural Gas Property Activities and Capital Expenditures

As at March 31, 2009 and December 31, 2008 the Company's interests in petroleum licenses and contracts were as follows:

	2009			2008		
	Acres		Capitalized	Acres		Capitalized
	Gross	Net	Costs	Gross	Net	Costs
			\$			\$
United Kingdom	1,311,788	842,865	98,618,762	1,336,128	867,205	86,686,620
Romania	2,645,000	2,027,000	47,847,119	2,645,000	2,027,000	45,683,548
France	125,280	41,872	2,364,960	125,280	41,872	2,348,311
Total	4,082,068	2,911,737	148,830,841	4,106,408	2,936,077	134,718,479

Our net interest of 2,027,000 acres in Romania represents our 60 percent interest in the Craiova Block onshore Romania and our current 100 percent interest in the offshore Midia and Pelican Blocks in the Black Sea. Following completion of pending farm-out arrangements under which our interest in the Craiova Block onshore Romania will reduce to 50 percent, and our interest in the Midia and Pelican Blocks offshore Romania will reduce to 32.5 percent, total net acreage for Romania will be 1,130,000 acres.

Capital Expenditures

During the three months ended March 31, 2009, capital expenditures on oil and gas properties totalled \$13,905,721. Expenditures included the following major items:

- \$11.1 million relating to the completion and testing of the Breagh 42/13-5 and 5z wells in the UK Southern North Sea. The horizontal 5z well tested gas at rates of up to 26 million standard cubic feet per day (MMscf/d) and has been suspended as a future producer;
- In Romania, expenditures totalling \$2.1 million were comprised mainly of costs related to the acquisition of high resolution seismic over the Doina trend and Ioana (formerly Midia SE) prospect.

During the three months ended March 31, 2008 capital expenditures on oil and gas properties totalled \$7,540,238 of which \$2,240,687 was funded by third parties in exchange for a share of gross production from the Doina trend offshore Romania. Major items on UK offshore blocks included the Breagh appraisal well on UK offshore Block 42/13, and preliminary site survey costs related to a proposed well on Block 42/19. In Romania, major expenditures related mainly to the testing of the Ana-1 discovery made in late 2007.

Financing, Liquidity and Solvency

The following is a summary of the Company's net working capital deficiency as at March 31, 2009 and working capital as at December 31, 2008:

	March 31, 2009	December 31, 2008
	\$	\$
Cash and cash equivalents	5,696,656	15,769,514
Restricted cash	924,189	11,270,280
Other non-cash current assets	4,345,120	5,229,141
Current liabilities	(11,679,261)	(18,301,465)
Net working capital (deficiency)	(713,296)	13,967,470

During the first three months of 2009, \$14,680,766 of the Company's working capital was consumed in the completion of the Breagh 42/13-5 and 5z wells as well as other expenditures described above. In addition, unforeseen delays were encountered in the closing of the previously announced transactions, firstly to farm out half of the Company's interest in the Midia and Pelican Blocks and the separate transaction to provide a working capital loan of US\$12.0 million on commercial terms for a period of one year. These transactions are now expected to close early in the third quarter. A second initiative to complete a part-disposition of the Company's interest in the Breagh field is also not expected to close until at least late in the second quarter.

In order to ensure the Company had sufficient funds to continue operations in the interim period, the Company completed a US\$11.2 million bridge financing facility at an interest rate of 15 percent for net proceeds of approximately US\$10.4 million. Each unit of US\$100,000 is repayable in three equal installments 6, 9 and 12 months from closing which took place on April 20, 2009. Each unit also includes one common share warrant entitling the holder to acquire 20,000 common shares of the Company at \$0.84 per share. The warrants expire on April 20, 2012. In addition, following full repayment of the notes, the Company may force conversion of the warrants in the event the Company's closing share price exceeds \$2.00 for 10 consecutive trading days. The interest on, and repayment of, the notes will be financed through anticipated proceeds from the disposition of a part interest in the Breagh field or proceeds from the Melrose transaction.

The current climate of the world financial markets is expected to continue to be challenging and largely preclude the raising of further equity in the near future, and we believe that raising debt financing will also be difficult.

