
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM 10-Q/A

Amendment No. 1

- Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended June 30, 2008

or

- Transition report pursuant to section 13 or 15(d) of the Securities Exchange act of 1934**

For the transition period from _____ to _____

Commission File No. 0-51669

STERLING MINING COMPANY

(Exact name of registrant as specified in its charter)

IDAHO
(State or other jurisdiction of
incorporation or organization)

82-0300575
(IRS Employer
Identification No.)

2201 N. Government Way, Ste. E, Coeur d'Alene, ID 83814
(Address of principal executive offices and Zip Code)

(208) 666-4070
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:
39,439,974 shares of common stock as of August 6, 2008.

Explanatory note - The purpose of this Amendment No. 1 on Form 10-Q/A is to correct certain errors in a premature filing on August 8, 2008, of our Form 10-Q for the period ended June 30, 2008 (the “Original Filing”), and effect compliance with Rule 10-01 (d) of Regulation S-X. For the convenience of persons receiving this report, we are reproducing the entire report in this amendment, rather than presenting just the changed parts or sections.

Due to a communication error, Sterling Mining made the Original Filing before the completion of the review of the interim consolidated financial statements included in the Original Filing, so the Original Filing did not comply with the requirements of Rule 10-01(d) of Regulation S-X. Sterling Mining Company was notified on August 18, 2008 that the review had not been completed. Sterling Mining has complied with the requirements of Rule 10-01(d) with respect to the interim consolidated financial statements included in this amendment.

“Note 7: Commitments and Contingencies” and “Note 13: Subsequent Events” to the consolidated financial statements included in the Original Filing are revised by this amendment to move disclosure regarding operations in Mexico from Note 13 to Note 7. Note 13 is revised to include the September 2, 2008 announcement of the termination of the July 21, 2008 letter agreement between the Company and Minco Silver.

Under Part I, “Item 4. Controls and Procedures,” we have added disclosure regarding controls and procedures and events that transpired in Mexico toward the end of the quarter. We also revised the disclosure under Part II, “Item 5. Other Information,” with respect to events affecting our operations in Mexico.

As required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended, new certifications by our Principal Executive Officer and Principal Financial and Accounting Officer are being filed as exhibits to this Amendment No. 1 on Form 10-Q/A.

There are no other changes to the Original Filing other than those outlined above. Except as required to reflect the changes noted above, this Amendment No. 1 on Form 10-Q/A does not attempt to modify or update any other disclosures set forth in our Original Filing. Furthermore, this Amendment No. 1 on Form 10-Q/A does not purport to provide a general update or discussion of any other developments of Sterling Mining Company subsequent to the filing of the Original Filing. Accordingly, this Amendment No. 1 should be read in conjunction with our filings made with the Securities and Exchange Commission subsequent to the date of the Original Filing.

STERLING MINING COMPANY

INDEX TO FORM 10-Q

<u>Part I – Financial information</u>	3
Item 1. <u>Consolidated Financial Statements</u>	3
<u>Balance Sheets</u>	3
<u>Statements of Operations</u>	4
<u>Statements of Cash Flows</u>	5
<u>Condensed Notes to Financial Statements</u>	6
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	17
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	22
Item 4. <u>Controls and Procedures</u>	22
<u>PART II – OTHER INFORMATION</u>	23
Item 1. <u>Legal Proceedings</u>	23
Item 1A. <u>Risk Factors</u>	23

Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	23
Item 3.	<u>Defaults Upon Senior Securities</u>	23
Item 4.	<u>Submission of Matters to a Vote of Security Holders</u>	23
Item 5.	<u>Other Information</u>	23
Item 6.	<u>Exhibits</u>	24
	<u>SIGNATURES</u>	25

PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

**STERLING MINING COMPANY AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS**

	<u>June 30</u> <u>2008</u> <u>(unaudited)</u>	<u>December 31</u> <u>2007</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 826,780	\$ 6,145,385
Marketable securities	524,163	1,284,711
Accounts receivable	712,951	570,650
Inventories	1,772,947	1,364,941
Prepaid expenses and deposits	1,557,939	874,630
Other current assets	97,255	257,536
Total current assets	<u>5,492,035</u>	<u>10,497,853</u>
INVESTMENTS		
Investments in unconsolidated subsidiaries	4,509,252	4,407,343
Long-term investments and other investments	219,313	1,283,628
Total investments	<u>4,728,565</u>	<u>5,690,971</u>
PROPERTY AND EQUIPMENT, NET		
Property, plant and equipment	28,324,041	25,025,694
Less accumulated depreciation and depletion	(1,529,935)	(536,494)
Total property and equipment	<u>26,794,106</u>	<u>24,489,200</u>
OTHER ASSETS		
Prepaid long-term leases	863,678	905,192
Other assets	277,053	275,039
TOTAL ASSETS	<u>\$ 38,155,437</u>	<u>\$ 41,858,255</u>
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	\$ 4,625,379	\$ 2,042,238
Accrued expenses	964,436	1,472,656
Notes payable-current portion	3,477,862	477,862
Capital lease liability-current portion	1,171,241	850,957
Unearned revenue	120,176	459,535
Debenture payable	100,000	—
Other current liabilities	235,358	40,725
Total current liabilities	<u>10,694,452</u>	<u>5,343,973</u>
LONG-TERM LIABILITIES		
Notes payable	30,292	41,901
Debentures payable	—	100,000
Capital lease liability	1,970,633	1,476,987
Total long-term liabilities	<u>2,000,925</u>	<u>1,618,888</u>
STOCKHOLDERS' EQUITY		
Common stock, \$0.05 par value; 80,000,000 shares authorized, 39,439,974 and 38,698,828 shares issued and outstanding, respectively	1,971,999	1,934,941
Additional paid-in capital	73,617,436	71,479,310
Common stock issuable	158,500	—
Accumulated deficit	(49,339,311)	(38,681,700)
Accumulated comprehensive income	(948,564)	162,843
TOTAL STOCKHOLDERS' EQUITY	<u>25,460,060</u>	<u>34,895,394</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 38,155,437</u>	<u>\$ 41,858,255</u>

See accompanying condensed notes to interim financial statements.

STERLING MINING COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	Three Months Ended <u>June 30 2008</u> (unaudited)	Three Months Ended <u>June 30 2007</u> (unaudited)	Six Months Ended <u>June 30 2008</u> (unaudited)	Six Months Ended <u>June 30 2007</u> (unaudited)
REVENUES				
Sales	\$ 3,011,055	\$ 213,616	\$ 4,328,853	\$ 403,603
Lease and contract income	59,769	640,535	121,703	641,885
Total revenue	\$ 3,070,824	\$ 854,151	\$ 4,450,556	\$ 1,045,488
COSTS AND EXPENSES				
Production costs applicable to sales	2,270,980	265,208	3,252,432	513,369
Exploration	716,490	642,663	1,475,777	940,046
Mine rehabilitation	2,899,770	1,751,972	6,615,188	2,996,321
General and administrative	1,079,158	1,731,038	3,206,921	2,677,810
Depreciation, depletion and amortization	710,659	46,358	993,441	60,607
Total expenses	7,677,057	4,437,239	15,543,759	7,188,153
(LOSS) FROM OPERATIONS	(4,606,233)	(3,583,088)	(11,093,203)	(6,142,665)
OTHER INCOME (EXPENSE)				
Gain (loss) on investments	365,223	39,643	1,010,734	276,988
Interest and dividends	(1,961)	17,553	36,775	53,640
Interest (expense)	(322,664)	(18,566)	(325,001)	(35,151)
Gain (loss) on exchange	(393,945)	6,394	(326,798)	(73,628)
Other income	(11,966)	—	5,034	(746)
Total other income (expense)	(365,313)	45,024	400,744	221,103
LOSS BEFORE INCOME TAXES	(4,971,546)	(3,538,064)	(10,692,459)	(5,921,562)
INCOME TAXES	—	—	—	—
LOSS FROM CONTINUING OPERATIONS	(4,971,546)	(3,538,064)	(10,692,459)	(5,921,562)
GAIN (LOSS) FROM EQUITY METHOD INVESTMENTS	—	(1,062)	34,846	554
NET LOSS	(4,971,546)	(3,539,126)	(10,657,613)	(5,921,008)
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized gain (loss) on investments	(1,116,107)	(516,587)	(1,111,407)	(375,520)
COMPREHENSIVE INCOME (LOSS)	\$ (6,087,653)	\$ (4,055,713)	\$ (11,769,020)	\$ (6,296,528)
Basic and fully diluted loss per Share	\$ (0.13)	\$ (0.12)	\$ (0.27)	\$ (0.20)
Basic and fully diluted weighted average shares outstanding	38,698,828	29,890,900	38,943,834	29,578,000

See accompanying condensed notes to interim financial statements.

