

Siberian Energy Group Inc.  
Form 10-K  
May 16, 2012

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2011

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 000-53766

(Exact name of small business issuer as specified in its charter)

NEVADA 52-2207080  
(State or (IRS  
other Employer  
jurisdiction of Identification  
No.)

incorporation  
or  
organization)

330 Madison Ave, 6th Floor, New York, New York 10017  
(Address of principal executive offices)

(212) 828-3011  
(Registrant's telephone number)

Securities registered under Section 12(b) of the Exchange Act:

NONE

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, \$0.001 par value  
(Title of Class)

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [ ] No [X]

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

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

Indicated by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained in this form, and no disclosure will be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ]                      Accelerated filer [ ]  
Non-accelerated filer [ ]                      Smaller reporting company [X]  
(Do not check if a 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 [X].

The issuer's revenues for the most recent fiscal year ended December 31, 2011 were \$0.

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the closing value of the Registrant's common stock on June 30, 2011, was approximately \$2,307,311.

As of May 10, 2012, the issuer had 67,367,659 shares of common stock, \$0.001 par value per share outstanding.

SIBERIAN ENERGY GROUP INC.  
FORM 10-K  
YEAR ENDED DECEMBER 31, 2011  
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PART I

ITEM 1. BUSINESS

Certain statements in this Annual Report on Form 10-K (this "Form 10-K"), constitute "Forward-Looking Statements". Certain, but not necessarily all, of such Forward-Looking Statements can be identified by the use of forward-looking terminology such as "believes", "expects", "may", "should", or "anticipates", or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. Forward-looking statements are not a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time the statements are made. Such Forward-Looking Statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Siberian Energy Group Inc. and Kondaneftegaz, LLC, a Russian limited liability company, the registrant's 44% owned subsidiary, Zauralneftegaz Limited, a company organized under the laws of the country of England, which the registrant owns 50% of, and Rare Minerals Corporation, a Nevada corporation, the Company's wholly-owned subsidiary as a result of the Share Exchange, described below (collectively "Siberian", the "Company", "we", "us" or "our") to be materially different from any future results, performance or achievements expressed or implied by such Forward-Looking Statements. References in this form 10-K, unless another date is stated, are to December 31, 2011.

You should read the matters described below in "Risk Factors" and the other cautionary statements made in this Report as being applicable to all related forward-looking statements wherever they appear in this Report. We cannot assure you that the forward-looking statements in this Report will prove to be accurate and therefore prospective investors are encouraged not to place undue reliance on forward-looking statements. Other than as required by law, we undertake no obligation to update or revise these forward-looking statements, even though our situation may change in the future.

Investors should also take note of the fact that some of the more technical terms relating to the Company's operations as described below are explained in greater detail under exhibit 99.1, incorporated by reference hereto.

All dollar amounts used throughout this Report are in United States dollars, unless otherwise stated. All amounts in Canadian dollars used throughout this Report are preceded by CDN, for example CDN \$500, is referring to \$500 Canadian dollars.

**BUSINESS DEVELOPMENT:**

Siberian Energy Group Inc. was formed as a Nevada corporation on August 13, 1997, as Advanced Rehab Technology Corporation. Subsequently, on March 9, 2001, the Company changed its name to Talking Cards, Inc.; on February 12, 2002, the Company changed its name to Oysterking Incorporated; on December 3, 2002, the Company changed its name to 17388 Corporation Inc., at which point the controlling interest of the Company was sold and a new Board of Directors was appointed; on May 5, 2003, the Company changed its name to Trans Energy Group Inc.; and on December 3, 2003, the Company changed its name to Siberian Energy Group Inc.

On September 17, 1999, the Company effected a 1-for-30 reverse stock split. A subsequent 3-for-1 forward split was consummated on October 2, 2000 and a further 1:2 reverse stock split was effected on May 2, 2005. Effective March 15, 2011, the Company effected a 1:70 reverse stock split with the shares held by remaining shareholders rounded up to a minimum of 100 shares on a per shareholder basis (collectively the "Stock Splits"). All share amounts, trading prices, and option and warrant exercise prices, subsequently listed are retroactively adjusted to reflect these Stock Splits unless otherwise provided.

In the spring of 2003, a majority of the Company's shares were purchased by new shareholders who stepped into the management of the Company and defined its new business direction as an oil and gas exploration company.

On May 9, 2003, the Company entered into an Acquisition Agreement (the "Acquisition Agreement") by and among the Company, Zaural Neftegaz, a Russian corporation ("ZNG"), the shareholders of ZNG and Oleg Zhuravlev, President of ZNG, and a former Director of the Company. Pursuant to the Acquisition Agreement, the Company acquired a 51% interest in ZNG by issuing to ZNG 28,571 shares of the Company's common stock. In June 2004, the Company purchased the remaining 49% of ZNG in exchange for 98,571 shares of the Company's common stock, making ZNG a wholly-owned subsidiary of the Company. The Company had no affiliation with ZNG prior to the acquisition in May 2003.

The activities of ZNG were carried out through the Joint Venture Shareholders' Agreement ("Joint Venture") entered into on October 14, 2005 with Baltic Petroleum (E&P) Limited ("BP" or "Baltic") and Zauralneftgaz Limited, the joint venture company ("ZNG, Ltd."), as contemplated by the Option Agreement, as amended (the "Option"). The Company closed the Joint Venture and transferred 100% of the outstanding stock of ZNG to ZNG, Ltd. in connection with the terms and conditions of the Joint Venture. As a result of such transfer, the Company holds 50% of the outstanding stock of ZNG, Ltd., which holds 100% of the outstanding stock of the Company's former wholly-owned subsidiary, ZNG. ZNG, Ltd. operates through ZNG and is engaged in the exploration and development of, production and sale of, oil and gas assets in the Western Siberian region of the Russian Federation and the former Soviet Union, although ZNG, Ltd. is not currently conducting any business activities.

On December 13, 2006, we entered into an Interest Purchase Agreement (the "Purchase Agreement") with Key Brokerage LLC ("Key Brokerage"), pursuant to which we purchased 100% of the stock of Kondaneftegaz LLC ("KNG"), a Russian limited liability company, which was created in 2004 for the purpose of oil and gas exploration in the Khanty-Mansiysk district of Western Siberia, Russia. In addition to acquiring 100% of the stock of KNG, we received the geological information package on the Karabashski zone of Khanty-Mansiysk Autonomous district (Tuymen region of Russian Federation) ("Geological Data").

On or about September 30, 2008, we entered into an Agreement of Purchase and Sale with Limited Liability Company Neftebitum, a Russian limited liability company, and two Russian individuals, pursuant to which we sold fifty-six percent (56%) of the ownership interest of KNG, as described in greater detail below.

#### Rare Minerals Acquisition

On April 27, 2011, we entered into a Share Exchange Agreement with Rare Minerals Corporation, a Nevada corporation ("RMC" and the "Share Exchange") and RMC's shareholders (the "RMC Shareholders"). Pursuant to the Share Exchange, we agreed to exchange 65,200,000 shares of newly issued common stock (representing 99% of our then outstanding common stock) with the RMC Shareholders for 100% of the outstanding shares of RMC. The Share Exchange closed effective May 11, 2011 (the "Closing").

Pursuant to the Share Exchange, the RMC Shareholders agreed not to vote the shares which they hold in favor of removing any current Director of the Company, to vote any and all shares in favor of re-appointing all current members of the Board of Directors (subject to the terms of the Share Exchange) for a period of one year from Closing, and that they had no rights to appoint or remove Directors for a period of one year from the Closing, which requirements expired May 11, 2012 (collectively the "Voting Requirements").

In connection with and pursuant to the Share Exchange, we agreed to issue an aggregate of 65,200,000 shares of restricted common stock (representing 99% of our then outstanding shares of common stock) to the following RMC shareholders in the amounts stated, which RMC Shareholders own percentage interests in the Company subsequent to the transaction as follows:





RMC Shareholder Name	Shares	Percentage of Company's Outstanding Shares*
The Abner Rosen Foundation (a)	5,600,000	8.5%
Jonathan P. Rosen (a)	5,600,000	8.5%
Ferris Hill LLP (b)	1,800,000	2.7%
Mikhail Frayman	200,000	0.3%
Ilya Aharon	4,400,000	6.7%
Yohanan Aharon	3,200,000	4.9%
Ioulia Chipilevskaia	4,400,000	6.7%
Rosa Shimonov	4,000,000	6.1%
Polina Matsuleva	8,800,000	13.4%
Valeria Zagourski	7,200,000	10.9%
Liudmila Radziminskaya	3,200,000	4.9%
Olga Yulanova	6,200,000	9.4%
Yury Kolomiets	6,600,000	10.0%
Donatina Cordone	200,000	0.3%
Oksana Danylych	3,800,000	5.8%
Total	65,200,000	99.0%

\* Based on 667,659 shares of common stock outstanding immediately prior to the consummation of the Share Exchange.

(a) The President of The Abner Rosen Foundation is Jonathan P. Rosen.

(b) The beneficial owner of Ferris Hill LP is Norman H. Brown, Jr., its Managing Member.

As a result of the Share Exchange, control of the Company changed to the former RMC Shareholders described above, subject to the Voting Requirements of the Share Exchange.

On June 1, 2011, the Company entered into a Data Purchase Agreement with Ioulia Chipilevskaia and the Joseph Rosen Foundation, Inc., significant shareholders of the Company and former shareholders of RMC, and purchased all of the geological data held by them relating to the Deposit (defined below under "RMC Operations") including certain core samples. In consideration for the acquisition of the geological data, the Company issued an aggregate of 1,500,000 shares of restricted common stock to Ms. Chipilevskaia and the Joseph Rosen Foundation, Inc. The closing of the Data Purchase Agreement occurred on June 15, 2011.

#### BUSINESS OPERATIONS:

We are a development stage company which is seeking opportunities for investment in and/or acquisition of small to medium companies in Russia, specifically in the oil and gas industry.

We currently hold investments in ZNG, Ltd. and KNG. Both companies are involved in oil and gas exploration in the Western Siberia region of Russia; provided however, as described below, ZNG, Ltd. has advised us that it will no longer undertake any further exploration activities in Western Siberia and we have recently been advised that KNG has determined not to undertake any further exploration activities. As a result, we are currently seeking out additional oil and gas acquisition opportunities in Russia at this time and do not anticipate ZNG, Ltd. or KNG generating any revenues moving forward.

Moving forward the Company plans to focus on those assets that involve less exploration risk and is also actively seeking and negotiating the acquisition of production or close-to-production assets in Russia and countries of the former Soviet Union; however, the Company has not entered into any definitive agreements to date, and there can be no assurance that any such agreements will be entered into on favorable terms, if at all.

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## Description of KNG

KNG was created in 2004 for the purpose of oil and gas exploration in the Khanty-Mansiysk district of Western Siberia, Russia. In October 2007, KNG was awarded two oil and gas exploration licenses in the Khanty-Mansiysk region in Western Siberia, Russia for the Karabashsky-61 and Karabashsky-67 blocks located in the Khanty-Mansiysk Autonomous Region, Russian Federation. The license areas together cover 166,000 acres and are situated in the territory of the Urals oil and gas bearing area.

The right to use the subsurface resources of the Karabashski-61 and Karabashki-67 Fields is granted for the term of validity of the license (five (5) years), from the date of its state registration (October 22, 2007), subject to the completion of certain exploration activities on the license blocks. The term of use of the subsurface resources can be extended to finish exploration and estimation of deposit or for liquidation work, if the terms of usage of the subsurface resources are not breached.

On or about September 30, 2008, we entered into an Agreement of Purchase and Sale with Limited Liability Company Neftebitum, a Russian limited liability company (“Neftebitum”), Sergey V. Prokopiev, an individual and Russian citizen, and Oleg G. Shelepov, an individual and Russian citizen (collectively, the “Purchasers” and the “Sale Agreement”). The Company’s Board of Directors approved and ratified the Company’s entry into the Sale Agreement and the transactions contemplated therein on or about October 30, 2008. Pursuant to the Sale Agreement, the Company agreed to sell to the Purchasers an aggregate of fifty-six percent (56%) of the registered capital of KNG for aggregate consideration of 5,600 Russian Rubles (approximately \$223). Neftebitum agreed to purchase a 51% interest for total consideration of 5,100 Russian Rubles (approximately \$203) and Mr. Prokopiev and Mr. Shelepov agreed to each purchase a 2.5% interest for consideration of 250 Russian Rubles each (approximately \$10).

Pursuant to the Sale Agreement, the Sellers were obligated to maintain KNG’s main priority of performing geological studies and exploring for hydrocarbon deposits in the Karabashsky-61 and Karabashsky-67 blocks (the “Blocks”). Further, the Purchasers were obligated to provide financing, by way of direct financing or third-party loans, in the amounts necessary to comply with the licensing agreements for the Blocks. The Company’s and the Purchasers’ relationship is regulated by an Operating Agreement, which was entered into in connection with the Sale Agreement. Lastly, the Sale Agreement provides that in connection with Neftebitum obtaining a majority interest in KNG, it is obligated to be a guarantor and accept joint responsibility with KNG for repayment of any financing the Purchasers obtain for KNG.

KNG previously prepared and coordinated with the Russian authorities an exploration works program on the Karabashski-61 and Karabashski-67 license areas. Certain preliminary exploration activities were performed on the licensed areas over the past several years; however, KNG subsequently determined to cease exploration activities on the licensed areas. As such, we do not anticipate KNG generating any revenues moving forward. The Company is currently evaluating spinning or selling off its investment in KNG.

As of December 31, 2011, the Company owned a 44% interest in KNG. Effective September 30, 2008, the Company's 44% investment in KNG is recorded on the equity method of accounting. The operations of KNG prior to September 30, 2008 are included in the consolidated accounts of the Company in the accompanying financial statements.

After careful consideration of the current financial position of KNG, the Company has applied an impairment charge to the value of investment in KNG which resulted in carrying it at zero value.

## Description of ZNG

ZNG has been involved in the oil and gas research activities in the Kurgan region of the Russian Federation. During 2003-2008 it has completed seismic studies and a drilling program in the Kurgan region of Siberia, Russia. The

Company believes ZNG, Ltd. has created value through the geological results of the two exploratory wells and other data gathered in the area and ZNG, Ltd. is considering its options with regard to realizing this value in connection with a potential direct sale of geophysical and seismic data to a third party operating in the area.

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Between 2003 and 2007, ZNG carried out extensive seismic and gas seismotomographic studies on its 4 licensed blocks acquired in 2003 through a government tender (which have since expired): the Privolny, Mokrousovsky, West-Suersky and Orlovo-Pashkovsky blocks, and drilled 2 exploratory wells on the Privolny and Mokrousovsky blocks. Based on the interpretation of seismic and seismotomographic surveys and analysis of samples from the wells, ZNG prepared a comprehensive analysis of geological resources of the Kurgan region. Both the Privolny-1 and Mokrousovsky-1 studies confirmed the presence of hydrocarbons and contributed greatly to the understanding of geological resources in the region. However, a substantial amount of further exploration studies and work is required before a conclusion on the future potential of the blocks can be drawn. Upon the expiration of the license terms of these blocks in March 2008, ZNG kept the preferential right to re-apply for the licenses.

The Company's investment in the Joint Venture is recorded on the equity method of accounting. Since cumulative losses of Joint Venture exceed the Company's investment, the investment asset is carried at zero value as of and through December 31, 2011.

As of the date of this filing, Baltic has advised us that Baltic and as a result, ZNG, has withdrawn from any further exploration activities in the Kurgan region and that they will not expend any further resources on such activities moving forward. Baltic has however advised us that they believe they may be able to sell ZNG's previously prepared seismic and geological studies and data in the future, assuming other exploration companies in the area desire to purchase such information, of which there is no assurance.

The operations of the Joint Venture were funded via loans provided to ZNG, Ltd. and ZNG by Caspian Finance Limited ("Caspian"), a financing company wholly-owned by Baltic. Loans are guaranteed by ZNG, Ltd.'s holdings in ZNG. As of December 31, 2011, the total funding provided to ZNG, Ltd. and ZNG by Baltic was equal to approximately \$23.5 million plus accrued interest of approximately \$5 million. The loans are not dilutive to the Company's ownership in ZNG.

#### RMC Operations:

RMC, which the Company acquired ownership of pursuant to the Share Exchange (described above), which was consummated in May 2011, was formed as a Nevada corporation on December 9, 2010. RMC's wholly-owned subsidiary is OOO Koklanovskoe, a Russian limited liability company ("Koklanovskoe"). Koklanovskoe holds a license (KUG00939TE) for the Koklanovskoe Molybdenum-Tungsten deposit in the Kurgan Region of the Russian Federation (the "License" and the "Deposit").

Through the acquisition of the License, the Company plans to enter the market for the exploration and production of rare and semi-rare earth metals and precious minerals.

The Deposit is a molybdenum-tungsten deposit that was identified and subsequently explored between 1985 and 1988. The Deposit is located in the Russian Urals, approximately 45 kilometers ("km") south-east from the town of Kamens-Uralskiy which is also the nearest rail head. The Deposit area can be accessed via all seasonal roads from the town of Kataysk which is located approximately 30 km to the north-east.

#### Estimate of Amount of Time Spent On Research and Development

An initial business plan was developed over the course of three months in 2003. During that time period, market research was conducted. Research and development activities on the licensed blocks in the Kurgan Region were directly borne by the Company up to the time the Joint Venture was closed in October 2005. Research activities include gravimetric, seismic works and seismotomography studies on the previously licensed areas. Costs incurred by ZNG and ZNG Ltd. in connection with these studies as of December 31, 2011 totaled approximately \$18 million.



## Employees

Siberian Energy Group Inc. currently employs three (3) employees in management. KNG, which we own a 44% interest in, has two (2) part-time employees. Zauralneftegaz ("ZNG"), which is 50% owned by the Company through its joint venture ZNG, Ltd., currently employs two (2) part-time employees. Koklanovskoe, which is 100% owned by RMC, which is 100% owned by the Company has two (2) part-time employees.

## Critical Accounting Policies and Estimates

The Company prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of any contingent assets and liabilities. On an on-going basis, we evaluate our estimates. We base our estimates on various assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policy affects our more significant judgments and estimates used in the preparation of our consolidated financial statements:

### Going Concern

The Company's financial statements have been prepared assuming that the Company will continue as a going concern; however, since inception of its current endeavors in 2003, the Company has not earned any revenues from production of hydrocarbons or minerals and is considered to be in the development stage, which raises substantial doubt about its ability to continue as a going concern. The Company is of the opinion that sufficient financing will be obtained from external sources to provide the Company with the ability to continue its operations. Since inception, the Company has obtained cash financing from outside parties, organizing stockholders and employees in the form of loans, advances and deferred salaries, as well as through financing previously received of \$25,000 to \$85,000 per month in management fees from its Joint Venture, which management fees the Company has not received since October 2007, and which the Company does not believe will ever resume. There can be no certainty as to availability of continued financing in the future. Failure to obtain sufficient financing may require the Company to reduce its operating activities. A failure to continue as a going concern would require stated amounts of assets and liabilities to be reflected on a liquidation basis which could differ from the going concern basis.