There were 130,991,472 common shares and 6,553,329 stock options outstanding as at March 31, 2009 and May 19, 2009. An additional 246,666 common shares were reserved for stock options at March 31, 2009 and May 19, 2009.

Asset Retirement Obligations

The following is a continuity of asset retirement obligations for the three months ended March 31, 2009:

	\$
Balance, beginning of period	2,419,735
Additions	48,502
Accretion	59,900
Balance, end of period	2,528,137

Future Plans

For the remainder of 2009, we remain focused on our plans as identified in our MD&A for the year ended December 31, 2008 as follows:

- Complete the previously announced farm-out arrangement for 32.5 percent of our 65 percent interest in the Doina/Ana field.
- Complete the sale or farm-out of a portion of our 45 percent interest in the Breagh field.
- Farm out up to 10 percent of our 39.9 percent interest in the Cladhan oil discovery on Block 210/29a in the UK Northern North Sea, prior to re-entering, side tracking and testing the discovery.
- Drill one exploration well on Block 42/19 in the UK Southern North Sea.
- Complete the farm-out arrangement on our Craiova concession and drill three shallow gas wells at the exclusive cost of our partner.

- Continue geological and geophysical work to evaluate our licenses, including the new licenses awarded in the UK 24th and 25th Offshore Licensing Rounds, and the many other prospects and leads that exist on them. This work will focus on offshore UK and offshore and onshore Romania.
- Continue our strategy of farming out a portion of our licenses in order to reduce costs.

These plans are contingent on partner approval and, more importantly upon availability of suitable financing and farm-out partners.

New Accounting Pronouncements

The Canadian Institute of Chartered Accountants (CICA) have issued the following new accounting standards which became effective for the Company for 2009 reporting:

CICA 3064 – Goodwill and intangible assets, contains recommendations relating to the recognition, measurement and disclosure of goodwill and intangible assets. These recommendations have no impact on the Company's consolidated financial statements.

In 2008, the CICA confirmed that publicly accountable enterprises will be required to adopt IFRS in place of Canadian GAAP for interim and annual reporting effective January 1, 2011.

The Company continues to monitor and assess the convergence of Canadian GAAP and IFRS, and has prepared a preliminary plan for conversion within the time frame permitted. The key impact on the Company's financial statements will be that under present IFRS standards there is no equivalent of the full cost method of accounting for petroleum and natural gas properties permitted under Canadian GAAP, and currently followed by the Company. Restatement of the financials to reflect this may be substantial. In addition, implementation of IFRS may require changes to the basis on which the Company translates assets and liabilities denominated in foreign currencies.

Critical Accounting Estimates

Management is required to make judgments, assumptions and estimates in the application of generally accepted accounting principles that have a significant impact on the financial results of the Company. Significant estimates in the financial statements include assessments of the fair value of petroleum and natural gas properties and equipment as well as amounts recorded for the provision for future asset retirement obligations, stock based compensation expense and capital expenditure accruals. By their nature, these estimates are subject to measurement uncertainty and the effect on future consolidated financial statements from changes in such estimates could be significant.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures and have concluded that they are adequate and effective to ensure accurate and complete disclosure.

Additional information about Sterling Resources Ltd. and its business activities, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.

Selected Quarterly Information

Selected information from the eight most recently completed quarters is presented below. We currently have no material production. Until such time as we generate more substantial production income, our results from operations are not affected by seasonal considerations. From time to time we may hold significant amounts of cash and other working capital in foreign currencies, and fluctuations between the denominated exchange rates of these items and the Canadian dollar can cause significant fluctuations in the net income or loss for each quarter.