**STERLING MINING COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Six Months Ended June 30	
	2008	2007
	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$(10,657,613)	\$ (5,921,008)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation	993,441	60,607
Stock issued for services and leases	—	431,130
Stock option expense	398,193	—
(Gain) loss on investments	(1,010,734)	(276,988)
(Gain) loss on investment in equity method subsidiaries	(34,846)	(554)
(Gain) loss on foreign exchange	326,798	—
Payments for lease expenses with stock	158,500	25,346
(Increase) decrease in:		
Accounts receivable	(142,301)	8,972
Inventories	(408,006)	(116,056)
Prepaid expenses	(641,795)	(354,213)
Other current assets	158,267	(69,660)
Increase (decrease) in:		
Accounts payable	2,583,141	977,382
Accrued expenses	(508,220)	217,193
Unearned revenue	(339,359)	—
Other current liabilities	190,616	(157,245)
Net cash used by operating activities	<u>(8,933,918)</u>	<u>(5,175,094)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(210,433)	(644,696)
Proceeds from investments	1,910,497	484,555
Investment in property, plant and equipment	<u>(2,132,386)</u>	<u>(8,876,127)</u>
Net cash provided (used) by investing activities	<u>(432,322)</u>	<u>(9,036,268)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sales of common stock net of costs	1,776,991	11,339,443
Proceeds from exercise of stock options and warrants	—	18,750
Proceeds from notes payable	2,988,391	—
Payment of notes & leases payable	<u>(717,747)</u>	<u>—</u>
Net cash provided by financing activities:	<u>4,047,635</u>	<u>11,358,193</u>
Net increase (decrease) in cash and cash equivalents	(5,318,605)	(2,853,169)
Cash beginning of period	<u>6,145,385</u>	<u>3,054,582</u>
Cash at end of period	<u>\$ 826,780</u>	<u>\$ 201,413</u>
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Income taxes paid	\$ —	\$ —
Interest paid	<u>\$ 276,701</u>	<u>\$ 35,151</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Common stock issued for leases	\$ —	\$ 156,500
Common stock issuable issued for land	\$ —	\$ 1,362,500
Acquisition of capital lease equipment	\$ 1,529,354	\$ —

See accompanying condensed notes to interim financial statements.

STERLING MINING COMPANY AND SUBSIDIARY
CONDENSED NOTES TO INTERIM FINANCIAL STATEMENTS, JUNE 30, 2008

Sterling Mining Company (“Sterling” or the “Company”) is engaged in the business of acquiring, exploring, developing, and mining mineral properties, primarily those containing silver and associated base and precious metals. The Company’s operating mines are the Sunshine Mine in Idaho and the San Acacio-Barones (“Barones”) silver project in Mexico. The Company has exploration projects in Idaho, Montana, and Mexico. The Company was incorporated under the laws of the State of Idaho on February 3, 1903. The Company is headquartered at 2201 N. Government Way, Ste. E, Coeur d’Alene, ID 83814.

Note 1: Basis of Presentation of Financial Statements

In the opinion of management, the accompanying unaudited consolidated balance sheet, consolidated statements of operations and comprehensive loss, consolidated statements of cash flows and notes to interim consolidated financial statements contain all adjustments necessary to present fairly, in all material respects, the financial position of Sterling Mining Company and its consolidated subsidiary. Management has made all adjustments necessary for a fair statement of the results for the interim periods presented. These unaudited interim consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and related footnotes as set forth in the Company’s annual report filed on Form 10-K for the year ended December 31, 2007.

The results of operations for the periods presented may not be indicative of those which may be expected for a full year. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) have been condensed or omitted as permitted by GAAP.

Note 2: Summary of Significant Accounting Policies

This summary of significant accounting policies is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Company’s management, which is responsible for their integrity and objectivity. These accounting policies conform to GAAP and have been consistently applied in the preparation of the financial statements.

Accounting Method

The Company’s financial statements are prepared using the accrual basis of accounting in accordance with GAAP.

Accounts Receivable

The Company carries its accounts receivable at net realizable value. On a periodic basis, the Company evaluates its accounts receivable and determines if an allowance for doubtful accounts is necessary, based on a history of past write-offs and collections and current credit conditions.

Asset Retirement Obligations

The Company accounts for asset retirement obligations and conditional asset retirement obligations in accordance with SFAS 143, FIN 47 and U.S. GAAP.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Compensated Absences

Employees of the Company may be paid vacation, sick, and personal days off. The Company accrued \$40,725 in 2007 for compensated absences expense. The Company did not accrue any additional expense during the first or second quarter of 2008 because management has deemed that any additional liability arising from these provisions in the future would be immaterial.

Concentration of Risk

The Company maintains its domestic cash in several commercial banks in Coeur d’Alene and Wallace, Idaho. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. The Company also maintains cash in a Mexican bank. The Mexican accounts, one denominated in dollars and one denominated in pesos, are considered to be uninsured.

Derivative Instruments

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," (hereinafter "SFAS No. 133") as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of FASB No. 133", and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities" and SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." These statements establish accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. They require that an entity recognize all derivatives as either assets or liabilities in the consolidated balance sheet and measure those instruments at fair value. In February 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 155, "Accounting for Certain Hybrid Financial Instruments, an Amendment of FASB Standards No. 133 and 140."

If certain conditions are met, a derivative may be specifically designated as a hedge, the objective of which is to match the timing of gain or loss recognition on the hedging derivative with the recognition of (i) the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk or (ii) the earnings effect of the hedged forecasted transaction. For a derivative not designated as a hedging instrument, the gain or loss is recognized as income in the period of change.

Historically, the Company has not entered into derivatives contracts to hedge existing risks.

The Company issued one convertible debenture in 2007 which did not give rise to derivative instruments.

Earnings (Loss) Per Share

The Company has adopted Statement of Financial Accounting Standards No. 128, which provides for calculation of "basic" and "diluted" earnings per share. The weighted average number of shares was calculated by taking the number of shares outstanding and weighing them by the amount of time that they were outstanding. Diluted net loss is the same basis net loss per share, as the inclusion of common stock equivalents would be antidilutive.

Equity Method

The Company applies the equity method to account for investments for which it has significant influence upon the investee, according to APB Opinion 18 and subsequent pronouncements.

During 2007 the Company acquired significant influence in Merger Mines Corporation and began accounting for its investment in Merger Mines Corporation using the equity method. The value of the Company's investment in Merger Mines Corporation increased to approximately \$1.5 million as of June 30, 2008. Sterling owns 44% of the voting shares of common stock issued and outstanding by Merger.

During 2006 the Company acquired significant influence in Chester Mining Company and began accounting for its investment in Chester Mining Company using the equity method. Sterling owns 48% of the voting shares of common stock issued and outstanding by Chester. The value of the Company's investment in Chester Mining Company increased to approximately \$3.0 million as of June 30, 2008.

Estimates

The preparation of financial statements in conformity with GAAP requires management to 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

At least annually, management reviews the reserves used to estimate the quantities and grades of ore at the Company's mines which management believes can be recovered and sold economically. Management's calculations of proven and probable ore reserves are based on in-house engineering and geological assessments using current operating costs, metals prices and, when applicable, third-party audits of the Company's reserves.

Exploration Costs

In accordance with GAAP, the Company expenses exploration costs as incurred.

Fair Value of Financial Instruments

Effective January 1, 2008, the Company adopted Financial Accounting Standards Board (FASB) SFAS No. 157, *Fair Value Measurements* (SFAS 157). The provisions of SFAS 157 are applicable to all of the Company's assets and liabilities that are measured and recorded at fair value. SFAS 157 establishes a new framework for measuring fair value and expands related disclosures. SFAS 157 defines fair value as the price that would be received for an asset or the exit price that would be paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants. SFAS 157 establishes a fair value hierarchy that gives the highest priority to observable inputs and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy defined by SFAS 157 are described below.