### Competition

Competition among Russian oil producers occurs in two distinct tiers. The first tier includes large corporations such as Surgutneftegaz, LUKoil, Sibneft, Tatneft, Slaveft, YUKOS, TNK, Bashneft, Rosneft and Sidanco which together control more than 90% of the Russian oil and gas market. These companies operate large-scale fields and are primarily oriented towards exportation. The second tier, so called junior players, includes a large number of smaller companies that operate small and medium sized oil and gas fields. These companies enjoy a limited but stable range of customers within Russia's domestic market, and their customers include the larger companies which purchase this product for export. Like other junior players, the Company believes it has potential to succeed, assuming it can locate and obtain rights to additional producing properties or exploration projects, given the continued high demand for oil both domestically and internationally.

Another type of competition which the Company may face in the future is competition in the process of acquisition of new licenses. The Company expects that competitive pressures will further increase if hydrocarbon reservoirs are found in the Kurgan province and/or Khanty-Mansiysk district of Western Siberia, Russia.





Additionally, mines have limited lives and as a result, we may seek to expand our interests, through the acquisition of new properties in the future. There is a limited supply of desirable mineral lands in areas where we may consider conducting exploration and/or production activities. We will face strong competition for new properties from other mining companies, most of which have greater financial resources than we do and as a result, we may be unable to acquire new mining properties on terms that we consider acceptable.

There is a global market for precious minerals, which we plan to sell, if we are successful in our exploration and mining activities, at prevailing market prices. We do not believe that any single company or other institution has sufficient market power to significantly affect the price or supply of these metals.

#### Dependence on One or A Few Major Customers

The nature of the oil industry and mineral extraction industry is not based on individual customers. Crude and refined products are sold to local and international brokers as well as to refineries. Extracted minerals are sold to independent third parties and wholesale brokers. The Company does not currently and can provide no assurances that it will ever produce crude or refined products, or find or extract any commercially significant minerals.

#### Patents, Trademarks and Licenses

KNG currently holds two five-year oil and gas exploration licenses, awarded in October 2007; provided that KNG has recently decided not to move forward with the exploration of such licenses. RMC currently holds rights to the Deposit (defined above).

#### Need For Government Approval

Federal and local government approval will not be required for conversion of any exploration licenses to production licenses and/or for extension of licenses beyond their initial term. However, the Company will need to receive approval for additional exploration licenses it may choose to acquire in the future and additional approval will be required if the Company is to deliver future crude or refined products on the national pipeline system. These approvals can only be guaranteed once the Company has proved reserves.

Additionally, under certain Russian federal laws the Company does not require the approval of state and/or federal agencies for conversion of exploration licenses to production licenses and extension of production licenses beyond their initial term as they automatically convert to 25 year production licenses upon the discovery of oil and gas, of which the Company provides no assurance.

#### Costs and Effects of Compliance with Environmental Laws

According to the laws and regulations of the Russian Federation, organizations are permitted to carry out seismic and other development activities on licensed fields, provided the companies conform to ecological standards. Accordingly, ZNG and KNG have previously encountered two costs associated with environmental law compliance: costs associated with obtaining licenses and costs associated with obtaining permission from the Russian Ministry of Natural Resources (the "Ministry"). ZNG's costs have totaled approximately \$186,900, which includes \$2,000 relating to the ecological review by the Ministry and \$184,900 in legal costs and fees to obtain the Company's licenses (which the Company and its partners have determined not to proceed in the exploration of).

The Company will face additional costs to comply with environmental laws, which may be significant. In addition, the Ministry imposes certain environmental obligations on the Company, such as clean-up procedures.



## ITEM 1A. RISK FACTORS

Our securities are highly speculative and should only be purchased by persons who can afford to lose their entire investment in our Company. If any of the following risks actually occur, our business and financial results could be negatively affected to a significant extent. The Company's business is subject to many risk factors, including the following:

### Risk of Continuing Our Business Plan Without Additional Financing.

We depend to a great degree on the ability to attract external financing in order to conduct future exploratory and development activities. The Company believes it can satisfy its cash requirements during the next twelve months, estimated at approximately \$300,000, through funding provided by existing stockholders and amounts borrowed under the Loan (described below under "Liquidity and Capital Resources"). As of December 31, 2011, the total funding provided to ZNG, Ltd. and ZNG by Baltic was equal to \$23.5 million plus accrued interest of approximately \$5 million, which has been spent on various purposes, including seismic and gas seismotomography surveys, drilling of two exploratory wells, and paying consultants for services performed in connection with surveys performed on the previously licensed area. Our partner in ZNG, Baltic and our partner in KNG, Neftebitum, have informed us that they do not plan to move forward with any further exploration activities through ZNG or KNG, respectively. We anticipate needing approximately \$15 million of additional funding to conduct exploration activities on the Deposit acquired through the Share Exchange (as described above), which funding may not be available on favorable terms, if at all. If you invest in our Company and we are unable to raise the required funds, your investment could become worthless.

### Shareholders May Be Diluted Significantly Through Our Efforts To Pay Consultants, Obtain Financing, Satisfy Obligations And/Or Complete Acquisitions Through The Issuance Of Additional Shares Of Our Common Stock Or Other Securities.

We have no committed source of financing. Wherever possible, our Board of Directors will attempt to use non-cash consideration to satisfy obligations and pay consultants. In many instances, we believe that the non-cash consideration will consist of restricted shares of our common stock or other securities. These transactions may result in significant additional shares of common stock of the Company being issued in consideration for services rendered, loans made, or to satisfy outstanding amounts owed or accrued to various parties, similar to the Conversion, described above. Additionally, moving forward, we may attempt to conduct acquisitions of other entities or assets using our common stock or other securities as payment for such acquisitions. Our Board of Directors has authority, without action or vote of the shareholders, to issue all or part of the authorized but unissued shares of common stock and preferred stock with various preferences and other rights. These actions may, similar to the Conversions, result in substantial dilution of the ownership interests of existing shareholders, cause the value of the Company's common stock to decline in value, and dilute the book value of the Company's common stock.

### Investors Face A Risk That The Company Will Enter Into A Transaction That Results In Substantial Dilution To Our Existing Shareholders, New Management Being Appointed To Run The Company And A New Operating Business Of The Company In The Future.

The management of the Company has discussed potential acquisition or merger opportunities. In the future, we may enter into mergers and/or acquisitions with separate companies, which may result in our business focus or majority shareholders changing and substantial numbers of new shares of common or preferred stock being issued, resulting in substantial dilution to our then current shareholders. As a result, if there were new majority shareholders, they will likely change the composition of our Board of Directors and replace our current management. The new management will likely change our business focus or our business focus could be changed in connection with the transaction and we can make no assurances that our new management will be able to properly manage our direction or that this change in our business focus will be successful. If we do enter into a merger or acquisition transaction, and our new

management fails to properly manage and direct our operations, we may be forced to scale back or abandon our operations, which will cause the value of our common stock to decline or become worthless.

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We Will Need To Raise Substantial Financing, Which May Cause Substantial Dilution To Existing Shareholders. Additionally, We Will Require Substantial Time And Financing Before We Anticipate Generating Revenues Through Our Future Operations, If Any.

The Company will need to raise substantial additional funds totaling approximately \$15 million in order to complete exploration activities on the Deposit prior to the expected generation of any revenues, of which there can be no assurance. Furthermore, in order for the Company to generate any revenues it will have to successfully locate commercial quantities of rare and semi-rare earth metals and precious minerals, and be successful in extracting such minerals. Therefore, investors should keep in mind that even if the Company is able to raise the substantial amounts of additional financing that the Company will require for its future exploration operations, it could still be years before the Company generates any revenue, if ever. If the Company does not raise the funding required to complete future exploration activities, no commercial amounts of rare and semi-rare earth metals and precious minerals are discovered or the Company is unable to extract such rare and semi-rare earth metals and precious minerals, the Company may be forced to abandon its business plan, and the Company could be forced to abandon or curtail its business plan as well, which could cause the value of the Company's common stock to substantially decline or become worthless.

Our Auditors Have Expressed Substantial Doubt As To Whether Our Company Can Continue As A Going Concern.

Our Company is in its early development stage, as planned principal activities have not begun. We have generated only minimal revenues since inception and have incurred substantial losses including a net loss of \$579,251 for the year ended December 31, 2010, a net loss of \$616,922 for the year ended December 31, 2011, and had total cash on hand of \$874 and a total accumulated deficit of \$16,718,678 as of December 31, 2011. These factors among others indicate that the Company may be unable to continue as a going concern, particularly in the event that it cannot generate sufficient cash flow to conduct its operations and/or obtain additional sources of capital and financing.

Shareholders Who Hold Restricted Shares Of Our Common Stock May Be Subject To Resale Restrictions In The Event We Cease Filing Periodic Reports With The Commission Pursuant To Rule 144, Due To Our Status As A Former "Shell Company."

Pursuant to Rule 144 of the Securities Act of 1933, as amended ("Rule 144"), a "shell company" is defined as a company that has no or nominal operations; and, either no or nominal assets; assets consisting solely of cash and cash equivalents; or assets consisting of any amount of cash and cash equivalents and nominal other assets. While we believe that we are not currently a "shell company", we are a former "shell company", and as such, sales of our securities pursuant to Rule 144 are not able to be made unless we continue to make our required periodic filings pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended. As such, in the event we cease filing periodic reports with the Commission, Rule 144 will not be available for resales of our securities, and any shareholders holding restricted shares of our common stock will be unable to sell their securities. Consequently the value of our securities, if any, could decline in value or become worthless.

The Former Shareholders of RMC Exercise Majority Voting Control Over The Company And Therefore Will Exercise Control Over Corporate Decisions Including The Appointment Of New Directors.

The former shareholders of RMC hold in aggregate 99% of our outstanding common stock. As such, those shareholders, if they choose to vote together, can exercise control in determining the outcome of all corporate transactions or other matters, including the election of Directors, mergers, consolidations, the sale of all or substantially all of our assets, and also the power to prevent or cause a change in control. Any investor who purchases shares in the Company will be a minority shareholder and as such will have little to no say in the direction of the Company and the election of Directors. Additionally, it will be difficult if not impossible for investors to remove the Directors of the Company appointed from time to time by the former shareholders of RMC, which will mean that such

Directors will remain in control of who serves as officers of the Company as well as whether any changes are made in the Board of Directors. As a potential investor in the Company, you should keep in mind that even if you own shares of the Company's common stock and wish to vote them at annual or special shareholder meetings, your shares will likely have little effect on the outcome of corporate decisions.

**We Lack An Operating History Which You Can Use To Evaluate Us, Making Any Investment In Our Company Risky.**

Our Company lacks a long standing operating history which investors can use to evaluate our Company's potential revenues. Therefore, an investment in our Company is risky because we have no business history and it is hard to predict what the outcome of our business operations will be in the future.

**We May Continue To Be Unprofitable And May Not Generate Profits To Continue Our Business Plan.**

As a development stage company, we have had limited revenues and no profits to date and our net cumulative deficit attributable to our development stage as of December 31, 2011, was \$16,268,893, and our total cumulative deficit was \$16,718,678 which included \$449,785 of pre-development stage deficit. We had a working capital deficit of \$766,195 as of December 31, 2011. The Company is currently being funded by existing shareholders and other outside parties, but there can be no assurance this amount will be sufficient to continue our planned operations or that we will have enough money to repay our outstanding debts. ZNG has previously determined to cease further exploration activities and KNG determined to cease exploration activities as well. If we are unable to raise additional funding or generate revenues in the future, we will likely be forced to curtail or abandon our business plan. If this happens, you could lose your investment in our Company. If we are unable to generate profits, we will be forced to rely on external financing, of which there is no guarantee, to continue with our business plan.

**We Have A Poor Financial Position And If We Do Not Generate Revenues, We May Be Forced To Abandon Our Business Plan.**

Our Company currently has a poor financial position. We have generated only minimal revenues to date, and we have not discovered any rare and semi-rare earth metals and precious minerals. There is a risk that we will not find enough, or even any, minerals which we require to generate enough profits in the future for your investment in our Company to appreciate. If we never generate any revenues, our Company may be forced to curtail or abandon its business plan and your shares may become worthless.

**Our Business Is Speculative And Risky And If We Do Not Find Rare And Semi-Rare Earth Metals And Precious Mineral Reserves, We May Be Forced To Curtail Our Business Plan.**

There is a risk that we will not find any rare and semi-rare earth metals and precious mineral reserves and the cost of acquiring assets or exploration activities will become too high for us to continue our business plan. If we were to cease operations, your investment in our Company could become devalued or could become worthless.

**Our Industry Is Competitive And As Such, Competitive Pressures Could Prevent Us From Obtaining Profits.**

The main factor determining success in the rare and semi-rare earth metals and precious minerals industry is finding deposits. If our Company or joint ventures we may enter into in the future, are unable to find deposits and our competition is, it is likely that our Company will be driven out of business. Additionally, our industry is subject to significant capital requirements and as such, larger companies may have an advantage should they compete with us for deposits, because they may have resources substantially greater than ours. Investors should take into account the above factors and understand that if we are unable to raise additional capital or generate profits, the Company may be forced to liquidate its assets and an investment in our Company could become worthless.





**Our Growth Will Place Significant Strains On Our Resources.**

The Company's growth is expected to place a significant strain on the Company's managerial, operational and financial resources. Furthermore, as the Company receives contracts, the Company will be required to manage multiple relationships with various customers and other third parties. These requirements will be exacerbated in the event of further growth of the Company or in the number of its contracts. There can be no assurance that the Company's systems, procedures or controls will be adequate to support the Company's operations or that the Company will be able to achieve the rapid execution necessary to succeed and implement its business plan. The Company's future operating results will also depend on its ability to add additional personnel commensurate with the growth of its business. If the Company is unable to manage growth effectively, the Company's business, results of operations and financial condition will be adversely affected.

**We Rely On Key Personnel And If They Leave Our Company Our Business Plan Could Be Adversely Affected.**

We rely on the Company's Chief Executive Officer, Chief Financial Officer and Chairman, Eran Forman, Elena Pochapski, and David Zaikin, respectively, for the success of our Company. We do not currently have employment agreements in place with Mr. Forman, Ms. Pochapski or Mr. Zaikin. Their experience and input create the foundation for our business and they are responsible for the directorship and control over the Company's development activities. The Company does not hold "key man" insurance on any members of management. Moving forward, should they be lost for any reason, the Company will incur costs associated with recruiting replacement personnel and any potential delays in operations. If we are unable to replace such individuals, or such individuals are unable to spend a sufficient amount of time on Company matters, the Company may be forced to scale back or curtail its business plan. As a result of this, any securities you hold in our Company could become devalued or worthless.

**Our Future Projections, Estimates And Statistical Analysis May Be Inaccurate Or Substantially Wrong, Which May Prevent Us From Executing Our Business Plans.**

Projections on future revenues as well as costs and required capital expenditures are based on estimates. Business statistical analysis is used in projection of exploration activities, average production costs, world mineral price fluctuations and their correspondence to Russian domestic market. If our projections or estimates are wrong or our statistical analysis is faulty, our future revenues, if any, may be adversely affected which could prevent us from executing our business strategy. As an investor, if this happens your securities in our Company could be adversely affected and you could lose your investment in our Company.

**There Is Uncertainty As To Our Ability To Enforce Civil Liabilities Both In And Outside Of The United States Due To The Fact That Our Officers, Directors And Assets Are Not Located In The United States.**

Our officers and Directors, our properties and licenses, and the majority of our assets are located in countries other than the United States, including Israel, Canada and Russia. As a result, it may be difficult for shareholders to effect service of process within the United States on our officers and Directors. In addition, investors may have difficulty enforcing judgments based upon the civil liability provisions of the securities laws of the United States or any state thereof, both in and outside of the United States.

**We Face Risks Associated With The Fact That The Majority Of Our Operations Through Our Holdings Are Conducted In Russia, And The Licenses Owned Through Our Holdings Are In Russia.**

The assets we hold are located in Russia. As a result, we are subject to various risks associated with doing business in Russia relating to Russia's economic and political environment. As is typical of an emerging market, Russia does not possess a well-developed business, legal and regulatory infrastructure that would generally exist in a more mature free

market economy and, in recent years, Russia has undergone substantial political, economic and social change. Furthermore, in recent years the Russian government has unilaterally annexed certain oil and gas properties and other companies for the government, and there can be no assurance that if resources and minerals are located on our properties, that such properties will not be annexed or otherwise claimed by the Russian government. Our failure to manage the risks associated with doing business in Russia could have a material adverse effect upon our results of operations.

We May Not Find Any Commercial Quantities Of Minerals In The Future, And May Not Generate Any Profits, Which May Force Us To Curtail Our Business Plan.

If we do not begin any exploration activities and/or do not have enough money to continue exploration activities it is likely that we will never generate any revenues. Additionally, if we are unsuccessful in mining attempts we may choose to attempt in the future, it is likely that we will never generate any revenues. The exploration of minerals is highly speculative, and if throughout our mineral exploration we do not find commercial quantities of minerals, we will likely be forced to curtail or abandon our business plan. If this happens, you could lose your investment in us. If we are unable to generate profits, we will be forced to rely on external financing, of which there is no guarantee, to continue with our business plan.

Our Planned Mineral Exploration Efforts Are Highly Speculative.

Mineral exploration is highly speculative. It involves many risks and is often non-productive. Even if we believe we have found a valuable mineral deposit, it may be several years before production is possible. During that time, it may become no longer feasible to produce those minerals for economic, regulatory, political, or other reasons. Additionally, we may be required to make substantial capital expenditures and to construct mining and processing facilities. As a result of these costs and uncertainties, we may be unable to start, or if started, to finish our exploration activities.

The Probability Of Our Property Producing Any Commercially Viable Reserves In The Future Is Remote.

Our mineral project is in the exploration stage as opposed to the development stage and we have no known body of economic mineralization. Until further exploration activities can be conducted, we will be unable to determine whether a commercially mineable ore body exists on our property. In order to carry out exploration and development programs of any economic ore body and place it into commercial production, we will be required to raise substantial additional funding, and even if we are successful in completing our exploration activities on our property, we may not be successful in finding commercial quantities of minerals. Furthermore, the probability of an individual prospect ever having reserves or being commercially viable is extremely remote. As a result, there is only a small probability that our property contains any reserves and that any funds spent on exploration activities will ever be recovered.

Our Future Planned Mining Operations Involve A High Degree Of Risk, Which We May Be Unable, Or May Not Choose To Insure Against, Making Exploration And/Or Development Activities We May Pursue Subject To Potential Legal Liability For Certain Claims.

Our future exploration operations, if any, will be subject to all of the hazards and risks normally encountered in the exploration, development and production of minerals. These include unusual and unexpected geological formations, rock falls, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although we plan to take adequate precautions to minimize these risks, and risks associated with equipment failure or failure of retaining dams which may result in environmental pollution, even with our precautions, damage or loss may occur and we may be subject to liability which will have a material adverse effect on our business, results of operation and/or financial condition. If this were to happen, we could be forced to curtail or abandon our business activities.

We Will Be Subject To Numerous Risks If We Commence Mining Operations.