	2009		2008	
	Mar. 31	Dec. 31	Sep. 30	Jun. 30
	\$	\$	\$	\$
Expenses				
General and administrative	796,401	234,901	398,793	859,528
Foreign exchange loss (gain)	73,320	1,914,603	(1,304,277)	200,482
Stock based compensation	241,819	244,102	241,275	204,788
Accretion	59,900	55,152	29,248	31,793
Depreciation	24,276	23,646	20,938	25,674
	1,195,716	2,472,404	(614,023)	1,322,265
Interest and other income	41,916	244,986	380,340	320,565
Net (loss) income before income taxes	(1,153,800)	(2,227,418)	994,363	(1,001,700)
Income taxes	137	34,877	-	-
Net (loss) income and comprehensive (loss) income	(1,153,937)	(2,262,295)	994,363	(1,001,700)
Net (loss) income per common share – basic and diluted	(0.01)	(0.02)	0.01	(0.01)
2008				
	Mar. 31	Dec. 31	Sep. 30	Jun. 30
	\$	\$	\$	\$
Expenses				
General and administrative	501,856	547,390	382,283	476,963
Foreign exchange (gain) loss	(463,606)	(540,566)	112,058	111,664
Stock based compensation	156,341	185,361	245,587	273,673
Accretion	31,796	13,904	15,282	11,872
Depreciation	31,872	16,992	21,471	17,212
	258,259	223,081	776,681	891,384
Interest income	214,155	140,299	178,861	175,939
Net loss and comprehensive loss	(44,104)	(82,782)	(597,820)	(715,445)
Net loss per common share – basic and diluted	(0.00)	(0.00)	(0.01)	(0.01)

Consolidated Balance Sheets

Unaudited

	March 31, 2009	December 31, 2008
	\$	\$
ASSETS		
Current [note 4]		
Cash and cash equivalents	5,696,656	15,769,514
Restricted cash	924,189	11,270,280
Accounts receivable	4,289,182	5,192,297
Prepaid expenses	55,938	36,844
	10,965,965	32,268,935
Property plant and equipment		
Petroleum and natural gas properties and equipment	148,830,841	134,718,479
Furniture and fixtures	250,983	262,132
	149,081,824	134,980,611
	160,047,789	167,249,546
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current [note 4]		
Accounts payable and accrued liabilities	11,679,261	18,301,465
Asset retirement obligations [note 5]	2,528,137	2,419,735
Commitments [note 6]		
Shareholders' equity		
Share capital [note 7]	156,801,452	156,773,276
Contributed surplus [note 8]	4,037,589	3,599,783
Deficit	(14,998,650)	(13,844,713)
	145,840,391	146,528,346
	160,047,789	167,249,546

See accompanying notes

Consolidated Statements of Loss and Comprehensive Loss

Unaudited

For the three months ended March 31	2009	2008
	\$	\$
EXPENSES		
General and administrative	796,401	501,856
Foreign exchange loss (gain)	73,320	(463,606)
Stock based compensation [note 7]	241,819	156,341
Accretion [note 5]	59,900	31,796
Depreciation	24,276	31,872
	1,195,716	258,259
OTHER INCOME		
Interest and other	41,916	214,155
Loss before income taxes	(1,153,800)	(44,104)
Current income taxes	137	-
Net loss and comprehensive loss for the period	(1,153,937)	(44,104)
Deficit, beginning of period	(13,844,713)	(11,530,977)
Deficit, end of period	(14,998,650)	(11,575,081)
Net loss per common share – basic and diluted [note 7]	(0.01)	(0.00)

See accompanying notes

Consolidated Statements of Cash Flows

Unaudited

For the three months ended March 31	2009	2008
	\$	\$
OPERATING ACTIVITIES		
Net loss for the period	(1,153,937)	(44,104)
Items not affecting cash used in operating activities		
Unrealized foreign exchange loss	216,943	112,889
Stock based compensation [note 7]	241,819	156,341
Accretion [note 5]	59,900	31,796
Depreciation	24,276	31,872
	(610,999)	288,794
Net change in non-cash working capital	16,427	(49,079)
Cash (used in) provided by operating activities	(594,572)	239,715
INVESTING ACTIVITIES		
Decrease (increase) in restricted cash	10,346,091	(11,436,558)
Petroleum and natural gas properties and equipment additions	(13,905,721)	(7,540,238)
Disposition of interests in properties	-	2,240,687
Furniture and fixtures additions	(13,127)	(28,245)
Net change in non-cash working capital	(6,074,418)	(6,881,854)
Cash used in investing activities	(9,647,175)	(23,646,208)
FINANCING ACTIVITIES		
Issue of common shares – exercise of stock options	17,522	52,029,596
Cash provided by financing activities	17,522	52,029,596
Effect of translation on foreign currency cash and cash equivalents	151,367	(57,540)
Decrease (increase) in cash and cash equivalents during the period	(10,072,858)	28,565,563
Cash and cash equivalents, beginning of period	15,769,514	10,308,364
Cash and cash equivalents, end of period	5,696,656	38,873,927