- Level 1: Quoted market prices available in active markets for identical assets or liabilities as of the reporting date. The Company's Level 1 assets include cash equivalents, primarily securities in active markets and institutional money market funds, whose carrying value represents fair value because of their short-term maturities of the investments held by these funds.
- Level 2: Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. The Company's Level 2 assets represent securities that are traded in active markets but are restricted shares, and small cap mining stocks that are not traded in active markets.
- Level 3: Pricing inputs that are generally unobservable inputs and not corroborated by market data. The Company's Level 3 assets represent options and warrants in small cap mining stocks. Fair value is determined using the Black-Scholes valuation method and consideration for the risk of loss of value.

Foreign Currency Transactions

The Company created a Mexican subsidiary during 2004 for the purpose of exploration and exploitation of silver bearing minerals in Mexico. The Company translates into United States dollars the assets and liabilities of its Mexico subsidiary according to GAAP. The Company translates into United States dollars the revenues, expenses, gains and losses of its Mexican subsidiary at the transaction date and records them according to GAAP. Management has concluded that for the purposes of financial reporting, the functional currency of the Mexican subsidiary is the United States dollar. Consequently, management uses the temporal method of foreign currency translation.

Inventories

Metals inventories are carried at the lower of current market value or average unit cost. Production costs include the cost of direct labor and materials, depreciation, amortization, and overhead costs relating to mining and processing activities. Materials and supplies inventories are valued at the lower of average cost or fair market value. The inventories balance at June 30, 2008 and 2007 represented supplies inventory and, minerals inventory in Idaho and Mexico and silver coins and other inventory in Idaho.

Mineral Development Costs

The Company will capitalize property acquisition costs for undeveloped mineral interests that have significant potential to develop an economic ore body. The Company will amortize the capital costs based on proven and probable ore reserves if an economic ore body is developed. If an economic ore body is not discovered, previously capitalized costs are expensed in the period in which it is determined that the property does not contain an economic ore body. Costs to develop new mines, to define further mineralization in existing ore bodies, and to expand the capacity of operating mines, are capitalized and will be amortized on a unit of production basis over proven and probable reserves. Gains and losses on the sales or retirement of assets are recorded as other income or expense.

Prepaid Expenses

The Company's current prepaid expenses primarily consist of prepaid insurance premiums, pre-payment to the utility company, and prepaid lease payments which are paid for up to a year in advance. Prepaid lease payments for periods beyond one year are considered other non-current assets. Non-current assets are primarily comprised of the Sunshine Mine lease and the 20 year Barones lease which was prepaid in 2004 and is being amortized over the 20 year lease term.

Minority Interest

The Company owns 99% of its Mexico subsidiary, Sterling Mining de Mexico S.A. de C.V. The 1% minority in the subsidiary is owned by an individual. A minority interest is not shown on the balance sheet because there is a negative value to the capital account of the minority interest holder. Additionally, the minority holder is not expected to make additional capital contributions.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiary after elimination of inter-company accounts and transactions. The majority-owned subsidiary of the Company is named above.

Property and Equipment

Property and equipment is recorded at cost. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets, which range from three to ten years. The Company accounts for equipment under capital lease agreements according to FAS 13 "Accounting for Leases" and subsequent pronouncements.

Provision for Taxes

Income taxes are provided based upon the liability method of accounting pursuant to Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Under this approach, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end. A valuation allowance is recorded against deferred tax assets if management does not believe the Company has met the "more likely than not" standard imposed by SFAS No. 109 to allow recognition of such an asset.

Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable, no obligations remain and collectability is considered probable. The passing of title to the customer is based on terms of sales contracts. Revenues from leases are recognized when realized and earned according to the lease provisions and receipt of the lease payments. The Company recognizes revenue from coin sales when title passes, which is typically when cash is received in exchange for the coins. When the Mexican subsidiary sells precipitate, revenue is recognized when payment is reported by the refining plant. Advance payments in Mexico are recorded as deferred revenue.

Recent Accounting Pronouncements

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities", which permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains on items for which the fair value option has been elected are to be reported in earnings. SFAS 159 will become effective as of the beginning of the first fiscal year that begins after November 15, 2007. Management has not determined yet the effect that adoption of SFAS 159 may have on our results of operations or financial position.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160 ("SFAS 160"), Noncontrolling interests in Consolidated Financial Statements, which establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 is effective for financial statements issued for fiscal years beginning on or after December 15, 2008, and interim periods within those fiscal years.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141R ("SFAS 141R"), Business Combinations, which establishes principles and requirements for how the acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree, goodwill acquired in the business combination, or a gain from a bargain purchase. SFAS 141R is effective for financial statements issued for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008

Note 3: Marketable Securities and Investments

The Company's investment portfolio consists primarily of small-cap mining stocks, options and warrants.

The Company's investments in securities are classified as either trading, held to maturity, or available-for-sale in accordance with Statement of Financial Accounting Standards No. 115. During the three months ended June 30, 2008 and 2007, the Company did not own any securities classified as trading or held to maturity, but did own securities classified as available-for-sale. Available-for-sale securities consist of equity securities not classified as trading securities or as securities to be held to maturity.

Unrealized holding gains and losses, net of tax, on available-for-sale securities are reported as a net amount in a separate component of other comprehensive income. Gains and losses on the sale of available-for-sale securities are determined using the average cost method and are included in earnings. The Company determines the gain or loss on investment securities held as available-for-sale, based upon the accumulated cost basis of specific investment accounts. Certain "other investments" are in companies with very limited volume and stable trading prices. Thus, fair market values tend to shift only fractionally.

On the Company's balance sheet, short-term available for sale securities are classified as "marketable securities." Long-term available-for-sale securities and other investments are classified as "investments."

Options and warrants are recorded at fair market value, calculated using a conventional Black Scholes pricing model. Assumptions made in estimating the fair value include the risk-free interest rate, volatility and expected life. For the three months ended June 30, 2008, the average volatility ranged from 47% to 121%. Expected life used was the number of days to expiration. The risk-free interest rate used was the Federal Reserve Board's risk-free rate most closely corresponding to the option or warrant lifetime. Management used risk free rates between 2.42% and 4.74% for the periods presented. The Company has adjusted its methodology in valuing options and warrants held as investments. If the exercise price of the option or warrant was greater than the market price on June 30 then the value of the option or warrant was written to zero (\$0) because there would be no market for those financial instruments in the market place.

The changes in marketable securities, long-term investments, and investments-other during the three months ended June 30, 2008 are as follows:

Three Months Ended June 30, 2008	Fair Value at March 31, 2008	Plus Purchases	Less Sales at Cost	Plus (Less) Unrealized Gain (Loss)	(Less) Impairments	Fair Value at June 30, 2008	Fair Value at December 31, 2007
Investments Long-Term	\$ 788,393	\$ 5,597	\$(146,520)	\$ (428,157)	\$ —	\$ 219,313	\$ 989,328
Investments Other	207,321	—	—	(207,321)	—	—	294,299
Total Investments	995,714	5,597	(146,520)	(635,478)	—	219,313	1,283,627
Marketable Securities	1,505,567	226,411	(727,186)	(480,629)	—	524,163	1,284,712
Total	\$2,501,281	\$232,008	\$(873,706)	\$(1,116,107)	\$ —	\$ 743,476	\$2,568,339

At June 30, 2008, the total basis of marketable securities and investments was \$1,692,040. Total accumulated unrealized losses were \$948,564 and the total fair market value was \$743,476.

At December 31, 2007, the total basis of marketable securities and investments was \$2,405,496. Total accumulated unrealized gains were \$162,843 and the total fair market value was \$2,568,339.

Note 4: Income Tax

Income taxes are provided based upon the liability method of accounting pursuant to Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Under this approach, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end. A valuation allowance is recorded against deferred tax assets if management does not believe the Company has met the "more likely than not" standard imposed by SFAS No. 109 to allow recognition of such an asset.

At June 30, 2008, the Company had deferred tax assets, calculated at an expected rate of 34%, of approximately \$11,150,000, principally arising from net operating loss carryforwards for income tax purposes. As management of the Company cannot determine that it is more likely than not that the Company will realize the benefit of the deferred tax asset, a valuation allowance equal to the deferred tax asset has been established at June 30, 2008.

The Company's deferred tax assets are estimated as follows:

	June 30, 2008	December 31, 2007
Net operating loss carryforward	\$ 32,790,000	\$22,256,000
Deferred tax asset	\$ 11,150,000	\$ 7,567,000
Deferred tax asset valuation allowance	(11,150,000)	(7,567,000)
Net deferred tax asset	\$ —	\$ —

At June 30, 2008, the Company has net operating loss carryforwards of approximately \$32,790,000, which expire in the years 2018 through 2027.