The mineral exploration and mining business is competitive in all of its phases. We currently have no mining operations of any kind; however, if we do commence mining activities in the future, we will be subject to numerous risks, including:

- o competitors with greater financial, technical and other resources, in the search for and the acquisition of attractive mineral properties;
- o our ability to select and acquire suitable producing properties or prospects for mineral exploration;
- o the accuracy of our reserve estimates, if any, which may be affected by the following factors beyond our control:
  - declines in the market price of the various metals we may mine in the future;
  - increased production or capital costs;
  - reduction in the grade or tonnage of the deposit;
  - increase in the dilution of the ore; or
  - reduced recovery rates;
- o risks and hazards associated with environmental hazards, political and country risks, civil unrest or terrorism, industrial accidents, labor disputes, unusual or unexpected geologic formations, cave-ins, explosive rock failures; and flooding and periodic interruptions due to inclement or hazardous weather conditions; and
- o our failure to maintain insurance on certain risks associated with any exploration activities we may undertake in the future.

If we do begin exploration activities in the future, we will be subject to the above risks. If any of the above risks occur, we may be forced to curtail or abandon our operations and/or exploration and development activities, if any. As a result, any investment in us could decrease in value and/or become worthless.

Our Determinations Of Planned Activities And Estimates Of Potential Reserves, If Any, May Be Inaccurate.

Before we can begin a development project, if ever, we must first determine whether it is economically feasible to do so. This determination is based on estimates of several factors, including:

- o expected recovery rates of metals from the ore;
- o facility and equipment costs;
- o capital and operating costs of a development project;
- o future metals prices;
- o tax rates;
- o inflation rates;
- o political risks and regulatory climates; and

- o availability of credit.

Any development projects we may undertake in the future will likely not have an operating history upon which to base these estimates and as a result, actual cash operating costs and returns from a development project, if any, may differ substantially from our estimates. Consequently, it may not be economically feasible to continue with a development project, if one is started.

Nevada Law And Our Articles Of Incorporation Authorize Us To Issue Shares Of Stock, Which Shares May Cause Substantial Dilution To Our Existing Shareholders.

We have authorized capital stock consisting of 100,000,000 shares of common stock, \$0.001 par value per share and 10,000,000 shares of preferred stock, \$0.001 par value per share. As of the date of this filing, we had 67,367,659 shares of common stock issued and outstanding and – 0 – shares of preferred stock issued and outstanding. As a result, our Board of Directors has the ability to issue a large number of additional shares of common stock without shareholder approval, which if issued could cause substantial dilution to our then shareholders. Additionally, shares of preferred stock may be issued by our Board of Directors without shareholder approval with voting powers, and such preferences and relative, participating, optional or other special rights and powers as determined by our Board of Directors, which may be greater than the shares of common stock currently outstanding. As a result, shares of preferred stock may be issued by our Board of Directors which cause the holders to have super majority voting power over our shares, provide the holders of the preferred stock the right to convert the shares of preferred stock they hold into shares of our common stock, which may cause substantial dilution to our then common stock shareholders and/or have other rights and preferences greater than those of our common stock shareholders. Investors should keep in mind that the Board of Directors has the authority to issue additional shares of common stock and preferred stock, which could cause substantial dilution to our existing shareholders. Additionally, the dilutive effect of any preferred stock, which we may issue may be exacerbated given the fact that such preferred stock may have super majority voting rights and/or other rights or preferences which could provide the preferred shareholders with voting control over us subsequent to this filing and/or give those holders the power to prevent or cause a change in control. As a result, the issuance of shares of common stock and/or preferred stock may cause the value of our securities to decrease and/or become worthless.

If We Are Late In Filing Our Quarterly Or Annual Reports With The Securities And Exchange Commission Or A Market Maker Fails To Quote Our Common Stock On The Over-The-Counter Bulletin Board For A Period Of More Than Four Days, We May Be De-Listed From The Over-The-Counter Bulletin Board.

Pursuant to Over-The-Counter Bulletin Board ("OTCBB") rules relating to the timely filing of periodic reports with the Securities and Exchange Commission ("SEC"), any OTCBB issuer which fails to file a periodic report (Form 10-Q or 10-K) by the due date of such report (notwithstanding any extension granted to the issuer by the filing of a Form 12b-25), three times during any 24 month period is automatically de-listed from the OTCBB. Such removed issuer would not be re-eligible to be listed on the OTCBB for a period of one year, during which time any subsequent late filing would reset the one-year period of de-listing. Additionally, if a market maker fails to quote our common stock on the OTCBB for a period of more than four consecutive days, we will be automatically delisted from the OTCBB (similar as to how we were automatically delisted from the OTCBB in February 2011, which forced us to take actions to re-quote our common stock on the OTCBB in March 2011). As we were late in filing our Quarterly Report on Form 10-Q for the quarter ended March 31, 2011 and this Form 10-K for the year ended December 31, 2011, if we are late in our periodic filings one additional time prior to the filing of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 or three times in any subsequent 24 month and are de-listed from the OTCBB or are automatically delisted for failure of a market maker to quote our stock, our securities may become worthless and we may be forced to curtail or abandon our business plan.

Compliance with Section 404 of the Sarbanes-Oxley Act will continue to strain our limited financial and management resources.

We incur significant legal, accounting and other expenses in connection with our status as a fully reporting public company. The Sarbanes-Oxley Act and new rules subsequently implemented by the SEC have imposed various new requirements on public companies, including requiring changes in corporate governance practices. As such, our management and other personnel need to devote a substantial amount of time to these new compliance initiatives.

Moreover, these rules and regulations have increased our legal and financial compliance costs and made some activities more time-consuming and costly. In addition, the Sarbanes-Oxley Act requires, among other things, that we maintain effective internal controls for financial reporting and disclosure of controls and procedures. Our testing may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses (similar to those described below in this Report). Our compliance with Section 404 requires that we incur substantial accounting expense and expend significant management efforts. We may need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge. Moreover, if we are not able to comply with the requirements of Section 404 in a timely manner, or if we continue to identify deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline, and we could be subject to sanctions or investigations by the SEC or other regulatory authorities, which would require additional financial and management resources.

As There Is Currently Only A Limited Market For Our Common Stock, The Market For Our Common Stock May Continue To Be Illiquid, Sporadic And Volatile.

There is currently only a limited market for our common stock, and as such, we anticipate that such market will be illiquid, sporadic and subject to wide fluctuations in response to several factors moving forward, including, but not limited to:

- (1) actual or anticipated variations in our results of operations;
- (2) our ability or inability to generate new revenues;
- (3) the number of shares in our public float;
- (4) increased competition;
- (5) the political atmosphere in Russia; and
- (6) conditions and trends in the market for precious metals and minerals in general.

Furthermore, because our common stock is traded on the Over-The-Counter Bulletin Board, our stock price may be impacted by factors that are unrelated or disproportionate to our operating performance. These market fluctuations, as well as general economic, political and market conditions, such as recessions, interest rates or international currency fluctuations may adversely affect the market price of our common stock. Additionally, at present, we have a limited number of shares in our public float, and as a result, there could be extreme fluctuations in the price of our common stock.

State Securities Laws May Limit Secondary Trading, Which May Restrict The States In Which And Conditions Under Which You Can Sell Shares.

Secondary trading in our common stock may not be possible in any state until the common stock is qualified for sale under the applicable securities laws of the state or there is confirmation that an exemption, such as listing in certain recognized securities manuals, is available for secondary trading in the state. If we fail to register or qualify, or to obtain or verify an exemption for the secondary trading of the common stock in any particular state, the common stock cannot be offered or sold to, or purchased by, a resident of that state. In the event that we do not apply for registration in, there is not a valid exemption for, and/or a significant number of states refuse to permit secondary trading in our common stock, the liquidity for the common stock could be significantly impacted.

Investors May Face Significant Restrictions On The Resale Of Our Common Stock Due To Federal Regulations Of Penny Stocks.

Our common stock will be subject to the requirements of Rule 15g-9, promulgated under the Securities Exchange Act of 1934, as amended, as long as the price of our common stock is below \$5.00 per share. Under such rule, broker-dealers who recommend low-priced securities to persons other than established customers and accredited investors must satisfy special sales practice requirements, including a requirement that they make an individualized written suitability determination for the purchaser and receive the purchaser's consent prior to the transaction. The Securities Enforcement Remedies and Penny Stock Reform Act of 1990, also requires additional disclosure in connection with any trades involving a stock defined as a penny stock.





Generally, the Commission defines a penny stock as any equity security not traded on an exchange or quoted on NASDAQ that has a market price of less than \$5.00 per share. The required penny stock disclosures include the delivery, prior to any transaction, of a disclosure schedule explaining the penny stock market and the risks associated with it. Such requirements could severely limit the market liquidity of the securities and the ability of purchasers to sell their securities in the secondary market.

In addition, various state securities laws impose restrictions on transferring "penny stocks" and as a result, investors in the common stock may have their ability to sell their shares of the common stock impaired.

#### ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

#### ITEM 2. PROPERTIES

The Company's United States office is located at 330 Madison Ave, 6th Floor, New York, New York 10017. The lease is at a monthly rate of \$250 and is on a month to month basis. This space is leased from Office Escape, an operator of business centers in New York and other United States cities. The Company is not the sole occupant of the space and consequently the cost of the rental is shared with other occupants. The Company does not use the office for any purposes falling outside of its business needs. The former Chief Executive Officer had been personally paying the Company's office space rent and not billing the Company from December 31, 2008 to November 30, 2010, which resulted in the Company having no rent or occupancy expense for the year ended December 31, 2009 and the eleven months ended November 30, 2010. The Company had rent and occupancy expense of \$2,491 for the year ended December 31, 2011.

#### ITEM 3. LEGAL PROCEEDINGS

In January 2007, we learned that certain of our former officers, Directors and shareholders, had attempted to transfer shares of our common stock, which those individuals had agreed to cancel in connection with the purchase of a majority of the Company's outstanding shares from those individuals by our current officers, Directors and majority shareholders in April 2003. In February 2007, we filed for a Temporary Restraining Order and Motion for Preliminary Injunction against those individuals in the District Court of Clark County, Nevada.

On February 20, 2007, our Temporary Restraining Order and Motion for Preliminary Injunction was heard by the District Court of Clark County, Nevada, and we were granted an indefinite injunction without a hearing by the court. As such, those individuals who previously attempted to transfer and sell the shares which they held will be prevented from transferring or selling such shares until they can show good cause with the court why such indefinite injunction should be lifted.

From time to time, we may become party to other litigation or other legal proceedings that we consider to be a part of the ordinary course of our business. We are not currently involved in legal proceedings that could reasonably be expected to have a material adverse effect on our business, prospects, financial condition or results of operations, other than the proceeding described above. We may become involved in material legal proceedings in the future.

#### ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.



## PART II

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

On March 22, 2005, the Company's common stock began trading on the Over-The-Counter Bulletin Board (the "OTCBB") under the symbol "SIBE." Effective May 2, 2005, in connection with the Company's 1:2 reverse stock split, the Company's common stock began trading under the symbol "SIBN." On February 22, 2011, the Company was automatically delisted from the OTCBB due to the failure of a market maker to quote the Company's common stock on the OTCBB for the time period required under FINRA rules and regulations and began trading on the OTC Pinks market (i.e., the OTCQB). The Company was requoted on the OTCBB on March 22, 2011.

We had 22,198 shares of common stock subject to outstanding options and warrants to purchase, or securities convertible into, the Company's common stock as of December 31, 2011. We have no outstanding shares of preferred stock. As of May 10, 2012, there were 67,367,659 shares of common stock outstanding, held by approximately 125 shareholders of record.

On September 17, 1999, the Company effected a 1-for-30 reverse stock split. A subsequent 3-for-1 forward split was consummated on October 2, 2000 and a further 1:2 reverse stock split was effected on May 2, 2005. As described below, effective March 15, 2011, the Company effected a 1:70 reverse stock split with the shares held by remaining shareholders rounded up to a minimum of 100 shares on a per shareholder basis (collectively the "Stock Splits"). All share amounts and trading values listed are retroactively adjusted to reflect these Stock Splits unless otherwise provided.

The following table sets forth the high and low closing prices for the Company's common stock, rounded to the nearest one cent, for the periods indicated as reported by the NASDAQ OTC-Bulletin Board. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

Closing Prices Quarter Ended	High	Low
December 31, 2011	\$ 1.01	\$ 0.02
September 30, 2011	\$ 0.51	\$ 0.02
June 30, 2011	\$ 1.38	\$ 0.20
March 31, 2011	\$ 3.50	\$ 0.51
December 31, 2010	\$ 8.38	\$ 0.35
September 30, 2010	\$ 7.77	\$ 2.80
June 30, 2010	\$ 13.30	\$ 4.21

March 31,  
2010      \$ 48.29   \$ 3.15

Dividends

We have never declared or paid any cash dividends on our common stock, and we do not anticipate paying any dividends in the foreseeable future. We intend to devote any earnings to fund the operations and the development of our business.

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## Common Stock

Holders of shares of common stock are entitled to one vote per share on each matter submitted to a vote of shareholders. In the event of liquidation, holders of common stock are entitled to share pro rata in the distribution of assets remaining after payment of liabilities, if any. Holders of common stock have no cumulative voting rights, and, accordingly, the holders of a majority of the outstanding shares have the ability to elect all of the directors. Holders of common stock have no preemptive or other rights to subscribe for shares. Holders of common stock are entitled to such dividends as may be declared by the Board out of funds legally available therefore. The outstanding shares of common stock are validly issued, fully paid and non-assessable.

## Preferred Stock

Shares of preferred stock may be issued from time to time in one or more series, each of which shall have such distinctive designation or title as shall be determined by our Board of Directors ("Board of Directors") prior to the issuance of any shares thereof. Preferred stock shall have such voting powers, full or limited, or no voting powers, and such preferences and relative, participating, optional or other special rights and such qualifications, limitations or restrictions thereof, as shall be stated in such resolution or resolutions providing for the issue of such class or series of preferred stock as may be adopted from time to time by the Board of Directors prior to the issuance of any shares thereof. The number of authorized shares of preferred stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the voting power of all the then outstanding shares of our capital stock entitled to vote generally in the election of the directors, voting together as a single class, without a separate vote of the holders of the preferred stock, or any series thereof, unless a vote of any such holders is required pursuant to the terms of any series of preferred stock.

## EQUITY COMPENSATION PLAN INFORMATION

### 2010 Stock Incentive Plan

On December 15, 2010, with an effective date of January 1, 2011, the Company's Board of Directors adopted, subject to the approval of our Majority Stockholders (which was obtained on February 28, 2011), the Company's 2010 Stock Incentive Plan (the "Plan"). The Plan is intended to secure for the Company the benefits arising from ownership of the Company's common stock by the employees, officers, Directors and consultants of the Company, all of whom are and will be responsible for the Company's future growth. The Plan is designed to help attract and retain for the Company, personnel of superior ability for positions of exceptional responsibility, to reward employees, officers, Directors and consultants for their services to the Company and to motivate such individuals through added incentives to further contribute to the success of the Company.

The Plan will provide an opportunity for any employee, officer, Director or consultant of the Company, except for instances where services are in connection with the offer or sale of securities in a capital-raising transaction, or they directly or indirectly promote or maintain a market for the Company's securities, subject to any other limitations provided by federal or state securities laws, to receive (i) incentive stock options (to eligible employees only); (ii) nonqualified stock options; (iii) restricted stock; (iv) stock awards; (v) shares in performance of services; or (vi) any combination of the foregoing. In making such determinations, the Board of Directors may take into account the nature of the services rendered by such person, his or her present and potential contribution to the Company's success, and such other factors as the Board of Directors in its discretion shall deem relevant.

Subject to adjustment in connection with the payment of a stock dividend, a stock split or subdivision or combination of the shares of common stock, or a reorganization or reclassification of the Company's common stock, the maximum aggregate number of shares of common stock which may be issued pursuant to awards under the Plan is 57,142

shares. Such shares of common stock shall be made available from the authorized and unissued shares of the Company.

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The following table provides information as of December 31, 2011 regarding compensation plans (including individual compensation arrangements) under which equity securities are authorized for issuance:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities available for future issuance under equity compensation plans (excluding those in first column)
Equity compensation plans approved by the security holders	57,142	-	-
Equity compensation plans not approved by the security holders	20,771	\$26.50	-
Total			

#### RECENT SALES OF UNREGISTERED SECURITIES

None.

#### ITEM 6. SELECTED FINANCIAL DATA

Not required pursuant to Item 301 of Regulation S-K.

#### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

##### PLAN OF OPERATIONS FOR THE NEXT TWELVE MONTHS

We are a development stage company which is seeking opportunities for investment in and/or acquisition of small to medium companies in Russia, specifically in the precious minerals and oil and gas industries. We may also enter into merger, acquisition or similar transactions in the future with companies in separate industries and fields in the event we determine such transactions are in the best interests of the Company and its shareholders.

We currently hold investments in ZNG, Ltd. and KNG. Both companies were previously involved in oil and gas exploration in the Western Siberia region of Russia; provided however, as described above, ZNG, Ltd. has advised us that it will no longer undertake any further exploration activities in Western Siberia and we have recently been advised that KNG has determined not to undertake any further exploration activities.



In May 2011, as described above, we obtained ownership of RMC and its rights to the Deposit. The Company plans to explore the Deposit (funding permitting) in the hopes of discovering commercial quantities of molybdenum, tungsten, iron ore, gold, fluorite, bismuth, copper and other rare and semi-rare earth metals and precious minerals. The Company believes that the Deposit is potentially suitable for open-pit mining.

Additionally, moving forward, the Company may focus on the acquisition of additional operations, assets or entities; however, the Company has not entered into any definitive agreements to date, and there can be no assurance that any such agreements will be entered into on favorable terms, if at all.

Historically, we have obtained cash financing from organizing stockholders and outside parties in the form of loans and advances. Additionally, during the fourth quarter of 2005 and the fourth quarter of 2010, we restructured much of our debt through the issuance of shares of our common stock to our creditors and in certain cases, in 2005, obtained waiver letters, postponing certain of our liabilities until such time as we have generated sufficient revenues to pay such debts.

In connection with the Joint Venture, the Company previously received monthly management fees, which varied from \$25,000 to \$85,000 per month. Due to the “transition period” of the Joint Venture’s exploration activities and subsequent decision of Baltic not to pursue further exploration activities through ZNG, no management fees have been paid since October 2007, and the Joint Venture will not pay any management fees in the future. As the Company will not receive any management fees moving forward, the Company believes that its organizing stockholders will continue to provide financing for the Company, of which there can be no assurance.

In the past, we have obtained cash financing from organizing stockholders in the form of loans and advances, as a result, amounts totaling \$375,793 and \$125,631 are payable to stockholders from the Company as of December 31, 2011 and 2010, respectively.

There can be no certainty as to the availability of continued financing in the future. Failure to obtain sufficient financing may require us to reduce our operating activities. A failure to continue as a going concern would then require stated amounts of assets and liabilities to be reflected on a liquidation basis which could differ from the going concern basis.

## COMPARISON OF OPERATING RESULTS

### RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2011, COMPARED TO THE YEAR ENDED DECEMBER 31, 2010

We had no revenues or other income for the years ended December 31, 2011 or 2010. The Company does not anticipate generating revenues until such time, if ever, as we are able to generate sufficient funding to continue our business plan and complete exploration and mining activities on the Deposit, and then only if such property contains commercial quantities of minerals and we are able to successfully extract and sell such materials, of which there can be no assurance.