See accompanying notes

Selected Notes to Consolidated Financial Statements

(Unaudited)

For the three months ended March 31, 2009

1. Basis of Presentation and New Accounting Policies

The unaudited interim consolidated financial statements of Sterling Resources Ltd. have been prepared by management in accordance with Canadian generally accepted accounting principles and following the same accounting policies and methods of computation as the consolidated financial statements for the fiscal year ended December 31, 2008, except as noted below. The disclosures included below are incremental to those included with the annual consolidated financial statements. The unaudited interim consolidated financial statements do not include all disclosures required in the annual financial statements and should be read in conjunction with the audited consolidated financial statements and the notes thereto in the Company's annual report for the year ended December 31, 2008.

2. Financial and Liquidity Risks

The Company has no derivative financial instruments, but the fair market values of the Company's other financial instruments, including cash and cash equivalents, restricted cash, accounts receivable and accounts payable, approximate their carrying values.

The Company is exposed to a number of different financial risks arising from normal course business exposures, as well as the Company's use of financial instruments. These risk factors include market risks relating to foreign exchange rate fluctuations and interest rate risk, as well as liquidity risk and credit risk.

A) FOREIGN EXCHANGE RATE RISK

Based on net foreign currency monetary items at March 31, 2009, a one percent fluctuation in the US dollar, UK Pound or Romanian Lei against the Canadian dollar would impact net income by approximately \$22,400, \$38,920, and \$21,206 respectively.

B) INTEREST RATE RISK

Based on total cash, cash equivalents and restricted cash at March 31, 2009 a one percent change in average interest rates would increase or decrease net income by approximately \$66,000 over a full year.

C) LIQUIDITY RISK

Liquidity is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. At March 31, 2009 the Company did not have any debt, and had sufficient cash to settle its accounts payable and meet its immediate commitments. However, the current climate of the world financial markets is expected to largely preclude the raising of further equity in the near future, and raising debt financing may also be difficult. This may require the Company to delay projects or dispose of assets or parts thereof in order to continue operations.

D) CREDIT RISK

As at March 31, 2009 there were no significant overdue receivables requiring provision.

3. New Accounting Pronouncements

The Canadian Institute of Chartered Accountants (CICA) have issued the following new accounting standards which became effective for the Company for 2009 reporting:

CICA 3064 – Goodwill and intangible assets, contains recommendations relating to the recognition, measurement and disclosure of goodwill and intangible assets. These recommendations have no impact on the Company's consolidated financial statements.

In 2008, the CICA confirmed that publicly accountable enterprises will be required to adopt IFRS in place of Canadian GAAP for interim and annual reporting effective January 1, 2011. The Company continues to monitor and assess the convergence of Canadian GAAP and IFRS, but at this time the impact on our financial position and results of operations is not fully determinable or estimable.

The Company commenced its IFRS conversion project in 2008. The Chief Financial Officer has assumed direct responsibility for the project and reports periodically to the Audit Committee of the Board on progress. The project consists of three phases: diagnostic, design and planning; and implementation and training.

The Company has completed the diagnostic phase, and will move into the design and planning phase during the latter half of 2009. During the diagnostic phase it was identified that the key impact on the Company's financial statements will be that under present IFRS standards there is no equivalent of the full cost method of accounting for petroleum and natural gas properties permitted under Canadian GAAP, and currently followed by the Company.

In parallel with the conversion project, the Company will assess the impact of IFRS on disclosure and other areas of internal control.

4. Working Capital

As at March 31, 2009 and December 31, 2008, working capital consisted of the following:

	2009	2008
	\$	\$
Cash and cash equivalents	5,696,656	15,769,514
Restricted cash	924,189	11,270,280
Other non-cash current assets	4,345,120	5,229,141
Current liabilities	(11,679,261)	(18,301,465)
Net working capital (deficiency)	(713,296)	13,967,470

At March 31, 2009, cash and cash equivalents consisted of cash of \$2,746,656 (December 31, 2008 – \$9,969,514) and cash equivalents of \$2,950,000 (December 31, 2008 – \$5,800,000). Cash equivalents currently earn 0.5 percent interest (December 31, 2008 1.5 percent) and are comprised of term deposits which have maturities of greater than 30 days but which have cashable options and are therefore considered cash equivalents by management.