The change in the allowance account from December 31, 2007 to June 30, 2008 was approximately \$3,583,000.

Note 5: Inventories

The Company uses the first-in-first-out method of inventory valuation.

Inventories in the United States consist of silver concentrate, metal inventory, supply inventory, and silver coins and other inventory for sale. Inventories in Mexico consist primarily of silver concentrate and precipitate. Other components of inventory are copper, reagents, gravel and work in process.

At June 30, 2008 and December 31, 2007, the concentrate and precipitate in Mexico was either on-site, in transit, or at the refinery. The concentrate, from the Sunshine Mine, was either on-site or in transit.

Note 6: Property Plant and Equipment

During the first half of the year the Company acquired nine pieces of underground mining equipment under a capital lease agreement.

The Company conducts a major part of its operation with leased equipment. These equipment leases, which are for two to five years each, expiring from 2009 to 2013, are classified as capital leases. Each lease contains the option for the Company, after the initial lease term, to purchase the property at approximately 15% of the purchase price.

The rental payments under most leases are based on the remaining balance, after an initial down payment of 40%. The first and last month payments are due at the beginning of the lease term and do not reduce the balance used to calculate the minimum lease payment, resulting in implicit interest rates of approximately 20%.

The following is an analysis of the leased property under capital leases by major classes:

<u>Property:</u>	<u>Asset Balances at June 30, 2008</u>
Mining Equipment	\$ 124,989
Underground Diesel Equipment	5,883,966
Less: Accumulated amortization	(467,456)
	<u>\$ 5,541,499</u>

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2008:

<u>Year ending June 30:</u>	
2008	\$ 1,572,492
2009	1,620,915
2010	1,283,221
2011	323,527
2012	10,027
2013	2,506
Total minimum lease payments required	4,812,688
Less: Amount representing interest	(1,411,539)
Present value of minimum lease payments	<u>\$ 3,401,149</u>

Note 7: Commitments and Contingencies

Mineral Leases

The Company has secured leases of several mineral properties. Each of the leases is subject to lease payments as shown in the table below:

Mineral Leases

	Production Royalties Payable ⁽¹⁾	2008 Annual Lease Fees
Barones Concession ⁽²⁾	Yes	\$ —
Chester Claim Group ⁽³⁾	Yes	7,200
J.E. Prospect	Yes	12,500
Jestec	Yes	15,000
Merger Mines Claim Group	Yes	2,500
Metropolitan Mines Claim Group	Yes	12,000
Mineral Mountain Claim Group	Yes	3,600
Montana Revett Claim Group ⁽⁴⁾	Yes	—
San Acacio Concession ⁽⁵⁾	Yes	150,000
Sunshine Mine and Infrastructure, ARI Lease	Yes	120,000
Timberline Resources ⁽⁶⁾	Yes	20,000
Rock Creek-Idaho ⁽⁷⁾	Yes	6,000
Jimenez de Teul ⁽⁸⁾	Yes	150,000
Alhambra ⁽⁹⁾	Yes	3,000
Copper ⁽¹⁰⁾	Yes	1,500

- (1) All leases are subject to production royalties.
- (2) \$375,000 in cash and \$100,000 in the Company's common stock were prepaid in 2004 to apply to the life of the Barones lease of 240 months. There are no annual lease fees.
- (3) The Chester Claim Group lease also requires an annual payment of 50,000 shares of the Company's common stock.
- (4) Montana Revett Claim Group annual lease fee of \$20,000 commenced on June 1, 2007.
- (5) San Acacio production royalties are not payable to lessor, but are payable to third parties.
- (6) Timberline annual lease fee of \$20,000 began on June 1, 2007.
- (7) The lease includes a \$50,000 per year work commitment and payments of \$500 a month, which can be credited against the 25% net profits royalty.
- (8) The lease includes a \$100,000 work commitment in 2008 and additional work commitments of \$100,000 for each of the next three years.
- (9) The lease includes annual payments \$3,000 per year until such time as Net Profit Royalties are payable.
- (10) The lease includes annual payments \$1,500 per year until such time as Net Profit Royalties are payable.

Other Leases

The Company has entered into a lease for office space near the Sunshine Mine site at \$2,259 per month through September 2008. The Company has entered into a lease for office space in Coeur d'Alene, Idaho for \$1,843 from December 2007 through November 2008.

The Company's future obligations under mineral and office space operating lease agreements are as follows:

Year Ending:	
December 31, 2008	\$ 445,712
December 31, 2009	490,324
December 31, 2010	390,324
December 31, 2011	390,324
December 31, 2012	390,324
Total minimum lease payments	<u>\$2,107,008</u>

Compliance with Environmental Regulations

The Company is subject to a variety of federal, state and local statutes, rules and regulations designed to protect the quality of the water and air, and threatened or endangered species, in the vicinity of many of its mining operations. These regulations include “permitting” or pre-operating approval requirements designed to ensure the environmental integrity of a proposed mining facility, operating requirements to mitigate the effects of discharges into the environment during mining operations, and reclamation or post-operation requirements designed to remediate the lands affected by a mining facility. The Company is investigating the necessary environmental requirements and any bonding necessary to comply with the regulations.

Other Taxes

Estimated property tax liabilities at June 30, 2008 are shown below:

<u>Tax Year:</u>	
2007	\$ 40,886
2008	<u>70,240</u>
Balance, June 30, 2008	<u>\$111,126</u>

Sterling de Mexico

As of June 30, 2008 the Company was not in operational control of the Barones silver project in Mexico as the result of what the Company believes to be the misappropriation of the assets and operations by a former manager. The Company’s ownership of the Barones silver project may be impaired by the actions of the former manager, which could result in a write-down of the carrying value of that asset. The total value on the consolidated balance sheet for our assets in Mexico is \$1.8 million, which includes approximately \$1.6 million of assets associated with the Barones concession and the pending dispute. Subsequent to the end of the quarter the Company established management control over the legal entity in Mexico and is pursuing claims against the former manager for enforcement of its rights, with respect to which the Company believes it has a reasonable possibility of success. Operations on properties in Mexico not involved in the misappropriation have been suspended and are expected to be resumed at the beginning of the fourth quarter of 2008. It is not possible for the Company to estimate as of June 30, 2008, the range of potential loss to the Company should the results of its efforts in Mexico to recover assets and restore operations be less than successful.

Note 8: Notes Payable

On May 26, 2008 the Company entered into a short-term note with a private party for \$500,000 that requires interim monthly payments of interest and principal with the final payment due August 31, 2008. This note has an annual interest rate of 12%. On May 29, the Company entered into a short-term note with a private party for \$100,000 that is due on December 1, 2008. This note has an annual interest rate of 14.0%. On June 18 the Company entered into a short-term note with a group of lenders for \$2,400,000 that is due October 15, 2008. This note has an annual interest rate of 24% and is secured by certain patented mining claims and properties, and all of the Company’s accounts, equipment, inventory, leases (excluding the Sunshine Mine lease), and other personal property, subject to existing security interests. Net proceeds from the June 18 note, after fees and interest, were \$2,021,740. The Company had three existing notes payable as follows: \$400,000 to Western Continental for a land purchase, \$50,000 to Diversified Machine Technology (DMT) for a land purchase and \$58,154 to Microsoft Corporation for the purchase of computer hardware and software. The notes payable current portion on the balance sheet is \$3,477,862 representing the current portion of the Microsoft note, the payable to Western Continental, and the payable to DMT. Notes payable long-term on the balance sheet is \$30,292, the long-term portion of the Microsoft note.

The notes payable have the following terms: The Western Continental note has a 7.25% interest rate, monthly interest payments of \$2,417, with payment of the principal due in full on November 6, 2008. The DMT note has a maturity date of October 6, 2008, when the principal is due in full. No payment is due until the maturity date. The Microsoft note has monthly payments \$2,803. Interest and principal are scheduled to be paid in full on July 1, 2010. Each note is collateralized by the asset acquired.