We had total expenses of \$622,198 for the year ended December 31, 2011, compared to total expenses for the year ended December 31, 2010, of \$579,251, which represented an increase in total expenses from the prior period of \$42,947 or 7.4%.

The main reasons for the increase in total expenses for the year ended December 31, 2011, compared to the year ended December 31, 2010, were a \$23,742 or 10% increase in professional and consulting fees, to \$253,572 for the year ended December 31, 2011, compared to \$229,830 for the year ended December 31, 2010, mainly due to the

acquisition of RMC, a \$46,528 increase in finance and interest expense to \$53,529 for the year ended December 31, 2011, compared to \$7,001 for the year ended December 31, 2010, in connection with the Loan bearing 12% annual interest, and a \$24,348 increase in marketing and other expenses to \$36,852 for the year ended December 31, 2011, compared to \$12,504 for the year ended December 31, 2010, which increases were mainly due to certain one-time expenses associated with the Company's 1:70 reverse stock split and the cost of mailing notice of and holding the Company's 2011 Annual Meeting of Stockholders, as well as fees paid to relist the Company on the OTCBB in March 2011, which were offset by a \$53,246 or 16% decrease in salaries to \$275,754 for the year ended December 31, 2011 compared to \$329,000 for the year ended December 31, 2010, due to the Company's President, Helen Teplitskaia not receiving any compensation for the year ended December 31, 2011, compared to the year ended December 31, 2010, the termination of the employment of the Company's Moscow, Russia representative as of January 1, 2012 and the non-accrual of salary for Elena Pochapski, the Company's Chief Financial Officer, beginning on October 1, 2011, due to the fact that no services were performed for the Company.

We had a foreign currency translation gain of \$5,276 for the year ended December 31, 2011, which was due to fluctuation between the Pound Sterling, Russian Ruble and United States Dollar.

We had a net loss of \$616,922 for the year ended December 31, 2011, compared to a net loss of \$579,251 for the year ended December 31, 2010, an increase in net loss of \$37,671 or 6.5% from the prior period.

## LIQUIDITY AND CAPITAL RESOURCES

We had total assets of \$25,116,107 as of December 31, 2011, consisting of current assets of \$221,806, including \$874 of cash and \$220,932 of prepaid expenses and other receivables and total long-term assets of \$24,894,301 consisting of unproved mineral properties.

On April 27, 2011, with a closing date of May 11, 2011, we entered into the Share Exchange with RMC (described in greater detail above under "Rare Minerals Acquisition") and acquired rights to the Deposit, which together with certain geological data, represent the \$24,894,301 of unproved mineral properties.

We had total liabilities of \$1,612,349 as of December 31, 2011, which included current liabilities of \$988,001, including \$375,793 of accounts payable to related party stockholders in connection with those shareholders paying certain of our expenses from the period between September 2010 and December 31, 2011 and advisory fees accrued to a shareholder of the Company for the period between October 2010 and December 31, 2011; \$81,004 of accounts payable to Baltic in connection with a \$29,000 loan advanced to the Company from Baltic, interest on such loan, and certain other expenses owed to Baltic; \$111,031 of accounts payable to others for advisory and professional services rendered; and \$420,173 of accrued payroll, which included approximately \$225,000 payable to our former Chief Executive Officer, David Zaikin, approximately \$75,000 payable to our Chief Financial Officer, Elena Pochapski, and \$69,242 of accrued salary payable to our former Chief Executive Officer, Shakeel Adam, and long-term liabilities of \$624,348 relating to the Loan Agreement, described below.

We had negative working capital of \$766,195 and a total pre-development and development stage accumulated deficit of \$16,718,678 as of December 31, 2011.

In October 2010, the Company entered into Debt Conversion Agreements with nine (9) creditors of the Company (the majority of which were shareholders and related parties of the Company), pursuant to which such creditors agreed to convert an aggregate of \$2,554,459 of debt owed to such creditors by the Company into 331,748 shares of restricted common stock of the Company, at the rate of one share for each \$7.70 of debt converted (the "Conversion").

Because our cumulative losses associated with the operations of ZNG exceeded our investment as of the date of the Joint Venture, ZNG, Ltd. is carried on our balance sheet at \$-0- as of December 31, 2011. Our investment in ZNG, Ltd. will exceed \$-0- at such time as ZNG, Ltd. has cumulative earnings sufficient to repay all loans to Baltic as provided in the Joint Venture, if ever.

As part of the acquisition of RMC, the Company obtained rights to a Loan Agreement provided to Koklanovskoe by a third party on January 17, 2011 and amended on January 24, 2011, in the aggregate amount of 500,000 British Pounds (approximately \$772,800 as of December 31, 2011)(the "Loan"). The Loan provides Koklanovskoe the right to make draw-downs from time to time under the Loan prior to January 31, 2015, at which time the outstanding amount of the Loan is required to be repaid in full. All amounts borrowed under the Loan bear interest at the rate of 12% per annum; provided that if an event of default occurs under the Loan any and all outstanding amounts bear interest at the rate of 18% per annum. The Loan provides the lender the right to secure such Loan by any or all of Koklanovskoe's assets. The Loan was required to be used for the acquisition of the Deposit and geological exploration activities on such Deposit. As of December 31, 2011, there was \$624,348 (405,000 British Pounds) outstanding under the Loan.



As of December 31, 2011, the Company owns a 44% interest in KNG. The Company's investment in KNG is recorded on the equity method of accounting effective October 1, 2008. After careful consideration of the current financial position of KNG, the Company applied an impairment charge to the value of the investment in KNG which resulted in carrying it at zero value.

We had \$177,898 of net cash used in operating activities for the year ended December 31, 2011, which was mainly attributable to adjustments to reconcile \$616,922 of net loss and \$124,920 of increase in prepaid expenses and other receivables, offset by an increase of \$563,321 of accounts payable and accrued expenses.

We had \$1,655 of net cash provided by investing activities for the year ended December 31, 2011, which represented cash received in the acquisition of RMC.

We had \$166,530 of net cash provided by financing activities for the year ended December 31, 2011, which were solely due to additional funds received in connection with the Loan described above.

Since inception, the Company has obtained cash financing from organizing stockholders, outside parties and employees in the form of loans, advances and deferred salaries, as well as through financing previously received of \$25,000 to \$85,000 per month in management fees from its Joint Venture, which management fees the Company has not received since October 2007, and which the Company does not believe will ever resume. The Company anticipates that its stockholders and management will continue to provide financing for the Company, of which there can be no assurance. There can be no certainty as to availability of continued financing in the future. Failure to obtain sufficient financing may require the Company to reduce its operating activities. A failure to continue as a going concern would require stated amounts of assets and liabilities to be reflected on a liquidation basis which could differ from the going concern basis.

We are taking steps to raise equity capital and/or to borrow additional funds. There can be no assurance that any new capital will be available to us or that adequate funds for our operations, whether from our financial markets, or other arrangements will be available when needed or on terms satisfactory to us, if at all. We have no commitments from officers, directors or affiliates to provide funding. Our failure to obtain adequate financing may require us to delay, curtail or scale back some or all of our operations. Additionally, any additional financing may involve dilution to our then-existing shareholders.

#### Critical Accounting Policies

##### Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

##### Principles of Consolidation:

The accompanying consolidated financial statements include the accounts of the Company and its then wholly-owned subsidiaries, ZNG (through October 14, 2005), Siberian Energy Group (Canada), KNG (December 31, 2006 through September 30, 2008), and RMC. All intercompany transactions and balances have been eliminated. After October 14, 2005, the Company's investment in ZNG is accounted for on the equity method of accounting. After September 30, 2008, the Company's investment in KNG is accounted for on the equity method of accounting. Accordingly, the assets, liabilities and equity for ZNG and KNG are no longer presented on the Company's balance sheet.



Foreign Currency Translation:

The Russian subsidiaries ZNG, KNG, and RMC use the Ruble as their functional currency; Siberian Energy Group (Canada) uses the Canadian dollar as its functional currency. The books and records of ZNG, KNG, RMC and Siberian Energy Group (Canada) are kept in their functional currencies. The Company translates to U.S. dollars the assets and liabilities of ZNG, KNG, RMC, and Siberian Energy Group (Canada) at the year-end exchange rates; income statement amounts are converted at the average rates of exchange for the year. Foreign currency translation adjustments are included within other comprehensive income (loss).

Mineral and Oil and Gas Properties:

The Company follows the full cost method of accounting for mineral and oil and gas properties. Accordingly, all costs associated with acquisition, exploration, and development of mineral and oil and gas reserves, including directly related overhead costs, are capitalized.

All capitalized costs of mineral and oil and gas properties, including the estimated future costs to develop proved reserves, will be amortized on the unit-of production method using estimates of proved reserves. Investments in unproved properties and major development projects are not amortized until proved reserves associated with the projects can be determined or until impairment occurs. When applicable, if the results of an assessment indicate that the properties are impaired, the amount of the impairment is added to the capitalized costs to be amortized.

In addition, the capitalized costs are subject to a “ceiling test,” which basically limits such costs to the aggregate of the “estimated present value,” discounted at a 10-percent interest rate of future net revenues from proved reserves, based on current economic and operating conditions, plus the lower of cost or fair market value of unproved properties.

Sales of proved and unproved properties are accounted for as adjustments of capitalized costs with no gain or loss recognized, unless such adjustments would significantly alter the relationship between capitalized costs and proved reserves of oil and gas, in which case the gain or loss is recognized in income. Abandonment of properties are accounted for as adjustments of capitalized costs with no loss recognized.

Licenses:

Costs incurred during 2003 to register and formalize ZNG’s exploration licenses with the Russian Ministry of Natural Resources were amortized over the terms of the licenses. Amortization expense for 2005 and 2004 was \$27,124 and \$36,160, respectively. All licenses became the responsibility of the Joint Venture effective October 14, 2005 and expired in 2008.

Licenses of KNG granted for oil and gas exploration in the Khanty-Mansiysk Autonomous area of the Russian Federation are the responsibility of the new operator of KNG following the sale of 56% interest as of September 2008.

Property and Equipment:

Property and equipment is stated at cost, net of accumulated depreciation. Depreciation is provided using the straight-line method.

#### Long-Lived Assets:

Long lived assets to be held and used or disposed of other than by sale are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When required, impairment losses on assets to be held and used or disposed of other than by sale are recognized based on the fair value of the asset. Long-lived assets to be disposed of by sale are reported at the lower of its carrying amount or fair value less cost to sell.

#### Common Stock and Additional Paid-in Capital:

Shares of common stock issued for other than cash have been recorded as common stock and additional paid-in capital at amounts equivalent to the fair value of the service or assets received in exchange.

#### Income Taxes:

The provision for income taxes is based on pretax financial accounting income. Deferred assets and liabilities are recognized for the expected future tax consequences of temporary differences between the tax and financial statement bases of assets and liabilities. Temporary differences arise from using different methods of accounting for impairments of assets and certain accrued expenses. The Company also recognizes future tax benefits of net operating loss carryforwards to the extent that realization of such benefits is more likely than not.

The Company believes it is no longer subject to examination by Federal taxing authorities for fiscal years prior to December 31, 2008.

#### Recent Accounting Pronouncements

In May 2011, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-04, "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS." ASU No. 2011-04 clarifies existing requirements for measuring fair value and for disclosure about fair value measurements in converged guidance of the FASB and the International Accounting Standards Board. The amendment is effective during interim and annual periods beginning after December 15, 2011. The implementation of ASU No. 2011-04 is not expected to have a material impact on the Company's consolidated financial condition and results of operations.

In June 2011, the FASB issued ASU No. 2011-05, "Presentation of Comprehensive Income," which will no longer allow the presentation of the components of other comprehensive income in the consolidated statements of changes in stockholders' equity or footnotes. For reporting periods beginning after December 31, 2011, ASU No. 2011-05 requires presentation of other comprehensive income in combination with, or directly following the consolidated statements of income. In December 2011, ASU No. 2011-05 was amended to delay the proposed identification of reclassification adjustments in the consolidated statements of income. The Company is currently evaluating the allowable presentation alternatives under the new guidance.

In December 2011, the FASB issued ASU No. 2011-11, "Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities." The amendment requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. ASU No. 2011-11 is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The Company is currently evaluating the impact ASU No. 2011-11 will have on the Company's financial statements.



Management does not believe that any other recently issued, but not yet effective guidance, if currently adopted, would have a material effect on the accompanying consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Pursuant to Item 305(e) of Regulation S-K (§ 229.305(e)), the Company is not required to provide the information required by this Item as it is a “smaller reporting company,” as defined by Rule 229.10(f)(1).

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

SIBERIAN ENERGY GROUP INC.  
CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2011 and 2010

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING  
FIRM

The Board of Directors and Stockholders  
Siberian Energy Group Inc.

We have audited the accompanying consolidated balance sheets of Siberian Energy Group Inc. (a development stage company) as of December 31, 2011 and 2010 and the related consolidated statements of operations, stockholders' equity and comprehensive income, and cash flows for the years then ended, and the cumulative period of Development Stage Activity – January 1, 2003 through December 31, 2011. Siberian Energy Group Inc.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Siberian Energy Group Inc. as of December 31, 2011 and 2010 and the results of its operations and its cash flows for the years then ended and the cumulative period of Development Stage Activity – January 1, 2003 through December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that Siberian Energy Group Inc. will continue as a going concern. As discussed in Note 12 to the financial statements, Siberian Energy Group Inc. has not earned significant revenue since inception of its current endeavor, and is considered to be in the development stage which raises substantial doubt about its ability to continue as a going concern. Management's plans relative to these matters are also described in Note 12 and throughout the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Lumsden & McCormick, LLP  
Buffalo, New York  
May 8, 2012

## SIBERIAN ENERGY GROUP INC. (A Development Stage Company)

## Consolidated Balance Sheets

December 31,	2011	2010
Assets		
Current assets:		
Cash	\$ 874	\$ 467
Prepaid expenses and other receivables	220,932	8,810
	221,806	9,277
Investment in ZNG, Ltd., at equity	-	-
Investment in KNG, at equity	-	-
Mineral properties, unproved	24,894,301	-
Oil and gas properties, unproved	-	-
Property and equipment, net	-	623
	\$ 25,116,107	\$ 9,900
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable:		
Related party - stockholders	\$ 375,793	\$ 125,631
Related party - Baltic Petroleum, interest at 14%	81,004	74,926
Others	111,031	20,017
Accrued payroll	420,173	147,766
	988,001	368,340
Loan payable	624,348	-
Stockholders' equity:		
Preferred stock - 10,000,000 shares, \$.001 par value	-	-
Common stock - authorized 100,000,000 shares, \$.001 par value 67,367,659 and 667,659 issued and outstanding	67,368	668
Additional paid-in capital	40,159,038	15,756,738
Accumulated deficit		
Pre-development stage	(449,785 )	(449,785 )
Development stage	(16,268,893)	(15,651,971)
Accumulated other comprehensive loss	(3,970 )	(14,090 )
	23,503,758	(358,440 )
	\$ 25,116,107	\$ 9,900

See accompanying notes.

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## SIBERIAN ENERGY GROUP INC. (A Development Stage Company)

## Consolidated Statements of Operations

			For the cumulative period of Development Stage Activity- January 1, 2003 through December 31, 2011
For the years ended December 31,	2011	2010	
Revenues and other income:			
Management fees from joint venture	\$-	\$-	\$ 1,135,000
Gain from entrance into joint venture	-	-	364,479
Other	-	-	6,382
Total revenues and other income	-	-	1,505,861
Expenses:			
Salaries	275,754	329,000	4,410,612
Professional and consulting fees	253,572	229,830	5,577,343
Rent and occupancy	2,491	272	239,989
Depreciation and amortization	-	644	105,502
Finance charges and interest	53,529	7,001	179,634
Marketing and other	36,852	12,504	2,113,933
Total expenses	622,198	579,251	12,627,013
Foreign currency translation gain	(5,276 )	-	(5,276 )
Loss from disposition of loan receivable - affiliate	-	-	29,500
Loss from sale of investment	-	-	669,570
Loss on deemed disposition of oil and gas properties, unproved	-	-	3,928,000
Impairment charge on investment	-	-	525,947
Loss before income taxes	616,922	579,251	16,268,893
Provision for income taxes (benefit)	-	-	-
Net loss (development stage)	\$616,922	\$579,251	\$ 16,268,893
Basic and diluted loss per common share after 1:70 reverse stock split	\$(0.01 )	\$(1.50 )	\$(3.16 )

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Weighted average number of basic and diluted common shares outstanding after 1:70 reverse stock split	43,284,919	385,865	5,147,386
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See accompanying notes.

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## SIBERIAN ENERGY GROUP INC. (A Development Stage Company)

## Consolidated Statements of Stockholders' Equity and Comprehensive Income

For the cumulative period of Development Stage Activity - January 1, 2003 through December 31, 2011

	Common Stock		Additional	Accumulated	Accumulated		Comprehensive
	Number of	Par	Paid-In	Accumulated	Comprehensive	Total	Comprehensive
	Shares	Value	Capital	Deficit	Income (Loss)		Loss
Balance, January 1, 2003 (pre-development stage)	135,801	\$136	\$434,962	\$ (449,785 )	\$ -	\$(14,687 )	
Loss for the year - 2003	-	-	-	(422,516 )	-	(422,516 )	\$ (422,516 )
Shares issued in acquisition (ZNG)	14,286	14	(14 )	-	-	-	
Balance, December 31, 2003	150,087	\$150	\$434,948	\$ (872,301 )	\$ -	\$(437,203 )	
Loss for the year - 2004	-	-	-	(833,567 )	-	(833,567 )	
Foreign currency translation adjustment	-	-	-	-	(53,120 )	(53,120 )	\$ (886,687 )
Shares issued in acquisition (ZNG)	49,286	49	749,951	-	-	750,000	
Shares issued for professional services	715	1	9,999	-	-	10,000	
Other	-	-	34,426	-	-	34,426	
Balance, December 31,	200,088	\$200	\$1,229,324	\$ (1,705,868 )	\$ (53,120 )	\$(529,464 )	



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2004

Loss for the year - 2005	-	-	-	(1,153,686)	-	(1,153,686)
Foreign currency translation adjustment	-	-	-	-	50,614	50,614 \$ (1,103,072 )
Shares issued for professional services	5,500	6	198,208	-	-	198,214
Shares issued for accrued salaries	24,286	24	303,547	-	-	303,571
Warrants granted for professional services	-	-	310,000	-	-	310,000
Balance, December 31, 2005	229,874	\$230	\$2,041,079	\$ (2,859,554 )	\$ (2,506 )	\$ (820,751 )
Loss for the year - 2006	-	-	-	(4,072,788)	-	(4,072,788)
Foreign currency translation adjustment	-	-	-	-	(1,939 )	(1,939 ) \$ (4,074,727 )
Shares issued for employee stock option plan and warrants	2,786	3	45,497	-	-	45,500
Shares issued for geological data	27,143	27	3,324,973	-	-	3,325,000
Shares issued for professional services	16,279	16	2,121,444	-	-	2,121,460
Warrants granted for professional services	-	-	1,201,960	-	-	1,201,960
Shares cancelled	(8,707 )	(9 )	9	-	-	-
Balance, December 31,	267,375	\$267	\$8,734,962	\$ (6,932,342 )	\$ (4,445 )	\$ 1,798,442

2006

See accompanying notes.