Restricted cash of \$924,189 at March 31, 2009 (December 31, 2008 – \$11,270,280) is comprised of cash in escrow accounts which is available only for settlement of accrued liabilities relating to the drilling of the appraisal well on Block 42/13 in the UK North Sea.

5. Asset Retirement Obligations

The Company's asset retirement obligations result from net ownership interests in petroleum and natural gas exploratory and appraisal stage activity. The Company estimates the total undiscounted amounts of cash flows required to settle its asset retirement obligations to be approximately \$8.0 million which will be incurred between 2010 and 2022. A credit adjusted risk-free interest rate of 10 percent and an inflation rate of 4 percent were used to calculate the net present value of asset retirement obligations at March 31, 2009.

The following is a continuity of asset retirement obligations for the three months ended March 31, 2009:

	\$
Balance, beginning of period	2,419,735
Additions	48,502
Accretion	59,900
Balance, end of period	2,528,137

6. Commitments

Other than commitments relating to wells in progress at December 31, 2008 which have subsequently been completed, there has been no other change in the Company's commitments as disclosed in the Company's financial statements for the year ended December 31, 2008.

7. Share Capital

A) AUTHORIZED SHARE CAPITAL

Unlimited common shares without nominal or par value.

B) SHARE CAPITAL ISSUED AND OUTSTANDING:

(i) Common shares	Number of Shares	Amount
		\$
Balance, December 31, 2008	130,941,472	155,363,951
Issued for cash – exercise of stock options	50,000	16,000
Share issue costs	–	1,522
Transferred from contributed surplus on exercise of options	–	10,654
Balance, March 31, 2009	130,991,472	155,392,127
(ii) Common share warrants	Number of Warrants	Amount
		\$
Balance, December 31, 2008	5,637,300	1,409,325
Balance, March 31, 2009	5,637,300	1,409,325
Share capital – December 31, 2008	136,578,772	156,773,276
Share capital – March 31, 2009	136,628,772	156,801,452

C) STOCK OPTIONS

The Company has established a stock option plan whereby it may grant options to its directors, officers, employees and consultants. On March 31, 2009 there were 10,000,000 common shares reserved for issuance under the plan. The exercise price of each option equals the market price of the Company's shares on the date of the grant. The option's maximum term is five years and must vest over a period of not less than 18 months. Stock options currently issued vest over the initial three years.

The following is a continuity of outstanding stock options for the three months ended March 31, 2009:

	2009	
	Number of Options	Weighted Average Exercise Price
		\$
Outstanding, January 1	6,616,663	2.10
Exercised during the period	(50,000)	0.32
Expired during the period	(13,334)	1.68
Outstanding, March 31	6,553,329	2.12
Exercisable, March 31	2,421,668	1.83

The weighted average remaining contractual life of options outstanding at March 31, 2009 was 791 days.

For the three months ended March 31, 2009, \$241,819 (three months ended March 31, 2008 – \$156,341) was recognized as stock based compensation expense in respect of stock options granted. A further \$206,641 (three months ended March 31, 2008 – \$116,144) was capitalized.

The Company uses the fair value method of accounting for all stock options granted to directors, officers, employees and consultants using the Black-Scholes option pricing model.

D) WEIGHTED AVERAGE SHARES OUTSTANDING

The weighted average shares outstanding for the three months ended March 31, 2009 were 130,942,028 (2008 – 103,977,500).