Notes Payable, current and long-term at June 30, 2008 are as follows:

<u>Notes Payable</u>	
Current	
DMT	\$ 50,000
Western Continental	400,000
Microsoft	27,862
May 26 Note	500,000
May 29 Note	100,000
June 18 Note	<u>2,400,000</u>
Sub-total	\$3,477,862
Long-term	
Microsoft	<u>30,292</u>
Total	<u>\$3,508,154</u>

Note 9: Common Stock, Options and Warrants

During the second quarter of 2008, the Company completed a private placement offering that raised total proceeds of \$1,780,794, proceeds net of financing costs \$1,776,991. In the private placement, the Company sold to nine investors 741,164 shares of common stock, 370,581 Series A Warrants and 370,581 Series B Warrants. The Series A Warrants are exercisable for a term of 18 Months from May 5, 2008, at an exercise price of \$3.40 per share. The Series B Warrants are exercisable for a term of 36 months from May 5, 2008, at an exercise price of \$4.10 per share.

During the three months ended June 30, 2008, the Company granted 1,289,000 options under the Company's 2006 Equity Incentive Plan with an exercise price of \$1.45 per share with vesting at various dates through 2012. These options were granted to eleven persons who were directors, officers and employees of the Company. The fair value of each option is estimated on the issue date using the Black-Scholes Option Price Calculation. The following assumptions were made in estimating the fair value: risk free interest of 3.1% to 3.5%; volatility of 66% to 74%; dividend rate of 0%; and expected life of 3 years. The total value of options awarded during the three months was calculated at \$514,757. Expense was recorded of \$319,361 for the options which were earned during the three months ended June 30, 2008. During the first quarter of 2008, the Company issued no shares, options, or warrants.

Options issued to officers in 2007 partially vested in the second quarter of 2008. The Company recognized \$158,500 of common stock issuable for an annual mineral lease payment of 50,000 shares.

During the year ended December 31, 2007, stock options of 25,000 were exercised for cash proceeds of \$18,750 and 810,000 stock options were granted. Options granted were reduced from 960,000 to 810,000 due to the correction of a mathematical error and an amendment to the employment agreement of Mr. Ray DeMotte. The exercise price of the options remains at \$4.00.

Note 10: Loss per Common Share

The Company is authorized to issue 80,000,000 shares of common stock, \$0.05 par value per share, of which 39,439,974 shares were issued at June 30, 2008. The number of weighted average shares of common stock outstanding at June 30, 2008 is 38,943,834.

The Company has adopted Statement of Financial Accounting Standards No. 128, which provides for calculation of "basic" and "diluted" earnings per share. Basic earnings per share includes no dilution and is computed by dividing net income available to common shareholders by the weighted average common shares outstanding for the period. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of an entity similar to fully diluted earnings per share. Although there were common stock equivalents outstanding June 30, 2008, they were not included in the calculation of earnings per share because they would have been considered anti-dilutive.

As of June 30, 2008, the Company had issued and outstanding 12,342,250 warrants, 2,099,999 options, and convertible debt that could be converted to 80,000 shares of common stock and earnings would be fully diluted by 14,522,249 shares.

Note 11: Business Segments

The Company began reporting two business segments during 2004. One segment is the exploration and development segment in the United States of America. The Company engages in the acquisition, exploration and development of mineral properties in the U.S.A. in this segment.

The Company's other segment, acquired in 2004, is the Mexico exploration segment. That segment includes the Company's 99% owned subsidiary Sterling Mining De Mexico, S.A. De C.V. The Mexico segment engages in the acquisition, exploration and operation of mineral properties in Mexico. The Company's objective in each segment is to place those properties that can be operated at a profit into production.

The following table presents information about reportable segments for the three months ended and six months ended June 30, 2008 and 2007.

	<u>Three Months Ended June 30</u>		<u>Six Months Ended June 30</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues:				
United States	\$ 1,914,123	\$ 224,935	\$ 2,288,236	\$ 232,917
Mexico	1,156,701	629,216	2,162,320	812,571
Total	<u>\$ 3,070,824</u>	<u>\$ 854,151</u>	<u>\$ 4,450,556</u>	<u>\$ 1,045,488</u>
Income (loss) from operations				
United States	\$(4,620,491)	\$(3,432,625)	\$ 11,267,009	\$(5,803,437)
Mexico	14,258	(150,463)	173,806	(339,228)
Total	<u>\$ 4,606,233</u>	<u>\$(3,583,088)</u>	<u>\$(11,093,203)</u>	<u>\$ (6,142,665)</u>
Net Income (Loss)				
United States	\$(4,590,537)	\$(3,394,476)	\$(10,502,455)	\$(5,506,542)
Mexico	(381,009)	(144,650)	(155,158)	(414,466)
Total	<u>\$(4,971,546)</u>	<u>\$(3,539,126)</u>	<u>\$(10,657,613)</u>	<u>\$(5,921,008)</u>
Identifiable Assets:				
United States	Same as	Same as	\$ 36,374,880	\$22,881,200
Mexico	6 mo.	6 mo.	1,780,557	1,790,397
Total	<u>Column</u>	<u>Column</u>	<u>\$ 38,155,437</u>	<u>\$24,671,597</u>
Capital Expenditures: (Net)				
United States	\$ 480,605	\$ 3,498,256	\$ 3,226,474	\$ 5,534,763
Mexico	28,460	184,459	71,873	403,864
Total	<u>\$ 509,065</u>	<u>\$ 3,682,715</u>	<u>\$ 3,298,347</u>	<u>\$ 5,938,627</u>

Note 12: Significant Customers

Sterling Mining de Mexico, the Mexican subsidiary, has sold its concentrate and precipitate to two refineries in the past. During the three months ended June 30, 2008, sales were to Met-Mex Penoles refinery and to one buyer. Concentrate from the Sunshine Mine was sold to one customer during the first quarter. During the second quarter the Company entered into a contract with Ocean Partners, a concentrate broker, to sell the silver concentrates from the Sunshine Mine. This agreement is for 200 metric tons of concentrate.

Note 13: Subsequent Events

On July 21, 2008, the Company and Minco Silver Corporation ("Minco Silver") signed a letter of intent whereby Minco Silver agreed to acquire 100% of the issued and outstanding shares of Sterling (the "Transaction"), subject to certain terms and conditions. In the Sterling Mining Company and Minco Silver Corporation letter of agreement, the Company was extended a \$15 million line of credit bearing 10% interest per annum. On July 31, \$5.0 million was advanced to the Company. The line is secured by substantially all the assets of the Company. On September 2, 2008, the Company and Minco Silver announced they have agreed not to proceed with the Transaction contemplated by the letter agreement between the parties dated July 21, 2008, previously announced on July 23, 2008. As a result, the management committee established between the Company and Minco Silver under the letter agreement was terminated and the board of directors of the Company is managing its affairs. No further advances will be available under the line of credit since the business combination is no longer being pursued.

On July 31, 2008 the Company used a portion of the initial advance under the line of credit obtained from Minco Silver to make a payment of principal of \$1.0 million to the group of lenders that issued the \$2.4 million short term note payable to the Company on June 18.

The Company borrowed \$280,000 from Roger VanVoorhees on July 17, 2008. The note carries an interest rate of 14% and is due and payable December 17, 2008. Roger VanVoorhees is a member of the Company's board of directors.

Item 2: Management's Discussion And Analysis Of Financial Condition And Results Of Operations

Statements contained in this Form 10-Q, including in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Quantitative and Qualitative Disclosure About Market Risk", are intended to be covered by the safe harbor provided for under Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Our forward-looking statements include our current expectations and projections about future results, performance, results of litigation, prospects and opportunities. We have tried to identify these forward-looking statements by using words such as "may," "will," "expect," "anticipate," "believe," "intend," "feel," "plan," "estimate," "project," "forecast" and similar expressions. These forward-looking statements are based on information currently available to us and are expressed in good faith and believed to have a reasonable basis. However, our forward-looking statements are subject to a number of risks, uncertainties and other factors that could cause our actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements.

These risks, uncertainties and other factors include, but are not limited to, those set forth under Part I, Item 1A – Risk Factors in our annual report filed on Form 10-K for the year ended December 31, 2007. Given these risks and uncertainties, readers are cautioned not to place undue reliance on our forward-looking statements. All subsequent written and oral forward-looking statements attributable to Sterling Mining Company or to persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. Except as required by federal securities laws, we do not intend to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Overview

The results of the Company's operations are significantly affected by the market prices of silver which may fluctuate widely and are affected by many factors beyond the Company's control, including, without limitation, interest rates, expectations regarding inflation, currency values, governmental decisions regarding the disposal of precious metals stockpiles, global and regional political and economic conditions, and other factors.