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## SIBERIAN ENERGY GROUP INC. (A Development Stage Company)

## Consolidated Statements of Stockholders' Equity and Comprehensive Income

For the cumulative period of Development Stage Activity - January 1, 2003 through December 31, 2011

	Common Stock Number of Shares	Par Value	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total	Comprehensive Loss
Balance, December 31, 2006	267,375	\$267	\$8,734,962	\$(6,932,342 )	\$(4,445 )	\$1,798,442	
Loss for the year - 2007	-	-	-	(2,060,487 )	-	(2,060,487)	
Foreign currency translation adjustment	-	-	-	-	(9,804 )	(9,804 )	\$ (2,070,291 )
Shares issued for employee stock option plan and warrants	8,100	8	(8 )	-	-	-	
Shares issued for geological data	2,857	3	349,997	-	-	350,000	
Shares issued for accrued salaries	11,257	11	1,445,395	-	-	1,445,406	
Shares issued for licenses	28,571	29	1,319,971	-	-	1,320,000	
Shares issued for professional services	10,215	10	1,071,100	-	-	1,071,110	

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Warrants granted for professional services	-	-	150,394	-	-	150,394	
Balance, December 31, 2007	328,375	\$328	\$13,071,811	\$(8,992,829 )	\$(14,249 )	\$4,065,061	
Loss for the year - 2008	-	-	-	(5,863,560 )	-	(5,863,560)	
Foreign currency translation adjustment	-	-	-	-	27,019	27,019	\$ (5,836,541 )
Shares issued for professional services and accrued salaries	2,213	2	41,748	-	-	41,750	
Warrants granted for professional services	-	-	6,303	-	-	6,303	
Shares issued for loan repayment and related interest	1,536	2	10,751	-	-	10,753	
Balance, December 31, 2008	332,124	\$332	\$13,130,613	\$(14,856,389)	\$12,770	\$(1,712,674)	
Loss for the year - 2009	-	-	-	(666,116 )	-	(666,116 )	
Foreign currency translation adjustment	-	-	-	-	(19,714 )	(19,714 )	\$ (685,830 )
Shares issued for accrued salaries	858	1	3,599	-	-	3,600	
Options vested to employees and directors	-	-	45,852	-	-	45,852	

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Balance, December 31, 2009	332,982	\$333	\$13,180,064	\$(15,522,505)	\$ (6,944 )	\$(2,349,052)
Loss for the year - 2010	-	-	-	(579,251 )	-	(579,251 )
Foreign currency translation adjustment	-	-	-	-	(7,146 )	(7,146 ) \$ (586,397 )
Shares issued for accounts payable and accrued salaries	331,748	332	2,554,127	-	-	2,554,459
Shares issued for accounts payable and accrued salaries	2,929	3	22,547	-	-	22,550
Balance, December 31, 2010	667,659	\$668	\$15,756,738	\$(16,101,756)	\$ (14,090 )	\$(358,440 )

See accompanying notes.

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## SIBERIAN ENERGY GROUP INC. (A Development Stage Company)

## Consolidated Statements of Stockholders' Equity and Comprehensive Income

For the cumulative period of Development Stage Activity - January 1, 2003 through December 31, 2011

	Common Stock		Additional	Accumulated	Accumulated		Comprehensive
	Number of		Paid-In	Accumulated	Other		Comprehensive
	Shares	Par Value	Capital	Deficit	Comprehensive	Total	Loss
					Income		
					(Loss)		
Balance, December 31, 2010	667,659	\$668	\$15,756,738	\$(16,101,756)	\$ (14,090 )	\$(358,440 )	
Loss for the year - 2011	-	-	-	(616,922 )	-	(616,922 )	
Foreign currency translation adjustment	-	-	-	-	10,120	10,120	\$ (606,802 )
Shares issued in acquisition (RMC)	65,200,000	65,200	24,058,800	-	-	24,124,000	
Shares issued for geological data	1,500,000	1,500	343,500	-	-	345,000	
Balance, December 31, 2011	67,367,659	\$67,368	\$40,159,038	\$(16,718,678)	\$ (3,970 )	\$23,503,758	

See accompanying notes.

## SIBERIAN ENERGY GROUP INC. (A Development Stage Company)

Consolidated Statements of Cash Flows	For the cumulative period of Development Stage Activity- January 1, 2003 through December 31, 2011		
For the years ended December 31,	2011	2010	
<b>Operating activities:</b>			
Net loss (development stage)	\$(616,922 )	\$(579,251 )	\$(16,268,893)
Depreciation and amortization	-	644	105,397
Common stock and warrants issued for professional services and salaries and geological data	-	-	7,231,933
Gain from entrance into joint venture	-	-	(364,479 )
Loss on disposition of office furniture	623	-	1,652
Loss on sale of investment, including deconsolidation of subsidiary	-	-	823,692
Loss on deemed disposition of oil and gas properties, unproved	-	-	3,928,000
Impairment charge on investment	-	-	525,947
Changes in other current assets and current liabilities:			
Management fee receivable	-	-	110,000
Prepaid expenses and other receivables	(124,920 )	(8,241 )	(397,122 )
Accounts payable and accrued expenses	563,321	593,710	5,148,448
Net operating activities	(177,898 )	6,862	844,575
<b>Investing activities:</b>			
Expenditures for licenses and related	-	-	(528,961 )
Expenditures for oil and gas properties	-	-	(770,750 )
Expenditures for property and equipment	-	-	(6,244 )
Proceeds of disposition of office furniture	-	-	107
Loan to affiliate	-	-	(29,500 )
Cash received in acquisition	1,655	-	1,661
Cash received from entrance into joint venture	-	-	175,000
Net investing activities	1,655	-	(1,158,687 )
<b>Financing activities:</b>			
Net proceeds from loans	166,530	-	239,030
Common stock issued for employee stock option plan	-	-	45,500
Additional paid-in capital	-	-	34,426
Net financing activities	166,530	-	318,956
Effect of exchange rates on cash	10,120	(7,146 )	(3,970 )

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Net change in cash	407	(284	)	874
Cash - beginning	467	751		-
Cash - ending	\$874	\$467		\$874

See accompanying notes.

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SIBERIAN ENERGY GROUP INC. (A Development Stage Company)

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies:

The Company and Description of Business:

The Company has been in the development stage since its inception of its current endeavors.

Rare Minerals and Koklanovskoe

On April 27, 2011, the Company entered into a Share Exchange Agreement (the Agreement) with Rare Minerals Corporation (RMC), a privately held corporation, to acquire all of the outstanding shares of RMC. This agreement became effective on May 11, 2011, which is the date the Company took control of RMC.

RMC was formed as a Nevada corporation on December 9, 2010. RMC's wholly-owned subsidiary is OOO Koklanovskoe (Koklanovskoe), a Russian limited liability company. Koklanovskoe holds a license (KUG00939TE) for the Koklanovskoe Molybdenum-Tungsten deposit in the Kurgan Region of the Russian Federation. Through the acquisition of this license, the Company plans to enter the market for the exploration and production of rare and semi-rare earth metals and precious minerals.

Pursuant to the Agreement, the Company acquired all of the outstanding shares of RMC by issuing 65,200,000 shares of restricted common stock (representing 99% of the Company's then outstanding common stock) to the RMC shareholders. As a result of the Agreement, control of the Company changed to the former RMC Shareholders, subject to certain voting restrictions in relation to the appointment of the Company's Board of Directors during the first year subsequent to the effective date of the Agreement.

The fair value of the common stock issued to RMC shareholders on May 11, 2011, the acquisition date, was \$.37 per share which equates to \$24,124,000 of common stock being issued.

This transaction has been accounted for using the acquisition method of accounting which requires, among other things, that most assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date. The \$24,124,000 excess of the net book value of the assets acquired has been allocated to mineral properties, unproved on the condensed consolidated balance sheet.

The approximate consolidated balance sheet of RMC as of May 11, 2011 is as follows:

Balance Sheet

Assets:

Cash	\$ 2,000
Prepaid expenses	87,000
Mineral properties	405,000
	\$ 494,000

Liabilities:

Loans payable and accrued interest	\$ 508,000
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Other liabilities	3,000
	511,000
Accumulated deficit	(17,000 )
	\$ 494,000

#### Kondaneftegaz

The Company, through its subsidiary Kondaneftegaz, LLC (KNG), has been engaged in the business of exploiting and developing certain oil and gas and other petroleum products licenses issued for a period of five years by Russia's subsurface management authorities in October 2007. The two licensed areas lie in the Karabashsky zone in the Khanty- Mansiysk Autonomous area of the Russian Federation. KNG has its principal place of business in the city of Khanty-Mansiysk, Russia. KNG has prepared and coordinated with Russian authorities the Program of exploration works on the Karabashski 61 and Karabashski 67 license areas. KNG is evaluating the possibility of using prior seismic data in the current exploration program.

KNG was acquired together with the vast collection of geological information data (oil and gas properties, unproved) on the Karabashski zone of Khanty-Mansiysk Autonomous district of the Tuymen region of the Russian Federation through the issuance of shares and warrants as follows:

Restricted common shares issued for oil and gas properties, unproved in 2006	27,143
Restricted common shares issued in connection with license acquisition by KNG in 2007	28,571
Restricted common shares issued in 2006	2,857
Total restricted common shares issued	58,571
Stock warrants issued in 2006 for purchase option	3,572

As a result of the purchase, a calculated acquisition value of \$3,928,000 was assigned to the oil and gas properties, unproved that considered the approximate market value of the stock issued (\$122.50) on the transaction date including \$3,675,000 assigned to 30,000 shares issued in 2006 and \$253,000 assigned to 3,572 stock warrants issued. A value of \$1,320,000 was assigned to the acquisition of licenses by KNG based on the market value of the 28,571 shares on the date of issue.

On September 30, 2008 the Company sold a 51% interest in KNG to a Russian oil and gas company, and a 5% interest to two Russian individuals for \$223. This Russian company has committed to lead the exploration works on the licensed areas by accepting the operator's role and agreeing to provide funding for KNG's activities. Simultaneously with the sale of 56% of KNG, the Company made available all geological data to the operator to be used in the program of geological studies in the region. Since no consideration was received and the Company has no intent to further utilize this geological data, a loss on the deemed disposition of these unproved oil and gas properties of \$3,928,000 has been recorded. Operations of KNG prior to September 30, 2008 are included in the consolidated accounts of the Company in the accompanying financial statements. Effective September 30, 2008, the Company's 44% investment in KNG is recorded on the equity method of accounting. At September 30, 2008, KNG's assets were \$13,572 and liabilities were \$135,740. Since 56% of the Company was sold for a nominal amount, a non-cash impairment charge of \$525,947 has been recorded to reduce the carrying value of the 44% investment in KNG to zero.

Throughout 2007-2011, the Company was involved in the collection of geological data and preparation of exploration works on the Karabashski-61 and Karabashski-67 license areas. Certain preliminary exploration activities were performed on the licensed areas over the past several years; however, KNG subsequently determined to cease exploration activities on the licensed areas. As such, we do not anticipate KNG generating any revenues moving forward.

#### Zauralneftegaz

Zauralneftegaz Limited (ZNG, Ltd.) is the Company's 50% owned joint venture with Baltic Petroleum Limited, UK created in 2005, which operates through its Russian subsidiary Zaural Neftegaz (ZNG). ZNG has been involved in oil and gas research activities in the Kurgan region of the Russian Federation. During 2003 through 2008 it has completed seismic studies and drilling programs in the Kurgan region, after which date Kurgan operations were put on hold until further economical advisability is confirmed. The Company believes ZNG, Ltd. has created value through the geological results of the two exploratory wells and other data gathered in the area and ZNG, Ltd. is considering its options with regard to realizing this value by either a farm out or a direct sale of geophysical and seismic data to a third party operating in the area.

Activities of ZNG for the period March 2003 through October 2005 are included in the consolidated accounts of the Company in the accompanying financial statements. Effective October 14, 2005, the Company's investment in Joint Venture has been recorded on the equity method of accounting. Since the cumulative losses of the Joint Venture exceed the Company's investment, the investment asset is carried at zero value as of and through December 31, 2011.

Both equity investments are recorded at zero on the accompanying balance sheets. Although management is hopeful, the Company is uncertain when and if any income will be realized from these investments. On a moving forward basis, the Company anticipates further business expansion. It is constantly evaluating new mineral resource assets, both explored and unexplored, as part of its growth strategy.

The Company was incorporated in the State of Nevada on August 13, 1997, and previously provided comprehensive outpatient rehabilitation services to patients suffering from work, sports and accident related injuries. All activities related to the Company's previous business ventures were essentially discontinued prior to January 1, 2000. Predecessor names of the Company since its inception include Trans Energy Group, Inc., King Incorporated

and Advanced Rehab Technology Corporation.

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Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Principles of Consolidation:

The accompanying consolidated financial statements include the accounts of the Company and its then wholly-owned subsidiaries, ZNG (through October 14, 2005), Siberian Energy Group (Canada), KNG (December 31, 2006 through September 30, 2008), and RMC. All intercompany transactions and balances have been eliminated. After October 14, 2005, the Company's investment in ZNG is accounted for on the equity method of accounting. After September 30, 2008, the Company's investment in KNG is accounted for on the equity method of accounting. Accordingly, the assets, liabilities and equity for ZNG and KNG are no longer presented on the Company's balance sheet.

Foreign Currency Translation:

The Russian subsidiaries ZNG, KNG, and RMC use the Ruble as their functional currency; Siberian Energy Group (Canada) uses the Canadian dollar as its functional currency. The books and records of ZNG, KNG, RMC and Siberian Energy Group (Canada) are kept in their functional currencies. The Company translates to U.S. dollars the assets and liabilities of ZNG, KNG, RMC, and Siberian Energy Group (Canada) at the year-end exchange rates; income statement amounts are converted at the average rates of exchange for the year. Foreign currency translation adjustments are included within other comprehensive income (loss).

Cash:

Cash in financial institutions may exceed insured limits at various times throughout the year, and subject the Company to concentrations of credit risk.

Mineral and Oil and Gas Properties:

The Company follows the full cost method of accounting for mineral and oil and gas properties. Accordingly, all costs associated with acquisition, exploration, and development of mineral and oil and gas reserves, including directly related overhead costs, are capitalized.

All capitalized costs of mineral and oil and gas properties, including the estimated future costs to develop proved reserves, will be amortized on the unit-of production method using estimates of proved reserves. Investments in unproved properties and major development projects are not amortized until proved reserves associated with the projects can be determined or until impairment occurs. When applicable, if the results of an assessment indicate that the properties are impaired, the amount of the impairment is added to the capitalized costs to be amortized.

In addition, the capitalized costs are subject to a "ceiling test," which basically limits such costs to the aggregate of the "estimated present value," discounted at a 10-percent interest rate of future net revenues from proved reserves, based on current economic and operating conditions, plus the lower of cost or fair market value of unproved properties.

Sales of proved and unproved properties are accounted for as adjustments of capitalized costs with no gain or loss recognized, unless such adjustments would significantly alter the relationship between capitalized costs and proved reserves of oil and gas, in which case the gain or loss is recognized in income. Abandonment of properties are accounted for as adjustments of capitalized costs with no loss recognized.

Licenses:

Costs incurred during 2003 to register and formalize ZNG's exploration licenses with the Russian Ministry of Natural Resources were amortized over the terms of the licenses. Amortization expense for 2005 and 2004 was \$27,124 and \$36,160. All licenses became the responsibility of the Joint Venture effective October 14, 2005 and expired in 2008.

Licenses of KNG granted for oil and gas exploration in the Khanty-Mansiysk Autonomous area of the Russian Federation are the responsibility of the new operator of KNG following the sale of 56% interest as of September 2008.

Property and Equipment:

Property and equipment is stated at cost, net of accumulated depreciation. Depreciation is provided using the straight-line method.

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Long-Lived Assets:

Long lived assets to be held and used or disposed of other than by sale are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When required, impairment losses on assets to be held and used or disposed of other than by sale are recognized based on the fair value of the asset. Long-lived assets to be disposed of by sale are reported at the lower of its carrying amount or fair value less cost to sell.

Common Stock and Additional Paid-in Capital:

Shares of common stock issued for other than cash have been recorded as common stock and additional paid-in capital at amounts equivalent to the fair value of the service or assets received in exchange.

Income Taxes:

The provision for income taxes is based on pretax financial accounting income. Deferred assets and liabilities are recognized for the expected future tax consequences of temporary differences between the tax and financial statement bases of assets and liabilities. Temporary differences arise from using different methods of accounting for impairments of assets and certain accrued expenses. The Company also recognizes future tax benefits of net operating loss carryforwards to the extent that realization of such benefits is more likely than not.

The Company believes it is no longer subject to examination by Federal taxing authorities for fiscal years prior to December 31, 2008.

Recent Accounting Pronouncements

In May 2011, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-04, "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS." ASU No. 2011-04 clarifies existing requirements for measuring fair value and for disclosure about fair value measurements in converged guidance of the FASB and the International Accounting Standards Board. The amendment is effective during interim and annual periods beginning after December 15, 2011. The implementation of ASU No. 2011-04 is not expected to have a material impact on the Company's consolidated financial condition and results of operations.

In June 2011, the FASB issued ASU No. 2011-05, "Presentation of Comprehensive Income," which will no longer allow the presentation of the components of other comprehensive income in the consolidated statements of changes in stockholders' equity or footnotes. For reporting periods beginning after December 31, 2011, ASU No. 2011-05 requires presentation of other comprehensive income in combination with, or directly following the consolidated statements of income. In December 2011, ASU No. 2011-05 was amended to delay the proposed identification of reclassification adjustments in the consolidated statements of income. The Company is currently evaluating the allowable presentation alternatives under the new guidance.

In December 2011, the FASB issued ASU No. 2011-11, "Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities." The amendment requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. ASU No. 2011-11 is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The Company is currently evaluating the impact ASU No. 2011-11 will have on the Company's financial statements.

Management does not believe that any other recently issued, but not yet effective guidance, if currently adopted, would have a material effect on the accompanying consolidated financial statements.

Subsequent Events:

The Company has evaluated subsequent events for recognition or disclosure in the financial statements through May 8, 2012 (the date these financial statements were available to be issued).

2. Investments:

Investment in affiliate:

Following is a summary of KNG's unaudited financial position at December 31, 2009, which is the most recently available information, and results of development stage activity for the year ended December 31, 2009:

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Current assets	\$17,933
Oil and gas property, unproved	98,742
Other non-current assets	33,667
	\$150,342
Current liabilities	\$96,567
Long-term debt and other noncurrent liabilities	163,200
	259,767
Stockholders' equity (deficit)	(109,425)
	\$150,342
Revenues	\$-
Net loss (development stage)	\$(46,195 )
Cumulative net loss	\$(115,541)

As of December 31, 2011, after a careful evaluation of the anticipated costs and benefits of future exploration works, the Company has decided not to pursue this project and intends to dispose of its investment in KNG. The Company will instead concentrate on projects that are in a more advanced stage of exploration. Management believes that the disposal of KNG will have no material impact on the consolidated financial statements.

There is no market for the common stock of KNG and accordingly, no quoted market price is available.