8. Contributed Surplus

The following is a continuity of contributed surplus for the three months ended March 31, 2009

	\$
Balance, January 1	3,599,783
Stock based compensation expense for the period	241,819
Stock based compensation capitalized during the period	206,641
Transferred to share capital on exercise of options	(10,654)
Balance, March 31	4,037,589

9. Subsequent Event

On April 20, 2009, the Company completed a US\$11.2 million bridge financing facility at an interest rate of 15 percent for net proceeds of approximately US\$10.4 million. Each unit of US\$100,000 is repayable in three equal installments 6, 9 and 12 months from closing. Each unit also includes one common share warrant entitling the holder to acquire 20,000 common shares of the Company at \$0.84 per share. The warrants expire on April 20, 2012. In addition, following full repayment of the notes, the Company may force conversion of the warrants in the event the Company's share price exceeds \$2.00 for 10 consecutive trading days.

10. Segmented Disclosures

The Company's activities are conducted in one operating segment and four geographic segments: Corporate, the United Kingdom, Romania and other international locations which include operations in France.

	Corporate	United Kingdom	Romania	France	Total
	\$	\$	\$	\$	\$
For the three months ended March 31, 2009					
Expenses	441,250	511,923	241,036	1,507	1,195,716
Interest and other income	(10,382)	(31,534)	–	–	(41,916)
Income taxes	–	137	–	–	137
Net loss	(430,868)	(480,526)	(241,036)	(1,507)	(1,153,937)
Petroleum and natural gas property additions	–	11,773,627	2,115,445	16,649	13,905,721
Total assets	3,350,173	106,661,889	47,670,414	2,365,313	160,047,789

For the three months ended March 31, 2008					
Expenses	855,912	(466,552)	(165,721)	34,619	258,258
Interest income	(190,184)	(23,221)	(749)	–	(214,154)
Net (loss) income	(665,728)	489,773	166,470	(34,619)	(44,104)
Petroleum and natural gas property additions	–	3,593,597	2,312,561	1,634,080	7,540,238
Dispositions of interests in properties	–	–	(2,240,687)	–	(2,240,687)
Total assets	36,986,112	57,632,926	27,667,808	2,286,060	124,572,906

CORPORATE INFORMATION

STERLING RESOURCES LTD.

DIRECTORS

WALTER DEBONI ^{(1) (5) (6)}
Chairman
Calgary, Canada

RAJ K. AGRAWAL ^{(1) (2) (5)}
Calgary, Canada

ROBERT B. CARTER ^{(3) (4) (5)}
Calgary, Canada

STEWART G. GIBSON
Aboyne, Scotland

TECK SOON KONG ⁽³⁾
London, England

GRAEME G. PHIPPS ^{(1) (3)}
Eton, England

(1) Reserves Committee

(2) Chairman Reserves Committee

(3) Audit Committee

(4) Chairman Audit Committee

(5) Governance and Compensation Committee

(6) Chairman Governance and Compensation Committee

OFFICERS

STEWART G. GIBSON
Chief Executive Officer

DAVID A. FINDLATER
Vice President Exploration

JOHN RAPACH
Vice President Operations

STEPHEN BIRRELL
Vice President Romanian Operations

IAN C. HORNBY-SMITH
Chief Financial Officer

SHERRY L. CREMER
Treasurer & Corporate Secretary

CORPORATE HEADQUARTERS

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BANKER

THE ROYAL BANK OF CANADA

LEGAL COUNSEL

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RESERVES AUDITOR

RPS ENERGY
Henley-on-Thames, UK

REGISTRAR & TRANSFER AGENT

Inquiries regarding change of address, registered shareholdings, stock transfers or lost certificates should be directed to:

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STOCK EXCHANGE LISTING

The TSX Venture
Stock Exchange Trading Symbol: **SLG**

STERLING RESOURCES (UK) LTD. (WHOLLY OWNED)

DIRECTORS

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Chairman
Calgary, Canada

STEWART G. GIBSON
Aboyne, Scotland

TECK SOON KONG
London, England

DAVID MILLER
London, England

OFFICERS

STEWART G. GIBSON
Managing Director &
Company Secretary

DAVID A. FINDLATER
Vice President Exploration &
Business Development

PATRICK WHITLEY
Vice President Exploration (International)

JOHN RAPACH
Vice President Operations

STEPHEN BIRRELL
Vice President Romanian Operations

IAN C. HORNBY-SMITH
Vice President Finance

CHRISTINE SHINNIE
Controller

SHERRY L. CREMER
Assistant Company Secretary

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BANKER

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