The average prices of silver (London Final) and gold (London Final) for the second three months of 2008 were \$17.18 and \$896.29 per ounce, respectively. The market prices of silver and gold on July 29, 2008 were \$17.42 per ounce and \$923.50 per ounce, respectively.

The Company's operating mines are the Sunshine Mine in Idaho and the San Acacio-Barones silver project in Mexico. The Company has exploration projects in Idaho, Montana, and Mexico. As a result of the work completed in the first quarter of 2008, the Company expects increasing production quarterly in 2008 and increasing concentrate grades.

Operating Highlights and Statistics

Sunshine Mine

At the Sunshine Mine a total of 14,085 tons of ore was mined during the second quarter of 2008 from 2700 level West Chance and 3100 level Sunshine stopes. At the end of the quarter mine production increased to approximately 370 tons per day. There were five stopes in production and two additional stopes under development for July production. Development activities continued in both production areas to access new stopes as well as advance the decline to connect to the 3400 level in the Sunshine vein area for ventilation, secondary escapeway, and to access two developed stopes below 3400 level. The mine sandfill system returned to operation with the completion of renovation and installation of new components. The mine "leaky feeder" radio communication system was completed down the Jewell shaft and to mining areas on 2700 and 3100 levels. Installation of the mine's rockburst monitoring system began, targeting operation in the third quarter.

During the quarter the mill processed 9,058 wet tons of ore resulting in 135,777 ounces of silver reporting to concentrates. Mill recovery averaged 95.2% during the period. The No. 1 ball mill was brought on line during June; however, the No. 2 ball mill electric motor failed in June and was sent out for repairs. A second shift in the mill was added in July.

The diamond drill contractor completed 2,400 feet of underground diamond drilling during the quarter. The contractor drilled a total of 10,470 feet for the year from locations in the Sterling Tunnel. Sterling drill crews completed 2,086 feet of upper country drilling and 817 feet in the West Chance area of the lower mine. Sterling crews drilled a total of 3,623 feet for the second quarter and 5,404 feet for the first half of the year. Third quarter Sterling drilling will focus on definition drilling in the West Chance area.

A contingency plan was put into place that would allow pumping without the new Jewell Shaft dewatering pump. A dam was built on 3100 and outfitted with pumps to lift water to the 2700 level dam and pump station. The mine water level has been lowered to 3400 level.

The majority of diesel equipment is now underground in the 2700 West Chance and 3100 Sunshine areas. The mine converted fuel to biodiesel in order to comply with new federal emissions standards.

The Company hired 31 employees at the Sunshine Mine during the second quarter bringing the total number of employees to 164. The mine is anticipating that the workforce will number 189 by the end of 2008.

Sterling Mining de Mexico

In Mexico production for the second quarter of 2008 exceeded first quarter production primarily due to the high grade of mill feed and the continued operation of the crusher. During the second quarter of 2008, Sterling Mining de Mexico produced 62,571 ounces of silver of which 21,655 ounces were produced as precipitate at the Barones project and 40,916 ounces were produced as concentrate at the El Arca facility. Second quarter production was primarily in April and May. June production was curtailed by a loss of access to the San Acacio As disclosed under "Item 5. Other Information," below, Sterling Mining is not presently in operational control of the Barones silver project in Mexico as the result of the misappropriation of the assets and operations by a former manager. Consequently, Sterling Mining is not receiving cash from operation of the Barones Silver Project, which will have a material adverse effect on results of operations in the third quarter of 2008 and subsequent periods, and Sterling Mining's ownership of the Barones silver project may be impaired, which could result in a write-down of the carrying value of that asset.

During the second quarter of 2008, Sterling Mining Company continued assessing its exploration properties in the state of Zacatecas, Mexico. The Company intends to enter into joint ventures with other junior exploration companies on several of its projects, while advancing other projects by itself.

Operating Statistics from Continuing Operations

The following table represents information by mine for the periods ending June 30, 2008 and 2007:

Sterling Mining Company production statistics for the three months ended June 30, 2008 and 2007

	2008			2007		
	US	Mexico		US ⁽¹⁾	Mexico	
	Sunshine Mine	Barones	El Arca	Sunshine Mine	Barones	El Arca
Tons processed	9,058	14,677	20,282	—	26,648	—
Recovery /Ag oz.	95.2%	33.8%	41.4%	—	18.3%	—
Silver ounces produced	135,777	21,655	40,916	—	12,502	—

Sterling Mining Company production statistics for the six months ended June 30, 2008 and 2007

	2008			2007		
	US	Mexico		US ⁽¹⁾	Mexico	
	Sunshine Mine	Barones	El Arca	Sunshine Mine	Barones	El Arca
Tons processed	15,502	28,635	25,072	—	55,315	4,191
Recovery /Ag oz.	94.5%	37.4%	47.4%	—	15.9%	41.0%
Silver ounces produced	179,240	53,722	58,529	—	21,802	9,456

⁽¹⁾ The Sunshine Mine began initial production in December 2007.

Comparative Results of Operations

For the Three and Six Months Ended June 30, 2008 compared to Three and Six Months Ended June 30, 2007:

Revenues

Revenues from continuing operations in the second quarter of 2008 consisted of sales of silver and gold in the United States and Mexico and coin sales in the USA. The Company reported revenues of \$3,070,824 in the second quarter of 2008 and \$854,151 in the second quarter of 2007. Revenues in the second quarter in Mexico were \$1,156,700 in 2008 and \$629,216 in 2007. Revenues in the second quarter in the USA were \$1,914,123 in 2008 and \$224,935 in 2007. Revenue increases in both segments were due to increases in silver production. Revenues from continuing operations during the first six months of 2008 and 2007 were \$4,450,556 and \$1,045,488 respectively. Revenues from operation in the USA were \$2,288,235 and \$232,917 the increase in sales is due to mining operations starting at the Sunshine Mine. In Mexico revenues for the first six months were \$2,162,320 in 2008 and \$812,571, the increase in revenue at Mexico was due to increased production at our Barones and El Arca facilities.

Costs and Expenses

The Company reported cost of revenues of \$2,270,980 in the second quarter of 2008 and \$265,208 in the second quarter of 2007. "Cost of sales and other production costs" in Mexico were \$418,504 in the second quarter of 2008 and \$262,435 the second quarter of 2007. The Cost of Revenues for silver and coin sales in the U.S. was \$1,852,476 in the second quarter of 2008 and \$2,773 in the second quarter of 2007. The increase in cost of revenues in Mexico is due to increased production at the Barones Silver Plant and at the El Arca mill. Cost of revenues in the United States increased because the Sunshine Mine was producing concentrate in the second quarter of 2008 and there was no production in the second quarter of 2007.

The Company's cost of revenues for the six months ending in June, 2008 were 3,252,432 and in 2007 were 513,369. Cost of production in the USA was \$2,151,612 and \$10,359 in 2008 and 2007 respectively. The cost of production for Mexico for 2008 and 2007 respectively were \$1,100,820 and \$503,010. The increase in costs was due to the cost of mining operations at the Sunshine Mine in the US and the operating costs of running the operations at the Barones plant and El Arca.

Total operating expenses for the second quarter were \$7,677,057 in 2008 and \$4,437,239 in 2007. The operating expenses for the first six months of 2008 were \$15,543,759 and in 2007 were \$7,188,153. Both the quarter and year to date expense increases were due to the increased operations in both USA and Mexico.

Other Income and Expenses

Other income and expenses for the three months ended June 30, 2008 and 2007 was expense of \$365,313 and income of \$45,024, respectively. The largest component of expense in the second quarter of 2008 was foreign exchange loss and interest expense.

Other income and expense for the six months ended June 30 resulted in a net gain of \$400,744 in 2008 and a net gain of \$221,103 in 2007. The largest component of the gain in 2008 was the gain on sale of investments.

Taxes

Sterling Mining Company has a substantial net operating loss for U.S. income tax purposes. Sterling Mining de Mexico has a net tax asset of IVA tax refundable in Mexico of approximately \$97,225.

Income (Loss) From Continuing Operations

As a result of the above, the Company's net loss from continuing operations amounted to approximately \$4.9 million and \$3.5 million in the second quarter of 2008 and 2007 respectively. The largest component of the loss in the second quarter of 2008 and 2007 was mine rehabilitation expense of \$2.9 million and \$1.8 million respectively.