#### Investment in Joint Venture:

As of December 31, 2011, the Joint Venture generated an unaudited cumulative loss of over \$22 million as a result of exploration activities in the Kurgan region during 2003-2009. Since cumulative losses of Joint Venture exceed the Company's investment, the investment is carried at zero value. The Company has no liability to guarantee the debts of the Joint Venture.

#### 3. Loan Payable:

The Company obtained a long-term loan facility from an unrelated individual with a maximum borrowing capacity of 500,000 British pounds (equivalent to \$772,800 on December 31, 2011). The proceeds were used to purchase a geological license and to fund current operations. The loan provides the lender the right to secure this loan by any or all of Koklanovskoe's assets, bears interest at 12%, and is due January 31, 2015. At December 31, 2011, there was \$624,348 (405,000 British pounds) outstanding.

#### 4. Income Taxes:

At December 31, 2011, the Company effectively has U.S. tax net operating loss carryforwards totaling approximately \$5,006,000. These carryforwards may be used to offset future taxable income, and expire in varying amounts through 2031. No tax benefit has been reported in the financial statements, however, because the Company believes there is at least a 50% chance that the carryforwards will expire unused. Accordingly, the \$1,752,000 estimated cumulative tax benefit of the loss carryforwards have been offset by a valuation allowance of the same amount.

5. Leases:

There currently are no long-term lease arrangements the Company is committed to.

6. Related Party Transactions:

During the development stage period from January 1, 2003 through December 31, 2011, a variety of expenses were paid for by organizing stockholders. As a result, amounts totaling \$375,793 and \$125,631 are payable to stockholders from the Company as of December 31, 2011 and 2010, respectively.

7. Employment Contracts:

The Company had entered into employment contracts with certain senior management employees that set annual compensation, adjusted for capital levels raised by the Company. These agreements expired at various times during 2011, however these individuals continue to work for the Company without a formal employment contract under the terms of their previous contracts.

At December 31, 2011 and 2010, accrued and unpaid salaries for all employees totaled \$420,173 and \$147,766, respectively. These amounts are expected to be paid when sufficient cash flows are generated by the Company or by the issuance of restricted stock of the Company. During 2010, the Company reduced accrued and unpaid salaries for employees by \$1,333,288 through the issuance of 173,154 shares of common stock.

## 8. Stock Option Plans:

In 2003 and in 2009, the Company granted stock options under a plan for the benefit of employees and directors of the Company. All granted stock options are for acquisition of restricted shares, meaning that there are substantial restrictions on the transferability and sale of such shares.

Pursuant to plan terms and related employment agreements, shares of common stock granted vest as follows:

Year	Shares Reserved		Outstanding and exercisable		Exercise Price
	Vest December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	
2003	4,286	4,286	-	-	\$9.80
2004	7,400	7,400	-	-	\$14.00
2004	1,072	1,072	-	-	\$22.40
2005	6,686	6,686	-	-	\$42.00
2006	6,686	6,686	-	-	\$42.00
2007	6,686	6,686	-	4,057	110% of the average closing stock price for the three months prior to grant date
2008	6,686	6,686	4,057	4,057	
2009	19,143	19,143	16,714	16,714	\$3.85
	58,645	58,645	20,771	24,828	

The options granted in 2003 expire four years from the date of vesting. The options granted in 2009 expire three years from the date of vesting.

On February 28, 2011, the Company with the consent of its stockholders, approved the Company's 2010 Stock Incentive Plan that became effective on January 1, 2011. The Plan allows for a maximum of 57,142 shares of common stock to be issued pursuant to awards granted under the plan. The stock options carry exercise prices that shall not be less than 100% of the fair market value of the common stock at the grant date for a less than 10% stockholder, and not less than 110% of the fair market value of the common stock at the grant date for a more than 10% stockholder. No stock options were granted in 2011 and 2010.

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The following summarizes stock option activity:

	Number of Shares	Exercise Price
Outstanding and exercisable at January 1, 2003	-	\$ -
Vested - 2003	4,286	9.80
Outstanding and exercisable at December 31, 2003	4,286	
Vested - 2004	7,400	14.00
Vested - 2004	1,072	22.40
Expired - 2004	(1,429	) 9.80
Expired - 2004	(714	) 14.00
Outstanding and exercisable at December 31, 2004	10,615	
Vested - 2005	6,686	42.00
Outstanding and exercisable at December 31, 2005	17,301	
Vested - 2006	6,686	42.00
Exercised - 2006	(2,179	)
Outstanding and exercisable at December 31, 2006	21,808	
Cancelled - 2007	(1,072	)
Vested - 2007	6,686	various
Outstanding and exercisable at December 31, 2007	27,422	
Expired - 2008	(8,114	)
Vested - 2008	6,686	various
Outstanding and exercisable at December 31, 2008	25,994	
Expired - 2009	(9,536	)
Granted - 2009	19,143	3.85

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Outstanding and exercisable at December 31, 2009	35,601	
Expired - 2010	(10,773	)
Outstanding and exercisable at December 31, 2010	24,828	
Expired - 2011	(4,057	)
Outstanding and exercisable at December 31, 2011	20,771	

The following tables summarize information about stock options outstanding and exercisable:

December 31, 2011		
Exercise Price	Number of Options	Weighted Average Remaining Years of Contractual Life
\$50.40	600	1
44.10	314	1
34.30	314	1
26.60	314	1
21.70	631	1
23.80	314	1
22.40	314	1
23.10	314	1
18.20	314	1
14.70	314	1
9.80	314	1
3.85	16,714	1
	20,771	

December 31, 2010

Exercise Price	Number of Options	Weighted Average Remaining Years of Contractual Life
\$158.20	603	1
149.80	314	1
135.80	314	1
113.40	314	1
118.30	314	1
127.40	314	1
125.30	314	1
123.90	314	1
102.20	314	1
81.20	314	1
60.20	314	1
53.20	314	1
50.40	600	2
44.10	314	2
34.30	314	2
26.60	314	2
21.70	631	2
23.80	314	2
22.40	314	2
23.10	314	2
18.20	314	2
14.70	314	2
9.80	314	2
3.85	16,714	2
	24,828	

The Company recognizes compensation cost based on the fair value method. No compensation expense has been recognized through December 31, 2008 because management had determined the initial fair value of its stock options granted were minimal in light of the startup nature of the organization. The Company recorded compensation expense of \$45,852 related to stock options granted in 2009.

No compensation expense has been recognized for the years ended December 31, 2011 and 2010. The following key assumptions were used in determining fair value:

	2009
Dividend yield	0 %
Risk free interest rate	1.50 %
Expected volatility	100 %

#### 9. Stock Warrants:

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In 2005, 2006, 2007, and 2008, the Company granted warrants to purchase restricted common shares to certain consultants and non-employees for services rendered to the Company as follows:

2008			
Grant Date	Number of Shares	Exercise Price	Original Exercise Term
January 1, 2008	250	\$50.40	4 years
February 1, 2008	107	44.10	4 years
March 1, 2008	107	34.30	4 years
April 1, 2008	107	26.60	4 years
May 1, 2008	107	21.70	4 years
June 1, 2008	107	21.70	4 years
July 1, 2008	107	23.80	4 years
August 1, 2008	107	23.10	4 years
September 1, 2008	107	22.40	4 years
October 1, 2008	107	18.20	4 years
November 1, 2008	107	14.70	4 years
December 1, 2008	107	9.80	4 years
	1,427		
2007			
Grant Date	Number of Shares	Exercise Price	Original Exercise Term
January 1, 2007 **	250	\$ 158.20	4 years
February 1, 2007 **	107	149.80	4 years
March 1, 2007 **	107	135.80	4 years
March 31, 2007 **	699	77.00	3 years
April 1, 2007 **	107	120.40	4 years
May 1, 2007 **	107	118.30	4 years
June 1, 2007 **	107	127.40	4 years
June 30, 2007 **	789	79.80	3 years
July 1, 2007 **	107	125.30	4 years
August 1, 2007 **	107	123.90	4 years
September 1, 2007 **	107	102.20	4 years
September 30, 2007 **	734	51.80	3 years
October 1, 2007 **	107	81.20	4 years
November 1, 2007 **	107	60.90	4 years
December 1, 2007 **	107	53.20	4 years
December 31, 2007 **	1,116	32.20	3 years
	4,765		

2006

	Grant Date	Number of Shares	Exercise Price	Original Exercise Term
March 31, 2006	*	11,429	\$ 73.50	4 years
April 1, 2006	*	5,714	73.50	4 years
March 6, 2006	**	715	44.10	3 years
March 31, 2006	**	251	46.90	3 years
June 30, 2006	**	292	141.40	3 years
September 14, 2006	**	3,571	154.00	2 years
September 30, 2006	**	299	107.10	3 years
December 31, 2006	**	552	100.80	3 years
December 31, 2006	**	1,429	42.00	4 years
		24,252		

2005

	Grant Date	Number of Shares	Exercise Price	Original Exercise Term
April 1, 2005	*	1,429	\$ 21.00	2 years
September 13, 2005	**	214	21.00	3 years
December 22, 2005	**	1,429	70.00	3 years
December 22, 2005	*	4,286	70.00	2 years
December 22, 2005	**	2,143	140.00	3 years
December 22, 2005	**	2,143	175.00	3 years
December 22, 2005	**	1,429	42.00	4 years
		13,073		

\* Warrants exercised through June 2007.

\*\* Warrants expired as of December 31, 2011.

The fair values of each warrant granted is estimated on the grant date through 2008 using the Black-Scholes option valuation model.

#### 10. Fair Value of Financial Instruments:

The carrying values of cash, accounts payable, accrued payroll and loans payable approximates fair value due to their short-term maturity.

#### 11. Loss Per Common Share:

Basic and diluted loss per common share is computed using the weighted average number of common shares outstanding during the period. Shares issuable for common stock options and warrants may have had a dilutive effect on earnings per share had the Company generated income during the periods through December 31, 2011.

#### 12. Going Concern:



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These financial statements have been prepared assuming the Company will continue as a going concern, however, since inception of its current endeavor in 2003, it has not earned substantial revenues and is considered to be in the development stage, which raises substantial doubt about its ability to continue as a going concern.

Management is of the opinion that sufficient financing will be obtained from external resources to provide the Company with the ability to continue its operations in the near term.

For the cumulative period ended December 31, 2011, the Company obtained cash financing from outside parties, organizing stockholders and employees in the form of loans, advances, and deferred salaries. However, there can be no certainty as to availability of continued financing in the future. Failure to obtain sufficient financing may require the Company to reduce its operating activities. A failure to continue as a going concern would then require stated amounts of assets and liabilities be reflected on a liquidation basis which could differ from the going concern basis.

### 13. Issuance of Common Stock:

In June 2011, the Company issued 1,500,000 shares of its common stock to acquire geological data. The fair value of the common stock was \$.23 per share on the date of issuance which equates to \$345,000 of common stock being issued. This geological data has been classified as mineral properties, unproved on the consolidated balance sheet.

In October 2010, the Company issued 331,748 shares of common stock to settle \$1,313,488 of accrued payroll and \$1,240,971 of accounts payable. The conversion price was approximately \$7.70 per share, which approximates the average market value of the Company's common stock for the six months ended September 2010, adjusted for the 1:70 reverse stock split.

In November 2010, the Company issued 2,929 shares of common stock to settle \$19,800 of accrued payroll and \$2,750 of accounts payable. The conversion price was approximately \$7.70 per share, which approximates the average market value of the Company's common stock for the six months ended September 2010, adjusted for the 1:70 reverse stock split.

### 14. Cash Flows Information:

Net cash flows from operating activities include cash payments for interest and income taxes as follows:

	2011	2010
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

Noncash investing and financing activities excluded from the 2011 statement of cash flows is as follows:

RMC asset acquisition acquired through the issuance of common stock on May 11, 2011:

Prepaid expenses and other	\$ 87,202
	\$ 24,549,301

Mineral properties, unproved		
Accounts payable and accrued expenses	\$	32,829
Loan payable	\$	467,384
Geological data acquired through the issuance of common stock	\$	345,000

Noncash financing activities excluded from the 2010 statement of cash flows include accounts payable and accrued expenses of \$2,577,009 settled through the issuance of common stock.

15. Reverse Stock Split:

On February 28, 2011, the Company, with the consent of its stockholders, approved a 1:70 reverse stock split of the outstanding common stock effective March 15, 2011. Additionally, the Company re-authorized 100,000,000 shares of \$.001 par value common stock and 10,000,000 shares of \$.001 par value preferred stock. Accordingly, the consolidated financial statements have been retroactively adjusted as if these changes to the Company's capital structure occurred on January 1, 2003.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

### ITEM 9A. CONTROLS AND PROCEDURES

#### Evaluation of Disclosure Control and Procedures

We conducted an evaluation of the effectiveness of our disclosure controls and procedures as such term is defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") as of December 31, 2011. This evaluation was carried out under the supervision and with participation of our Chief Executive Officer and Chief Financial Officer. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2011, our disclosure controls and procedures were not effective as a result of the material weakness in internal control over financial reporting discussed below.

Notwithstanding the assessment that our internal control over financial reporting was not effective and that there were material weaknesses as identified in this report, we believe that our consolidated financial statements contained in this Annual Report on Form 10-K for the fiscal year ended December 31, 2011 fairly present our financial position, results of operations and cash flows for the years covered thereby in all material respects. To address the material weaknesses in our internal control over financial reporting described below, we performed additional analysis and other post-closing procedures in order to prepare the consolidated financial statements included in this Annual Report on Form 10-K.

#### Management's Annual Report on Internal Control over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. The Company's internal control over financial reporting is a process designed under the supervision of the Company's Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America (US GAAP) and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that the transactions are recorded as necessary to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Management recognizes that there are inherent limitations in the effectiveness of any system of internal control, and accordingly, even effective internal control can provide only reasonable assurance with respect of financial statement preparation and may not prevent or detect misstatements. In addition, effective internal control at a point in time may become ineffective in future periods because of changes in conditions or due to deterioration in the degree of

compliance with our established policies and procedures.

Effective as of December 31, 2011, management assessed the effectiveness of the Company's internal control over financial reporting based on the criteria for effective internal control over financial reporting established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and SEC guidance on conducting such assessments.

Based on that evaluation, management concluded that, during the period covered by this report, such internal controls and procedures were not effective to detect the inappropriate application of US GAAP rules as more fully described below. This was due to deficiencies that existed in the design or operation of our internal control over financial reporting that adversely affected our internal controls and that taken together may be considered to be a material weakness.

A material weakness is a deficiency, or combination of deficiencies, that results in more than a remote likelihood that a material misstatement of annual or interim financial statements will not be prevented or detected. In connection with the assessment described above, management identified the following control deficiencies that represent material weaknesses at December 31, 2011:

- (1) lack of a functioning audit committee and lack of a majority of outside directors on the Company's Board of Directors capable to perform the audit function;
- (2) inadequate segregation of duties due to limited number of personnel, which makes the reporting process susceptible to management override; and
- (3) insufficient use of the third party specialists and independent valuers in the areas which involve a significant level of judgment and in complicated areas of accounting.

Management believes that the material weaknesses set forth in items (1) and (2) above did not have an effect on the Company's financial reporting in 2011. However, management believes that the lack of a functioning audit committee and lack of a majority of outside directors on the Company's Board of Directors can adversely affect reporting in the future years, when our operations become more complex and less transparent and require higher level of financial expertise from the overseeing body of the Company.

We are committed to improving our financial organization. As part of this commitment, we will, as soon as funds are available to the Company (1) appoint one or more outside directors to our Board of Directors who shall be appointed to the audit committee of the Company resulting in a fully functioning audit committee who will undertake the oversight in the establishment and monitoring of required internal controls and procedures; (2) create a position to segregate duties consistent with control objectives and will increase our personnel resources; and (3) hire independent third parties to provide expert advice.

We will continue to monitor and evaluate the effectiveness of our internal controls and procedures and our internal controls over financial reporting on an ongoing basis and are committed to taking further action and implementing additional enhancements or improvements, as necessary and as funds allow. This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report is not subject to attestation by the Company's independent registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

Changes in internal control over financial reporting.

There were no changes in our internal control over financial reporting during our most recent fiscal quarter that materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

#### ITEM 9B. OTHER INFORMATION

None.

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## PART III

## ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following table sets forth the name, age and position of each director and executive officer of the Company. There are no other persons who can be classified as a promoter or controlling person of the Company. The officers and directors of the Company are as follows:

Name	Age	Position
Eran Forman	56	Chief Executive Officer and Director of the Company and sole officer and Director of RMC
David Zaikin	44	Chairman of the Board of Directors
Helen Teplitskaia	57	President and Director
Elena Pochapski	46	Chief Financial Officer and Director
Timothy Peara	51	Director

Eran Forman

Chief Executive Officer and Director of the Company and sole officer and Director of RMC

Mr. Forman has served as the Chief Executive Officer of the Company, as a Director of the Company and as the sole officer and Director of RMC since March 20, 2012. Since August 2010, Mr. Forman has served as the owner and General Manager of OOO “Geocord”, Moscow, Russia. From June 2004 to March 2010, Mr. Forman served as an advisor to and Project Manager for ZAO “Trans Nafta” a Russian corporation. From 1995 to 2003, Mr. Forman served as Managing Partner of and General Manager of Transnafta Ltd., BVI. From 1993 to 1996, Mr. Forman served as Managing Partner of and General Manager of Nafta (B), in Moscow, Russia. From 1990 to 1999, Mr. Forman served as Managing Partner of and General Manager of Hillah Consultants Ltd., in Panama. From 1987 to 1991, Mr. Forman served as the owner and General Manager of Milran Ltd., in Tel Aviv, Israel. From 1982 to 1987, Mr. Forman served as a Sales Engineer with Eastronics Ltd., in Tel Aviv, Israel. From 1980 to 1982, Mr. Forman served as a System Programmer with Yael Software, in Tel Aviv, Israel.

Mr. Forman received a Bachelors Degree in Physics from the Technion - Israel Institute of Technology in Haifa, Israel in 1978. Mr. Forman is a former member of the World Federation of Consuls and a former Honorary Consul of Kazakhstan to the State of Israel.

#### Director Qualifications:

The Company draws upon Mr. Forman’s extensive experience as the owner, general manager and managing partner of various business entities, including entities operated in Russia.

David Zaikin

Chairman of the Board of Directors

David Zaikin has served as Chairman of the Board of Directors since December 2002 and previously served as the Chief Executive Officer of the Company from August 2004 to May 2011. Since September 1998, Mr. Zaikin has worked as Vice President of Harvey Kalles R.E. LTD, a Real Estate Company. Since August 2006, Mr. Zaikin has served as Chief Executive Officer and Director of ECM Asset Management, Inc. and from January 2008 until January 2012, as Executive Chairman of its parent company First Iron Group Ltd (formerly RAM Resources Ltd.). In 2003, Mr. Zaikin was recognized by "Who's Who" as one of the three Canadian businessmen for his extraordinary achievements. Mr. Zaikin also has a diverse background that includes experience in sales, marketing, finance and operation. Mr. Zaikin is an alumni of the London Business School and has a Bachelors Degree from Kharkov Government Pharmaceutical Institute. Mr. Zaikin is a Member of the European Corporate Governance Institute and a Member of the United Kingdom based independent policy institute -Chatham House.