Mine rehabilitation expenses increased by approximately \$1.1 million due to increased activity at the Sunshine Mine. General and administrative expenses, including professional services, decreased by approximately \$0.7 million due to a decrease in legal expenses and consultants.

Liquidity and Capital Resources

The Company's cash balance at June 30, 2008 was approximately \$0.8 million and marketable securities were \$0.5 million.

The Company used \$9.0 million cash for operating activities during the six months ended June 30, 2008. The primary use of cash for operating activities was rehabilitation of the Sunshine Mine. The Company received \$1.7 million from the sale of investments which was offset by the acquisition of capital equipment of \$2.1 million, netting \$.4 million use of cash from investing activities.

On May 5, 2008, the Company completed a private placement offering that raised total proceeds of \$1,780,794, proceeds net of financing costs \$1,776,991. In the private placement, the Company sold to nine investors 741,164 shares of common stock, 370,581 Series A Warrants and 370,581 Series B Warrants. The Series A Warrants are exercisable for a term of 18 months from May 5, 2008, at an exercise price of \$3.40 per share. The Series B Warrants are exercisable for a term of 36 months from May 5, 2008, at an exercise price of \$4.10 per share. The Company also raised \$2,998,391 through the issuance of debt in connection with several loans, including a bridge term loan, which was offset by the payment of \$717,747 on the payment of for leases and notes. The Company was provided approximately \$4 million in cash from financing activities.

On July 21, 2008, in the Sterling Mining Company and Minco Silver Corporation letter of agreement, the Company was extended a \$15 million line of credit bearing 10% interest per annum. On July 31, \$5.0 million was advanced to the Company. The line is secured by substantially all the assets of the Company.

The net result is the Company reported a net decrease in cash approximately \$5.3 million during the six months ended June 30, 2008.

The Company expects that recurring overhead will level off. Total operating cash expenses now average approximately \$2.8 million per month. The Company expects its July 21 Letter of Intent with Minco Silver to result in a business combination which will be adequate to meet the cash needs of the corporation for the foreseeable future due to the credit facility of \$15 million.

The capital requirements of the Company's Mexican operations and any exploration projects the Company may select for advancement will be dependent on the profits and cash flow from the Sunshine Mine and our Mexican operations as-well-as the results of economic and technical studies of the projects.

Contractual Obligations, Contingent Liabilities and Commitments

The Company does not have any contingent liabilities to report. A presentation of the Company's Contractual Obligations and Commitments is shown below.

	Total	Payments due by period			
		Less than 1 Year	1-3 Years	3-5 Years	After 5 Years
Note Payable	\$3,508,154	\$ 3,477,862	\$ 30,292	\$ —	\$ —
Debentures Payable	100,000	100,000	—	—	—
Capital Lease Liabilities	4,812,688	1,572,492	3,227,663	12,533	—
Operating Leases:					
J.E. Prospect	\$ 65,000	\$ 12,500	\$ 12,500	\$ 20,000	\$ 20,000
Jestec	115,000	—	15,000	50,000	50,000
American Reclamation	420,000	60,000	120,000	120,000	120,000
Chester Mining Co	28,800	7,200	7,200	7,200	7,200
Mineral Mountain	14,400	3,600	3,600	3,600	3,600
Merger Mines	15,000	2,500	2,500	5,000	5,000
Timberline Resources	80,000	20,000	20,000	20,000	20,000
Metropolitan Mines	42,000	6,000	12,000	12,000	12,000
Rock Creek Mining	21,000	3,000	6,000	6,000	6,000
San Acacio	—	—	—	—	—
Jimenez de Teul	150,000	150,000	—	—	—
Cuatro Cienegas	—	—	—	—	—
Alhambra	12,000	3,000	3,000	3,000	3,000
Copper	6,000	1,500	1,500	1,500	1,500
Sub-total Leases	\$ 969,200	\$ 269,300	\$ 203,300	\$248,300	\$ 248,300
Total Obligations	\$9,386,442	\$ 5,416,054	\$3,461,255	\$260,833	\$ 248,300

Critical Accounting Policies and Estimates

The Company has determined from the significant accounting policies as disclosed in our financial statements, that the following disclosures are critical accounting policies.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are essential to the financial disclosure process in determining the reserves of ore bearing rock and the future liabilities for remediation and reclamation from mining activities. The Company used recognized outside consultants to determine the essential characteristics of the important determinants concerning the Company's future actions in moving exploration stage properties through development into production. The estimates that the Company will develop are based upon the experience of these outside consultants and the Company's experienced personnel. As the Company proceeds with the re-opening of the Sunshine Mine, all estimates will be reviewed on a timely basis to allow for the reporting of current and valid financial information. Management believes that all of the estimates currently being relied upon are valid and appropriate concerning the value of assets and liabilities. In the past, given the very limited operations of the Company, management has been fairly accurate as to the use of estimates and the timing of any changes.

Mineral Exploration and Development Costs

The Company has been engaged in exploration since its inception.

In accordance with GAAP, the Company expenses exploration costs as incurred. Significant property acquisition costs for undeveloped mineral interests that have significant potential to develop an economic ore body are capitalized. The Company will amortize the capital costs based on proven and probable ore reserves if an economic ore body is developed. If an economic ore body is not discovered previously capitalized costs are expensed in the period in which it is determined that the property does not contain an economic ore body. Costs to develop new mines, to define further mineralization in existing ore bodies, and to expand the capacity of operating mines are capitalized and will be amortized on units of production basis over proven and probable reserves. Gains and losses on the sales or retirement of assets are recorded as other income or expense.

The Company expects to have reserves in the future on any development it deems commercially viable. The essential nature of any reserves acquired or discovered will be estimates based upon ore body information presented to and reviewed by professionals. The enterprise of exploration and mining are subject to substantial uncertainties in development and operations. The Company continues to recruit a team of operational professionals, with the highest standards for reporting always being in the forethought of management.

Any estimates arising out of our exploration, development and operational activities will be expected to be reviewed under current internal policies. Our current environment has had only a short period of active operations and management believes that all exploration, development and operating policies are being accurately maintained. Our future operations will be heavily dependent on the market values of precious metals and our estimated costs of production. As these determinants change we would expect analysis by management of both short-term and long-term conditions, which could have a negative impact on the Company's choices concerning development and operations of its existing and future acquired properties.

Property and Equipment

Property and equipment is recorded at cost. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets, which range from three to ten years. The Company accounts for equipment under capital lease agreements according to FAS 13 "Accounting for Leases" and subsequent pronouncements.

Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable, no obligations remain and collectability is considered probable. The passing of title to the customer is based on terms of sales contracts. Revenues from leases are recognized when realized and earned according to the lease provisions and receipt of the lease payments. The Company recognizes revenue from coin sales when title passes, which is typically when cash is received in exchange for the coins. When the Mexican subsidiary sells precipitate, revenue is recognized when payment is reported by the refining plant. Advance payments in Mexico are recorded as deferred revenue.

Recent Accounting Pronouncements

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities”, which permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains on items for which the fair value option has been elected are to be reported in earnings. SFAS 159 will become effective as of the beginning of the first fiscal year that begins after November 15, 2007. Management has not determined yet the effect that adoption of SFAS 159 may have on our results of operations or financial position.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160 (“SFAS 160”), Noncontrolling interests in Consolidated Financial Statements, which establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 is effective for financial statements issued for fiscal years beginning on or after December 15, 2008, and interim periods within those fiscal years.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141R (“SFAS 141R”), Business Combinations, which establishes principles and requirements for how the acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree, goodwill acquired in the business combination, or a gain from a bargain purchase. SFAS 141R is effective for financial statements issued for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008

Item 3 Quantitative and Qualitative Disclosures About Market Risk

Market risk is the potential loss arising from adverse changes in market rates and prices, such as foreign currency exchange, interest rates, and commodity prices. The Company’s operations in Mexico could potentially be affected by a change in the exchange rate of Mexican pesos into American dollars.

Item 4 Controls and Procedures

- (a) Evaluation of disclosure controls and procedures. The Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability, preparation and fair presentation of published financial statements in accordance with GAAP. An evaluation was performed under the supervision and with the participation of the Company’s management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company’s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 as amended. Based on that evaluation, and in light of the previously identified material weaknesses in internal control over financial reporting, as of December 31, 2007, related to ineffective oversight of financial reporting; lack of appropriate accounting policies, procedures and personnel; procedures for accounting for investments; journal entry documentation and procedures; and management’s assessment of internal control over financial reporting described in the 2007 Annual Report on Form 10-K, the Company’s management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Company’s disclosure controls and procedures were not effective as of June 30, 2008.
- (b) Changes in internal controls over financial reporting. Other than the following changes described below, there have been no changes in internal control over financial reporting during the quarter ended June 30, 2008, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Lack of Control over the Mexico Subsidiary Operations. During the quarter ended June 30, 2008, management identified a material weakness in internal control related to the operations of the foreign subsidiary. Ineffective communication, ineffective oversight, and lack of control over the operations of the foreign subsidiary resulted in an employee of the foreign subsidiary misappropriating the assets of the foreign operation, and authorizing transactions outside those authorities delegated by management and the board of directors. Management has concluded that this circumstance constituted a material weakness in internal control over financial reporting.

Relating to other matters, to remedy the effects of unfilled key financial reporting positions as described in the material weaknesses relating to lack of appropriate accounting policies, procedures and personnel, the Company hired a corporate controller to oversee the financial reporting effective April 15, 2008.

The Company implemented procedures in April that require all journal entries to be reviewed and signed by an accounting manager.

The Company has contracted with an independent consultant firm to assist the Company in compliance with applicable provisions of the Sarbanes-Oxley Act of 2002 for the fiscal year ended December 31, 2008.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

We initially reported in our Form 10-Q for the quarter ended June 30, 2006 that in September 2005, James D. Christianson and several small entities whom Christianson represents filed a lawsuit in the United States District Court for the Western District of Washington against several parties, including two directors of the Company. The United States District Court in Idaho dismissed securities litigation brought by J.D. Christianson and related parties against Sterling and several directors. The Court had previously dismissed significant parts of the case. On May 22, 2008, after reviewing amended claims submitted by Christianson, this case was dismissed in its entirety with prejudice.

Item 1A. Risk Factors

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by Sterling Mining, except where such statements are made in connection with an initial public offering. All statements, other than statements of historical fact, which address activities, actions, goals, prospects, or new developments that we expect or anticipate will or may occur in the future, including such things as expansion and growth of our operations and other such matters are forward-looking statements. Any one or a combination of factors could materially affect our operations and financial condition. Forward-looking statements made by us are based on knowledge of our business and the environment in which we operate as of the date of this report. Because of the factors discussed in the 2007 Annual Report on Form 10-K and in subsequent reports on Form 10-Q under the Item 1A “Risk Factors,” actual results may differ from those in the forward-looking statements.

As disclosed under “Item 5. Other Information,” below, Sterling Mining is not presently in operational control of the San Acacio-Barones silver project in Mexico as the result of the misappropriation of the assets and operations by a former manager. Consequently, Sterling Mining is not receiving cash from operation of the Barones Silver Project, which will have a material adverse effect on results of operations in the third quarter of 2008 and subsequent periods, and Sterling Mining’s ownership of the Barones silver project may be impaired, which could result in a write-down of the carrying value of that asset.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

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

The Company has cancelled the annual stockholders’ meeting and proxy solicitation for the election of Directors due to the provisions of the Letter of Intent with Minco Silver, Inc.

Item 5. Other Information

Until July 2008, Sterling Mining operated the Barones silver project in Mexico through Sterling Mining México S.A. de C.V. (“Sterling Mexico”) and a manager employed by Sterling Mexico who was granted power of attorney to act as necessary to preserve and develop the mining concessions, recover material from the mine site and operate the mill. In June 2008, Sterling Mining discovered that the manager took steps to misappropriate Sterling Mexico’s Barones properties to his own benefit by declaring a default under the mining concessions that were originally acquired from the manager, firing Sterling Mexico employees and then hiring those employees himself, and paying out Sterling Mexico cash and distributing Sterling Mexico personal property to himself and the employees, all in an effort to convert the Barones properties and milling operation to the personal property of the manager.

On July 18, 2008, an Ordinary General Meeting of the Shareholders (the “July 18 Meeting”) of Sterling Mexico was convened in the City of Guadalupe, Zacatecas, in which it was resolved to change the administration of Sterling Mexico from a Board of Directors to a Sole Administrator and a Manager. Also, at the July 18 Meeting, the manager who has attempted to misappropriate the property of Sterling Mexico was terminated and all powers of attorney previously granted were revoked. The new administrator is J. Kenney Berscht and the new manager is James N. Meek.

Sterling Mexico has demanded of the former manager the location of all of the assets, revenue and expenses of Sterling de Mexico and the return of all such property and payment of any revenue due to Sterling Mexico. The former manager has until August 18, 2008, to respond. If no response is made or is the response is not acceptable to Sterling Mexico, we expect that we will institute through Sterling Mexico legal proceedings against the former manager alleging theft and conversion of the property of Sterling Mexico and seeking the return of all property and payment of damages resulting from the former manager’s wrongful conduct.

Unaudited revenue for the first six months of 2008 from the Barones silver project was \$2,162,320, and the net loss for Sterling Mexico during the period was \$112,033, of this loss \$144,236 was paid as cash severance to the terminated employees of Sterling de Mexico. The misappropriation of our assets and operations in Mexico by the former manager will likely result in realizing little or no revenue from the Barones silver project while Sterling Mexico pursues recovery of its property and its claims against the former manager, while incurring legal fees and other costs to recover such property. Accordingly, these events in Mexico will have a material adverse effect on our results of operations in the third quarter of 2008 and continuing thereafter until the matter is resolved. Although we believe that we are in the right and will ultimately recover the misappropriated property, there is always a risk in any litigation that Sterling Mexico pursues that a court will make a judgment adverse to our interests, which would impair the value of the Barones silver project carried on our unaudited balance sheet as of June 30, 2008, in the amount of \$1,560,000.

Item 6. Exhibits

<u>Exhibit</u>	<u>Description</u>
31.1	Certification of Principal Executive Officer
31.2	Certification of Chief Financial Officer
32.1	Certification of Principal Executive Officer
32.2	Certification of Chief Financial Officer

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Amendment No. 1 to the quarterly report on Form 10-Q for the period ended June 30, 2008 to be signed on its behalf by the undersigned thereunto duly authorized.

STERLING MINING COMPANY

Date: September 9, 2008

By: /s/ J. Kenney Berscht
J. Kenney Berscht
Principal Executive Officer

Date: September 9, 2008

By: /s/ James N. Meek
James N. Meek,
Chief Financial Officer

Sterling Mining Company and Subsidiary

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULE 13a—14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, J. Kenney Berscht, President of Sterling Mining Company, certify that:

1. I have reviewed the quarterly report on Form 10-Q report of Sterling Mining Company; for the period ended June 30, 2008, as amended by Amendment No. 1 on this Form 10-Q/A
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 9, 2008

By: /s/ J. KENNEY BERSCHT

J. Kenney Berscht
Principal Executive Officer

Sterling Mining Company and Subsidiary

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULE 13a—14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, James N. Meek, Chief Financial Officer of Sterling Mining Company, certify that:

1. I have reviewed the quarterly report on Form 10-Q of Sterling Mining Company for the period ended June 30, 2008, as amended by Amendment No. 1 on this Form 10-Q/A
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 9, 2008

By: /s/ JAMES N. MEEK

James N. Meek

Vice-President and Chief Financial Officer

Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

In connection with the Quarterly Report of Sterling Mining Company (the "Company") on Form 10-Q for the period ending June 30, 2008, as amended by Amendment No. 1 on Form 10-Q/A, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, J. Kenney Berscht, Principal Executive Officer of the Company, certify, to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 9, 2008

By: /s/ J. KENNEY BERSCHT

J. Kenney Berscht, Principal Executive Officer

A signed original of this written statement required by Section 906 has been provided to Sterling Mining Company, and will be retained by Sterling Mining Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certifications are being furnished solely to accompany the Report pursuant to 18 U.S.C. Section 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

In connection with the Quarterly Report of Sterling Mining Company (the "Company") on Form 10-Q for the period ending June 30, 2008, as amended by Amendment No. 1 on Form 10-Q/A, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James N. Meek, Chief Financial Officer of the Company, certify, to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 9, 2008

By: /s/ JAMES N. MEEK

James N. Meek, Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Sterling Mining Company, and will be retained by Sterling Mining Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certifications are being furnished solely to accompany the Report pursuant to 18 U.S.C. Section 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.