Director Qualifications:

Mr. Zaikin's 7-years of experience as CEO and Chairman of the Board of Directors of Siberian, 4-years of experience as the Chairman of the Board of Directors of RAM Resources Ltd. and prior leadership with First Iron Group Ltd. (formerly RAM Resources Ltd.), provides the Board with unique strategic vision and market positioning expertise, based on Mr. Zaikin's thorough understanding of the natural resources industry and global markets.

Helen Teplitskaia  
President and Director

Helen Teplitskaia has served as the Company's President and Director since May 2007. Since January 2008, Ms. Teplitskaia has served as President and a member of the Board of Directors of RAM Resources Ltd. Ms. Teplitskaia also currently is an Adjunct Associate Professor of International Business and Markets - Global Initiatives in Management at Northwestern University, where she has taught since January 1998, and she has served as Executive Vice President and Head of Eurasia Practice at Imnex International, Inc. since April 1991. Ms. Teplitskaia serves as President of the American-Russian Chamber of Commerce & Industry, President of the American-Eurasian Chamber of Commerce and Director of the International Energy Advisory Council. Throughout her career, Ms. Teplitskaia has successfully assisted a variety of government agencies and private sector companies, including the United States Agency for International Development, US State Department, Ministry of Foreign Affairs of the Republic of Uzbekistan, AT&T, Baker & McKenzie, Case New Holland, Gazprom, Gillette, HeidelbergCement, Ingersoll-Rand, Maytag, Motorola, Pepsi-Cola and Morgan Stanley with start-up operations in markets, direct investment, mergers and acquisitions, joint ventures and licensing, marketing research, political interfacing and media relations.

Ms. Teplitskaia received her BA/MIS from the St. Petersburg University of Culture and MBA degree from Northwestern University Kellogg School of Management.

Director Qualifications:

A recipient of the 2007 Changing Worlds Award in Entrepreneurship & Business, Ms. Teplitskaia brings to the Board her expertise in entrepreneurial and corporate leadership and education. Ms. Teplitskaia is a leading expert on Russian/Eurasian affairs and advises the Board on opportunities and challenges of investments in the Russian market.

Elena Pochapski  
Chief Financial Officer and Director

Elena Pochapski has served as Chief Financial Officer and Director of the Company since August 1, 2003. Since August 2006, Ms. Pochapski has served as Chief Financial Officer and Director of ECM Asset Management, Inc. Between January 2008 and July 2008, Ms. Pochapski served as a member of the Board of Directors of ECM Asset Management, Inc.'s parent company RAM Resources Ltd. ("RAM"). She currently serves as an independent contractor with RAM. Before her employment at the Company, Ms. Pochapski served as a Senior Accountant at Silver Gold Glatt & Grosman, LLP., from January 2002 to May 2004. Previous to that, Ms. Pochapski was employed as an accountant at Cunningham & Associates, LLP., from September 1999 to December 2001. Previous to that, Mrs. Pochapski worked as an accountant at Price Waterhouse Coopers in Moscow, Russia from January 1997 to April 1999. Ms. Pochapski has extensive experience in public accounting, audits and corporate finance. She is also familiar with Russian accounting procedures and has experience with translating Russian financial statements into US GAAP and International Accounting Standards (IAS). Ms. Pochapski received a Bachelor of Economics degree from Moscow State University. She is also certified as a Certified General Accountant (CGA) in Canada and as a Certified Public Accountant (CPA) in the State of Maine, U.S.



Director Qualifications:

Ms. Pochapski's background as a financial accountant and auditor, with over 15 years of progressive management positions in finance, including holding the CFO position with Siberian since 2003 and her thorough knowledge of international reporting practices helps the Board address the financial aspects of the Company's development and potential business acquisitions.

Timothy Peara  
Director

Timothy Peara has served as a Director of the Company since April 12, 2005. Since August 2007, he has been the Chief Operating Officer of Energy Invest Group, London though he remains the Managing Director of Alternative Energy Finance, a firm he founded in October, 2005 as the successor to Emerging Markets Finance International. From December 2001 to April 2003, he served as Finance Director of TNG Energy AG, in Frankfurt, Germany. From August 2000 to October 2001, he served as Vice President of UT Energy Holdings, in London, England and Hartford, Connecticut. From December 1998 to June 2000, he served as Vice President of PSG International, in London, England. From August 1997 to June 1998 he served as a Senior Trader with Koch Supply & Trading, in London, England. From June 1991 to July 1997, he served as a Director with Lehman Brother, in London, England. From January 1989 to May 1991, he served as Vice President of Prudential Securities, Inc. in London, England. Mr. Peara obtained a Bachelors degree from Wesleyan University in Latin American Studies in 1983 and a Masters degree in Business Administration from the University of Chicago in 1988. Mr. Peara holds a Series 3 and Series 7 brokers license.

Director Qualifications:

Mr. Peara brings unique leadership and entrepreneurial experience to the Board. Due to his position as the Founder and Managing Director of Alternative Energy Finance, which specializes in global financing for energy entrepreneurs, Mr. Peara brings over 22 years experience to the Board in connection with deal structuring, business development, financial modeling and capital raising, with an emphasis on early stage corporate development.

#### Board Leadership Structure

The roles of Chairman and Chief Executive Officer of the Company are currently held separately. Mr. Zaikin serves as Chairman and Mr. Forman serves as Chief Executive Officer. The Board of Directors does not have a policy as to whether the Chairman should be an independent director, an affiliated director, or a member of management. Our Board believes that the Company's current leadership structure is appropriate because it effectively allocates authority, responsibility, and oversight between management (the Company's Chief Executive Officer, Mr. Forman) and the members of our Board (currently Mr. Zaikin as Chairman). It does this by giving primary responsibility for the operational leadership and strategic direction of the Company to our Chief Executive Officer, while enabling our Chairman to facilitate our Board's oversight of management, promote communication between management and our Board, and support our Board's consideration of key governance matters. The Board believes that its programs for overseeing risk, as described below, would be effective under a variety of leadership frameworks and therefore do not materially affect its choice of structure.

#### Risk Oversight

Effective risk oversight is an important priority of the Board of Directors. Because risks are considered in virtually every business decision, the Board of Directors discusses risk throughout the year generally or in connection with specific proposed actions. The Board of Directors' approach to risk oversight includes understanding the critical risks in the Company's business and strategy, evaluating the Company's risk management processes, allocating

responsibilities for risk oversight among the full Board of Directors, and fostering an appropriate culture of integrity and compliance with legal responsibilities.

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While we do not currently maintain a separate audit, nominating or compensation committee, our full Board of Directors exercises oversight of our risk management policies and practices that such committees would usually undertake separately. We believe that individual and smaller committees of Directors are not needed at this time to insure effective risk oversight due to the limited size, operations and transactions of the Company, which can be adequately managed by and overseen by the full Board of Directors of the Company. Risks overseen by the Board of Directors include risks related to the Company's financial statements, the financial reporting process, accounting and certain legal matters; risks related to the internal audit function and the Company's compliance programs; and risks arising from our compensation policies, practices and programs, as well as the mitigating controls, to determine whether any such risks are material to us.

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#### Director Independence

The Over-The-Counter Bulletin Board does not have rules regarding director independence. The Company will seek to appoint independent Directors, if and when it is required to do so.

#### Officers

Officers will hold their positions at the pleasure of the Board of Directors, absent any employment agreement.

#### Board of Directors Meetings

The Company had no official meetings of the Board of Directors of the Company during the last fiscal year ending December 31, 2011. During the year ended December 31, 2011, the Board of Directors took action pursuant to approximately four consents to action without a meeting pursuant to Section 78.315 of the Nevada Revised Statutes, which authorizes the taking of action by the written consent of the Board of Directors without a meeting. Each member of the Company's Board of Directors is encouraged, but not required to attend shareholder meetings.

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We are not aware of the occurrence during the last ten years of any events that are material to an evaluation of the ability or integrity of any of our Directors, executive officers, or control persons such as the following:

- § Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- § Any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
- § Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of such person in any type of business, securities or banking activities; and
- § Being found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not

been reversed, suspended, or vacated.

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## Committees of the Board

Our Company currently does not have nominating, compensation or audit committees or committees performing similar functions nor does our Company have a written nominating, compensation or audit committee charter. Our Board of Directors believes that it is not necessary to have such committees, at this time, because the functions of such committees can be adequately performed by the entire Board of Directors.

Our Company does not have any defined policy or procedural requirements for shareholders to submit recommendations or nominations for Directors. The Board of Directors believes that, given the stage of our development, a specific nominating policy would be premature and of little assistance until our business operations develop to a more advanced level. Our Company does not currently have any specific or minimum criteria for the election of nominees to the Board of Directors and we do not have any specific process or procedure for evaluating such nominees. The Board of Directors will assess all candidates, whether submitted by management or shareholders, and make recommendations for election or appointment.

A shareholder who wishes to communicate with our Board of Directors may do so by directing a written request addressed to our Chief Executive Officer, at the address appearing on the first page of this filing.

## Code of Ethics

We have not adopted a formal Code of Ethics. The Board of Directors evaluated the business of the Company and the number of employees and determined that since the business is operated by only a small number of persons, general rules of fiduciary duty and federal and state criminal, business conduct and securities laws are adequate ethical guidelines. In the event our operations, employees and/or Directors expand in the future, we may take actions to adopt a formal Code of Ethics.

## CORPORATE GOVERNANCE

The Company promotes accountability for adherence to honest and ethical conduct; endeavors to provide full, fair, accurate, timely and understandable disclosure in reports and documents that the Company files with the Securities and Exchange Commission (the "SEC") and in other public communications made by the Company; and strives to be compliant with applicable governmental laws, rules and regulations. The Company has not formally adopted a written code of business conduct and ethics that governs the Company's employees, officers and Directors as the Company is not required to do so.

In lieu of an Audit Committee, the Company's Board of Directors is responsible for reviewing and making recommendations concerning the selection of outside auditors, reviewing the scope, results and effectiveness of the annual audit of the Company's financial statements and other services provided by the Company's independent public accountants. The Board of Directors reviews the Company's internal accounting controls, practices and policies.

## Changes in Officers and Directors

Effective May 11, 2011, David Zaikin resigned as the Chief Executive Officer of the Company and Michael Hellenbrand was appointed as the Chief Executive Officer to fill the vacancy left by Mr. Zaikin's resignation; provided that Mr. Zaikin continues to serve as Chairman of the Company. Mr. Hellenbrand was also appointed, effective May 11, 2011, as the sole officer and Director of RMC.

Effective March 20, 2012, Mr. Hellenbrand resigned as the Chief Executive Officer of the Company and as the sole officer and Director of RMC and Eran Forman was appointed as Chief Executive Officer of the Company and as the sole officer and Director of RMC.





## Employment Agreements

The Company previously had employment agreements in place with Mr. Zaikin and Ms. Pochapski, provided that effective December 31, 2011 and June 30, 2011, respectively, such employment agreements expired and as of the date of this Report, the Company is not currently party to any employment agreements with its officers or Directors.

## SECTION 16 (A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) requires our Directors and officers, and the persons who beneficially own more than ten percent of our common stock, to file reports of ownership and changes in ownership with the SEC. Copies of all filed reports are required to be furnished to us pursuant to Rule 16a-3 promulgated under the Exchange Act.

Based solely on the reports received by us and on the representations of the reporting persons, we believe that all required Directors, officers and greater than ten percent shareholders complied with applicable filing requirements during the fiscal years ended December 31, 2011 and 2010, except that:

- (a) Eran Forman, the Company’s Chief Executive Officer and Director, inadvertently did not timely file a Form 3 filing disclosing his initial ownership of the Company’s securities upon his appointment as an officer and Director of the Company on March 20, 2012, which Form 3 was subsequently filed on March 28, 2012;
- (b) Michael Hellenbrand, the Company’s former Chief Executive Officer, inadvertently did not timely file a Form 3 filing disclosing his initial ownership of the Company’s securities upon his appointment as an officer of the Company on May 11, 2011, which Form 3 was subsequently filed on April 3, 2012;
- (c) Elena Pochapski, the Company’s Chief Financial Officer, inadvertently did not timely file a Form 4 filing disclosing her receipt of shares of common stock upon the effectiveness of a debt conversion agreement entered into with the Company on October 1, 2010, which Form 4 was subsequently filed on December 20, 2010;
- (d) Timothy Peara, the Company’s Director, inadvertently did not timely file a Form 4 filing disclosing his receipt of shares of common stock upon the effectiveness of a debt conversion agreement entered into with the Company on October 1, 2010, which Form 4 was subsequently filed on December 21, 2010;
- (e) Helen Teplitskaia, the Company’s President and Director inadvertently did not timely file a Form 4 filing disclosing her receipt of shares of common stock of the Company on October 1, 2010, which Form 4 was subsequently filed on December 20, 2010;
- (f) David Zaikin, the Company’s Chairman, inadvertently did not timely file a Form 4 filing disclosing his receipt of shares of common stock upon the effectiveness of a debt conversion agreement entered into with the Company on October 1, 2010 or the purchase of shares of the Company’s

common stock on November 26, 2010, which Form 4 was subsequently filed on January 3, 2011;

- (g) Business Standard, LLC, a greater than 10% shareholder of the Company, inadvertently did not timely file a Form 4 filing disclosing its receipt of shares of common stock upon the effectiveness of a debt conversion agreement entered into with the Company on October 1, 2010, which Form 4 was subsequently filed on December 21, 2010;
- (h) Svetlana Slepchuk, a former greater than 10% shareholder of the Company prior to the effective date of the Share Exchange (defined above) has not filed any Section 16 filings with the Commission to date; and
- (i) The following greater than 10% shareholders of the Company, who received shares of the Company's common stock upon consummation of the Share Exchange (defined above), have not filed any Section 16 filings with the Commission to date – Jonathan P. Rosen, Polina Matsuleva, Valeria Zagourski and Yury Kolomiets.

## ITEM 11. EXECUTIVE COMPENSATION

Compensation paid (or payable) to Officers and Directors is set forth in the Summary Compensation Table below. The Company may reimburse its Officers and Directors for any and all out-of-pocket expenses incurred relating to the business of the Company.

Name And Principal Position (1)	Fiscal Year	Salary	Bonus (\$)	All Other Compensation	Stock Awards	Option Awards	Total Compensation
Michael Hellenbrand Former CEO (2)	2011	\$ --	--	--	--	\$ --	\$ --
David Zaikin Former CEO and current Chairman (2)	2011*	\$ 180,000	--	--	--	\$ --	\$ 180,000
	2010*	\$ 180,000	--	--	--	\$ --	\$ 180,000
Helen Teplitskaia President and Director	2011	\$ --	--	--	--	\$ --	\$ --
	2010	\$ --	--	--	\$ 15,000(3)	\$ --	\$ 15,000
Elena Pochapski CFO and Director	2011*	\$ 56,250	--	--	--	\$ --	\$ 56,250
	2010*	\$ 75,000	--	--	--	\$ --	\$ 75,000

Salaries above do not include perquisites and other personal benefits in amounts less than an aggregate of 10% of the individual's salaries listed above.

\* Approximately \$135,000 of Mr. Zaikin's and \$56,250 of Ms. Pochapski's salaries listed above for fiscal 2010 were satisfied in shares of the Company's common stock in October 2010, in connection with the entry into Debt Conversion Agreements (described above). Approximately \$45,000 of Mr. Zaikin's and \$18,750 of Ms. Pochapski's salaries for 2010 were accrued and remain unpaid to date. Salaries listed for fiscal 2011 have been accrued and remain unpaid to date.

(1) Other than the individuals listed above, the Company has no other executive employees who have received more than \$100,000 in compensation, including bonuses and options, during each of the last two fiscal years. No executive employee listed above received any Non-Equity Incentive Plan Compensation or Nonqualified Deferred Compensation Earnings over the past two (2) years.

(2) Effective May 11, 2011, David Zaikin resigned as the Chief Executive Officer of the Company and Michael Hellenbrand was appointed as the Chief Executive Officer to fill the vacancy left by Mr. Zaikin's resignation; provided that Mr. Zaikin continues to serve as Chairman of the Company. Effective March 20, 2012, Mr. Hellenbrand resigned as the Chief Executive Officer of the Company and Eran Forman was appointed as Chief Executive Officer of the Company.



(3) Represents the fair value of 1,714 shares of our common stock which we issued to Ms. Teplitskaia during the year ended December 31, 2010 for services rendered, calculated in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718.

Board of Directors Compensation:

The following table sets forth summary information concerning the compensation we paid to directors during the year ended December 31, 2011:

NAME (1)	FEES EARNED		TOTAL (\$)
	OR PAID IN CASH (\$)	OPTION AWARDS (\$)	
Sergei Potapov (2)	-	--	--
Timothy Pears	\$35,000 (3)	--	\$35,000

No Director received any Stock Awards, Non-Equity Incentive Plan Compensation, Nonqualified Deferred Compensation Earnings or other compensation during the fiscal year ended December 31, 2011.

(1) Mr. Zaikin, Ms. Teplitskaia and Ms. Pochapski did not receive any compensation separate from the consideration they received as an officer of the Company for the year ended December 31, 2011 in consideration for services to the Board as a Director of the Company.

(2) Did not stand for re-election at the Company's 2011 Annual Meeting of Stockholders, and as such, ceased serving as a Director effective February 28, 2011.

(3) Fees listed for fiscal 2011 have been accrued and remain unpaid to date.

## OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

## OPTION AWARDS

## STOCK AWARDS

Name	Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) (d)	Option Exercise Price (\$) (e)	Option Expiration Date (f)	Equity Incentive Plan Awards:			
						Number of Shares or Units of Stock That Have Not Vested (g)	Market Value of Shares or Units of Stock That Have Not Vested (\$) (h)	Number of Shares, Units or Rights That Have Not Vested (#) (i)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested (\$) (j)
Elena Pochapski									
	250	-	-	\$50.40	December 31, 2012				
	108	-	-	\$44.10	December 31, 2012				
	108	-	-	\$34.30	December 31, 2012				
	108	-	-	\$26.60	December 31, 2012				
	108	-	-	\$21.70	December 31, 2012				
	108	-	-	\$21.70	December 31, 2012				
	108	-	-	\$23.80	December 31, 2012				
	108	-	-	\$23.10	December 31, 2012				
	108	-	-	\$22.40	December 31, 2012				
	108	-	-	\$18.20	December 31, 2012				
	108	-	-	\$14.70	December 31, 2012				
	108	-	-	\$9.80	December 31, 2012				
	4,286	-	-	\$3.85	December 31, 2012				



ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information regarding the beneficial ownership of Siberian's capital stock as of May 10, 2012 by (i) each person who is known by Siberian to own beneficially more than five percent (5%) of Siberian's outstanding voting stock; (ii) each of Siberian's Directors; (iii) each of Siberian's executive officers; and (iv) all of Siberian's current executive officers and Directors as a group. As of May 10, 2012, the issuer had 67,367,659 shares of common stock, \$0.001 par value per share outstanding.

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting and/or investing power with respect to securities. These rules generally provide that shares of common stock subject to options, warrants or other convertible securities that are currently exercisable or convertible, or exercisable or convertible within 60 days of May 10, 2012, are deemed to be outstanding and to be beneficially owned by the person or group holding such options, warrants or other convertible securities for the purpose of computing the percentage ownership of such person or group, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person or group.

We believe that, except as otherwise noted and subject to applicable community property laws, each person named in the following table has sole investment and voting power with respect to the shares of common stock shown as beneficially owned by such person. Unless otherwise indicated, the address for each of the officers or Directors listed in the table below is 330 Madison Ave, 6th Floor, New York, New York 10017.

Beneficial Ownership

Name	Number of Voting Shares	Percent of Voting Shares
Executive Officers, Significant Employees and Directors		
Eran Forman	-	*%
David Zaikin	162,485(1)	*%
Elena Pochapski	45,667(2)	*%
Tim Pears	43,766(3)	*%
Helen Teplitskaia	7,000	*%
All officers, significant employees and Directors as a group (5 persons)	254,631	*%
5% Shareholders		
The Abner Rosen Foundation (a) 40 East 69th Street New York, NY 10021	5,600,000	8.3%
Jonathan P. Rosen (a) 40 East 69th Street New York, NY 10021	11,200,000	16.6%



Ilya Aharon  
7700 Bathurst St. Unit 43  
Thornhill, Ontario, Canada  
L4J 7Y3

4,400,000

6.5%

Ioulia Chipilevskaia 350 Upper Post Rd. Vaughan, Ontario, Canada L6A 3V5	4,788,889	7.1%
Rosa Shimonov 350 Upper Post Rd. Vaughan, Ontario, Canada L6A 3V5	4,000,000	5.9%
Polina Matsuleva Palmach St. 13/5 Haifa, Israel 34558	8,800,000	13.1%
Valeria Zagourski Palmach St. 12 App 7 Haifa, Israel 34557	7,200,000	10.7%
Olga Yulanova 3 Khavskaya St. Apartment 128 Moscow, Russia 115162	6,200,000	9.2%
Yury Kolomiets 3 Khavskaya St. Apartment 128 Moscow, Russia 115162	6,600,000	9.8%
Oksana Danylych 25 Pilkington Crescent Thornhill, Ontario, Canada L4J 7J5	3,800,000	5.6%

(a) The beneficial owner of The Abner Rosen Foundation is Jonathan P. Rosen.

\* Indicates beneficial ownership of less than 1% of the total outstanding common stock.

(1) Includes options to purchase 1,429 shares of our common stock which have exercise prices from between \$0.14 and \$0.72 per share, which expire on December 31, 2012 and include a cashless exercise provision.

(2) Includes 429 shares held in Ms. Pochapski's daughter's name, which Ms. Pochapski is deemed to beneficially own. Includes options to purchase 1,429 shares of our common stock which have exercise prices from between \$0.14 and \$0.72 per share, which expire on December 31, 2012 and include a cashless exercise provision.

(3) Includes options to purchase 1,429 shares of our common stock which have exercise prices from between \$0.14 and \$0.72 per share, which expire on December 31, 2012 and include a cashless exercise provision.



ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Oleg Zhuravlev resigned as a Director of the Company effective January 11, 2010.

In April 2010, and effective as of January 1, 2010, the Company entered into extensions to the Employment Agreements of David Zaikin, its Chairman and former Chief Executive Officer and Elena Pochapski, its Director and Chief Financial Officer, which Employment Agreements as extended expired on June 30, 2010. Mr. Zaikin's Employment Agreement extension set his annual compensation at \$180,000 and Ms. Pochapski's Employment Agreement extension set her annual compensation at \$75,000.

In August 2010, and effective as of July 1, 2010, the Company entered into extensions to the Employment Agreements of David Zaikin, its Chairman and former Chief Executive Officer and Elena Pochapski, its Director and Chief Financial Officer, which Employment Agreements were extended until December 31, 2010. Mr. Zaikin's Employment Agreement extension set his annual compensation at \$180,000 and Ms. Pochapski's Employment Agreement extension set her annual compensation at \$75,000.

In October 2010, the Company entered into Debt Conversion Agreements with nine (9) creditors of the Company (the majority of which were shareholders and related parties of the Company), pursuant to which such creditors agreed to convert an aggregate of \$2,554,459 of debt owed to such creditors by the Company and accrued and unpaid interest thereon, which debt represented loans previously provided by the creditors to the Company, accrued and unpaid salary and other debts owed to the creditors by the Company, into 331,748 shares of restricted common stock of the Company (representing 55% of the Company's then outstanding shares), at the rate of one share for each \$7.70 of debt converted (the "Conversion"). The Conversion price of \$7.70 per share was calculated based on the average market price of the Company's common stock for the six months prior to September 30, 2010.

Included in the creditors who agreed to the Conversions were Alternative Energy Finance (which is an entity controlled by Timothy Pearsa, a Director of the Company), which converted \$158,924 of debt owed to it by the Company into 20,640 shares of restricted common stock (representing 3.4% of the Company's then outstanding common stock); Timothy Pearsa, who converted \$147,537 of debt owed to him by the Company into 19,161 shares of restricted common stock (representing 3.2% of the Company's then outstanding common stock); Elena Pochapski, the Company's Chief Financial Officer and Director, who converted \$298,832 owed to her by the Company into 38,809 shares of restricted common stock (representing 6.5% of the Company's then outstanding common stock); and David Zaikin, the Company's then Chief Executive Officer and Director, who converted \$1,153,228 of debt owed to him by the Company into 149,770 shares of restricted common stock (representing 24.9% of the Company's then outstanding common stock). Additionally, Business Standard, a consultant of the Company, converted \$607,975 of debt owed to it by the Company into 78,958 shares of common stock (representing 13.2% of the Company's then outstanding common stock).

In November 2010, the Company issued its President, Helen Teplitskaia, 2,572 shares of common stock in consideration for services rendered during the months of July, August, September, October, November and December 2009 and the months of January, February, March, April, May, June, July, August, September, October, November and December 2010. Ms. Teplitskaia was also due an additional 2,431 shares of common stock for services rendered during the months of January 2011 through May 2012, provided that in May 2012, and effective in January 2011, she waived her rights to such shares and released the Company from the obligation to issue such shares, which had not been physically issued as of the date of such release.

In November 2010, David Zaikin purchased 429 shares of the Company's common stock in the open market at an average price per share of approximately \$2.80.

Sergei Potapov did not stand for re-election at the Company's 2011 Annual Meeting of Stockholders, and as such, ceased serving as a Director effective February 28, 2011.

In April 2011, and effective as of January 1, 2011, the Company entered into extensions to the Employment Agreements of David Zaikin, its Chairman and Elena Pochapski, its Director and Chief Financial Officer, which Employment Agreements were extended until December 31, 2011 and June 30, 2011, respectively. Mr. Zaikin's Employment Agreement extension set his annual compensation at \$180,000 and Ms. Pochapski's Employment Agreement extension set her annual compensation at \$75,000.

#### Director Independence

The Over-The-Counter Bulletin Board does not have rules regarding director independence. The Company will seek to appoint independent Directors, if and when it is required to do so.

#### Review, Approval and Ratification of Related Party Transactions

Given our small size and limited financial resources, we have not adopted formal policies and procedures for the review, approval or ratification of transactions, such as those described above, with our executive officers, Directors and significant stockholders. However, all of the transactions described above were approved and ratified by our Directors. In connection with the approval of the transactions described above, our Directors, took into account several factors, including their fiduciary duties to the Company; the relationships of the related parties described above to the Company; the material facts underlying each transaction; the anticipated benefits to the Company and related costs associated with such benefits; whether comparable products or services were available; and the terms the Company could receive from an unrelated third party.

We intend to establish formal policies and procedures in the future, once we have sufficient resources and have appointed additional Directors, so that such transactions will be subject to the review, approval or ratification of our Board of Directors, or an appropriate committee thereof. On a moving forward basis, our Directors will continue to approve any related party transaction based on the criteria set forth above.

#### ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

##### Audit Fees

The aggregate fees billed for each of the fiscal years ended December 31, 2011 and 2010 for professional services rendered by the principal accountant for the audit of the Company's annual financial statements and the review of the Company's quarterly financial statements were \$36,500 and \$21,545, respectively.

##### Audit Related Fees

None.

##### Tax Fees

The aggregate fees billed for each of the fiscal years ended December 31, 2011 and 2010 for professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning were \$1,800 and \$1,750, respectively.

##### All Other Fees

None.



ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Exhibit No.	Description of Exhibit
3.1(a)	Original Articles of Incorporation of the Company then called "Advanced Rehab Technology Corporation."
3.2(b)	Certificate of Amendment to the Company's Articles of Incorporation filed March 9, 2001, changing the Company's name to "Talking Cards, Inc."
3.3(b)	Certificate of Amendment to the Company's Articles of Incorporation filed February 12, 2002, changing the Company's name to "Osterking Incorporated."
3.4(b)	Certificate of Amendment to the Company's Articles of Incorporation filed December 3, 2002, changing the Company's name to "17388 Corporation Inc."
3.5(b)	Certificate of Amendment to the Company's Articles of Incorporation filed May 5, 2003, changing the Company's name to "Trans Energy Group Inc."
3.6(b)	Certificate of Amendment to the Company's Articles of Incorporation filed December 3, 2003, changing the Company's name to "Siberian Energy Group Inc."
3.7 (b)	Certificate of Amendment to the Company's Articles of Incorporation filed April 25, 2005, affecting a 1:2 reverse stock split, re-authorizing 100,000,000 shares of common stock, par value \$0.001 per share, and authorizing 10,000,000 shares of preferred stock, par value \$0.001 par value per share
3.8(c)	Certificate of Amendment to Articles of Incorporation Affecting a 1:70 Reverse Stock Split
3.9(d)	Amended and Restated Bylaws
4.1(e)	Siberian Energy Group Inc. 2010 Stock Incentive Plan
10.1(1)	Option Agreement with Baltic Petroleum Limited dated April 28, 2005
10.2(1)	License Agreement between OOO Zauralneftegaz and Baltic Petroleum Limited dated April 28, 2005
10.3(1)	Loan Agreement between OOO Zauralneftegaz and Baltic Petroleum Limited dated April 28, 2005
10.4(1)	Guarantee by Siberian Energy Group, Inc. dated April 28, 2005
10.5(1)	



Pledge and Security Agreement between Siberian Energy Group, Inc. and  
Baltic Petroleum Limited dated April 28, 2005

10.6(2) Option Agreement with Baltic Petroleum Limited dated April 28, 2005

10.7(2) License Agreement between OOO Zauralneftegaz and Baltic Petroleum  
Limited dated April 28, 2005

- 10.8(2) Loan Agreement between OOO Zauralneftegaz and Baltic Petroleum Limited dated April 28, 2005
- 10.9(2) Guarantee by Siberian Energy Group, Inc. dated April 28, 2005
- 10.10(2) Pledge and Security Agreement between Siberian Energy Group, Inc. and Baltic Petroleum Limited dated April 28, 2005
- 10.11(3) Clarification to the Contract of Purchase and Sale of the Share in Charter Capital of LLC "Zauralneftegaz" dated 15 May 2004
- 10.12(3) Agreement with Business - Standard (translated from Russian version)
- 10.13(3) Supplementary Agreement to Business - Standard Agreement (translated from Russian version)
- 10.14(3) Supplementary Agreement No. 2 to Business - Standard Agreement (translated from Russian version)
- 10.15(3) Deed of Amendment between ZNG and BP
- 10.16(3) Deed of Amendment between the Company and BP
- 10.17(4) Joint Venture Shareholders' Agreement with Baltic Petroleum (E&P) Limited and Zauralneftegaz Limited dated October 14, 2005
- 10.18(5) Amendment to the Employment Agreement Dated August 1, 2003, with Elena Pochapski
- 10.19(5) Form of Waiver Agreement
- 10.20(6) Loan Agreement between OOO Zauralneftegaz and Caspian Finance Limited
- 10.21(6) Deed of Novation between Baltic Petroleum Limited, Caspian Finance Limited and OOO Zauralneftegaz
- 10.22(6) Deed of Release
- 10.23(6) Release of Pledge
- 10.24(6) Guarantee
- 10.25(6) Debenture
- 10.26(6) Agreement for the Pledge of the Participatory Interest in OOO Zauralneftegaz (Russian translation removed)
- 10.27(6) Sale and Purchase Agreement

10.28(8) Option Agreement with Key Brokerage

10.29(8) Warrant Agreement with Key Brokerage

10.30(9) July 26, 2006 Deed of Agreement

10.31(10) Consulting Agreement with Business Standard

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- 10.32(11) Addition to the Loan Agreement of November 9, 2005
- 10.33(11) Gross Overriding Royalty Agreement
- 10.34(12) Amendment No. 2 to the Employment Agreement Dated August 1, 2003 with Elena Pochapski
- 10.35(13) Deed of Variation to the Loan Agreement Dated 9th of November 2005, Entered into in June 2007
- 10.36(15) Agreement of Purchase and Sale with Limited Liability Company Neftebitum, Sergey V. Prokopiev, and Oleg G. Shelepov
- 10.37(15) Operating Agreement with Limited Liability Company Neftebitum
- 10.38(16) One Year Extension to the Employment Agreement of August 1, 2004 with David Zaikin
- 10.39(16) One Year Extension to the Employment Agreement of August 1, 2004 with Elena Pochapski
- 10.40(16) Stock Option Agreement for David Zaikin
- 10.41(16) Stock Option Agreement for Elena Pochapski
- 10.42(17) Extension of Employment Agreement of David Zaikin
- 10.43(17) Extension of Employment Agreement of Elena Pochapski
- 10.44(18) Form of Debt Conversion Agreement
- 10.45(18) Extension of Employment Agreement of David Zaikin
- 10.46(18) Extension of Employment Agreement of Elena Pochapski
- 10.47(19) Share Exchange Agreement with Rare Minerals Corporation and its Shareholders
- 10.48(19) Exploration License (Translated From Russian)
- 10.50(20) Data Purchase Agreement
- 10.51(20) Extension of Employment Agreement of David Zaikin
- 10.52(20) Extension of Employment Agreement of Elena Pochapski
- 10.53(14) Loan Agreement
- 10.54(14) Addition to Loan Agreement



21.1\* Subsidiaries

31.1\* Certificate of the Chief Executive Officer pursuant Section 302 of the Sarbanes-Oxley Act of 2002

31.2\* Certificate of the Chief Financial Officer pursuant Section 302 of the Sarbanes-Oxley Act of 2002

32.1\* Certificate of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2\* Certificate of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

99.1(7) Glossary

101.INS\*\* XBRL Instance Document

101.SCH\*\* XBRL Taxonomy Extension Schema Document

101.CAL\*\* XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF\*\* XBRL Taxonomy Extension Definition Linkbase Document

101.LAB\*\* XBRL Taxonomy Extension Label Linkbase Document

101.PRE\*\* XBRL Taxonomy Extension Presentation Linkbase Document

\* Filed herein.

\*\* XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

(a) Filed as an Exhibit to our Form SB-2 Registration Statement, filed with the Commission on September 10, 2004, and incorporated herein by reference.

(b) Filed as an Exhibit to the Company's Form 8-K, filed with the Commission on May 2, 2005, and incorporated herein by reference.

(c) Filed as an Exhibit to the Company's Form 8-K, filed with the Commission on March 15, 2011, and incorporated herein by reference.

(d) Filed as an Exhibit to the Company's Form 10-KSB, filed with the Commission on April 2, 2007, and incorporated herein by reference.

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(e) Filed as an Exhibit to the Company's Definitive Information Statement on Schedule 14C, filed with the Commission on January 14, 2011, and incorporated herein by reference.

(1) Filed as Exhibit 10.1, 10.2, 10.3, 10.4 and 10.5 to the Company's Form 8-K filed with the Commission on May 20, 2005, and incorporated herein by reference.

(2) Filed as Exhibits to the Company's Form 8-K filed with the Commission on May 20, 2005, and incorporated herein by reference.

(3) Filed as Exhibits to the Company's Report on Form 10-QSB, filed with the Commission on August 22, 2005, and incorporated herein by reference.

(4) Filed as Exhibits to the Company's Report on Form 8-K, filed with the Commission on October 28, 2005, and incorporated herein by reference.

(5) Filed as Exhibits to our Report on Form 10-QSB for the period ending September 31, 2005, which was filed with the Commission on November 21, 2005, and is incorporated herein by reference.

(6) Filed as Exhibits to our Report on Form 8-K, filed with the Commission on December 2, 2005, filed with the Commission on April 13, 2006, and incorporated herein by reference.

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- (7) Filed as Exhibit 99.1 to our Report on Form 10-KSB for the year ended December 31, 2004, filed with the Commission on March 28, 2005, and incorporated herein by reference.
- (8) Filed as Exhibits to our Report on Form 8-K, filed with the Commission on September 19, 2006, and incorporated herein by reference.
- (9) Filed as an Exhibit to our Report on Form 10-QSB, filed with the Commission on November 14, 2006, and incorporated herein by reference.
- (10) Filed as an Exhibit to our Form 8-K filed with the Commission on February 20, 2007, and incorporated herein by reference.
- (11) Filed as Exhibits to our Report on Form 10-KSB filed with the Commission on April 2, 2007, and incorporated herein by reference.
- (12) Filed as an Exhibit to our Report on Form 10-QSB filed with the Commission on May 15, 2007, and incorporated herein by reference.
- (13) Filed as an Exhibit to our Report on Form 10-QSB filed with the Commission on August 14, 2007, and incorporated herein by reference.
- (14) Filed as an exhibit to our Report on Form 10-Q filed with the Commission on August 19, 2011, and incorporated herein by reference.
- (15) Filed as an Exhibit to our Report on Form 8-K filed with the Commission on November 14, 2008, and incorporated herein by reference.
- (16) Filed as an Exhibit to our Report on Form 10-Q filed with the Commission on May 19, 2009, and incorporated herein by reference.
- (17) Filed as an Exhibit to our Report on Form 10-Q filed with the Commission on May 21, 2010, and incorporated herein by reference.
- (18) Filed as an Exhibit to our Report on Form 10-Q filed with the Commission on November 19, 2010, and incorporated herein by reference.
- (19) Filed as an exhibit to our Report on Form 8-K filed with the Commission on May 12, 2011, and incorporated herein by reference.
- (20) Filed as an exhibit to our Report on Form 10-Q filed with the Commission on June 22, 2011, and incorporated herein by reference.



SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SIBERIAN ENERGY GROUP INC.

DATED: May 16, 2012

/s/ Eran Forman  
Eran Forman  
Chief Executive Officer  
(Principal Executive Officer)

DATED: May 16, 2012

/s/ Elena Pochapski  
Elena Pochapski  
Chief Financial Officer  
(Principal Financial/Accounting Officer)

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

NAME	TITLE	DATE
/s/ Eran Forman Eran Forman	Chief Executive Officer (Principal Executive Officer) and Director	May 16, 2012
/s/ Elena Pochapski Elena Pochapski	Chief Financial Officer (Principal Financial/Accounting Officer) and Director	May 16, 2012
/s/ Helen Teplitskaia Helen Teplitskaia	President and Director	May 16, 2012
/s/ David Zaikin David Zaikin	Chairman of the Board of Directors	May 16, 2012
/s/ Timothy Peara Timothy Peara	Director	May 16, 2012



