

Siberian Energy Group Inc.
Form 10-Q
August 16, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2010

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

For the transition period from _____ to _____

Commission file number: 000-53766

SIBERIAN ENERGY GROUP INC.
(Exact name of registrant as specified in its charter)

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

275 Madison Ave, 6th Floor, New York, NY 10016
(Address of principal executive offices)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 No

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Indicate by check mark whether the registrant is a large accelerated filer, and 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

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

As of August 16, 2010, the issuer had 18,705,585 shares of common stock, \$0.001 par value per share outstanding, which number does not include 140,000 shares which the registrant has agreed to issue to its President, Helen Teplitskaia for services rendered during the months of July 2009 through August 2010, which shares have not been issued to date and have not been included in the total number of outstanding shares disclosed throughout this report.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING
FIRM

The Board of Directors and Stockholders
Siberian Energy Group Inc.

We have reviewed the accompanying condensed consolidated balance sheet of Siberian Energy Group Inc. (a development stage company) as of June 30, 2010, and the related condensed consolidated statements of operations for the three and six months ended June 30, 2010 and 2009, and the cumulative period of development stage activity (January 1, 2003 through June 30, 2010), and the condensed consolidated statements of stockholders' equity and cash flows for the six months ended June 30, 2010 and 2009, and the cumulative period of development stage activity (January 1, 2003 through June 30, 2010). These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the auditing standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards of the Public Company Accounting Oversight Board, the consolidated balance sheet as of December 31, 2009, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated April 9, 2010, we included an explanatory paragraph describing conditions that raised substantial doubt about the Company's ability to continue as a going concern. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2009 is fairly stated, in all material respects, in relation to the balance sheet from which it has been derived.

Lumsden & McCormick, LLP
Buffalo, New York
August 9, 2010

SIBERIAN ENERGY GROUP INC. (A Development Stage Company)

Condensed Consolidated Balance Sheets	(Unaudited)	
	June 30, 2010	December 31, 2009
Assets		
Current assets:		
Cash	\$ 505	\$ 751
Prepaid expenses and other	586	569
	1,091	1,320
Investment in ZNG, Ltd., at equity	-	-
Investment in KNG, at equity	-	-
Oil and gas properties, unproved	-	-
Property and equipment, net	959	1,267
	\$ 2,050	\$ 2,587
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable:		
Related party - stockholders	\$ 539,931	\$ 523,906
Related party - Baltic Petroleum, interest at 14%	72,148	68,848
Others	719,661	606,831
Accrued payroll	1,319,607	1,152,054
	2,651,347	2,351,639
Stockholders' equity:		
Common stock - authorized 100,000,000 shares, \$.001 par value, 18,705,550 issued and outstanding	18,706	18,706
Additional paid-in capital	13,161,691	13,161,691
Accumulated deficit		
Pre-development stage	(449,785)	(449,785)
Development stage	(15,365,819)	(15,072,720)
Accumulated other comprehensive income (loss)	(14,090)	(6,944)
	(2,649,297)	(2,349,052)
	\$ 2,050	\$ 2,587

See accompanying notes.

SIBERIAN ENERGY GROUP INC. (A Development Stage Company)

Condensed Consolidated Statements of Operations

	For the three		For the six		For the
	months ended		months ended		cumulative
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	period of Development Stage Activity- January 1, 2003 through June 30, 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	-	-	-	-	<u>Mr. Jung</u> <u>Il Lee</u>

1. Date of Birth August 28, 1952
2. Nominator Outside Director Recommendation Committee
3. Relation to the largest shareholder None
4. Business transaction with SFG during the last 3 years None
5. Term of Office From Mar.23, 2011 until the 11th AGM (1 year)
6. Current Position CEO, Hirakawa Shoji Co., Ltd.
7. New Appointment Yes
- 7-1 If incumbent, prior year BoD meeting attendance rate N.A.
8. Education BA in Political Science & Economics, Meiji University
9. Main Work Experience

2009	Outside Director, Shinhan Financial Group
1990	CEO, Hirakawa Shoji Co., Ltd

Agenda Item No.4-10 Outside Director Candidate

Mr. Sun Tae Hwang

- | | | |
|----|--|---|
| 1. | Date of Birth | October 11, 1948 |
| 2. | Nominator | Outside Director Recommendation Committee |
| 3. | Relation to the largest shareholder | None |
| 4. | Business transaction with SFG during the last 3 years | None |
| 5. | Term of Office | From Mar.23, 2011 until the 12 th AGM (2 year) |
| 6. | Current Position | Of Counsel, LOGOS Law, LLC |
| 7. | New Appointment | Yes |
| | 7-1 If incumbent, prior year BoD meeting attendance rate | N.A. |
| 8. | Education | LL.M, Graduate School of Law, Seoul National University |
| 9. | Main Work Experience | |
| | 2005 - 2010 | Representative Attorney, LOGOS Law, LLC |
| | 2004 - 2005 | Chief Prosecutor, Seoul Eastern District Prosecutors Office |
| | 2003 - 2004 | Chief Prosecutor, Kwangju District Prosecutors Office |
| | 2002 - 2003 | Chief Prosecutor, Daejeon District Prosecutors Office |
| | 2001 - 2002 | Head of the Inspection Department, Supreme Prosecutors Office |
| | 2000 - 2001 | Chief Prosecutor, Cheonju District Prosecutors Office |

Agenda Item No.4-11 Outside Director Candidate

Mr. Haruki Hirakawa

- | | | |
|----|--|---|
| 1. | Date of Birth | November 7, 1964 |
| 2. | Nominator | Outside Director Recommendation Committee |
| 3. | Relation to the largest shareholder | None |
| 4. | Business transaction with SFG during the last 3 years | None |
| 5. | Term of Office | From Mar.23, 2011 until the 11 th AGM (1 year) |
| 6. | Current Position | CEO, Kokusai Kaihatsu Co., Ltd |
| 7. | New Appointment | Yes |
| | 7-1 If incumbent, prior year BoD meeting attendance rate | N.A. |
| 8. | Education | BA in Political Science & Economics, Kinki University |
| 9. | Main Work Experience | |
| | 2008 | CEO, Kokusai Kaihatsu Co., Ltd |
| | 2006 | CEO, Shinei Shoji Co., Ltd |
| | 1994 | CEO, Hirakawa Shoji Co., Ltd |

Agenda Item No.4-12 Outside Director Candidate

Mr. Philippe Aguinier

- | | | |
|----|--|---|
| 1. | Date of Birth | September 26, 1957 |
| 2. | Nominator | Outside Director Recommendation Committee |
| 3. | Relation to the largest shareholder | Employee |
| 4. | Business transaction with SFG during the last 3 years | None |
| 5. | Term of Office | From Mar.23, 2011 until the 11 th AGM (1 year) |
| 6. | Current Position | Head of Retail Banking for Asia, BNP Paribas |
| 7. | New Appointment | No |
| | 7-1 If incumbent, prior year BoD meeting attendance rate | 100% (attended all 8 BoD meetings held in FY 2010) |
| 8. | Education | Ph.D in Far Eastern Studies, Universite Paris III (Inalco) |
| 9. | Main Work Experience | |
| | 2010 - current | Head of Retail Banking for Asia, BNP Paribas |
| | 2006 - 2009 | Vice-President, Bank of Nanjing Head of Retail Banking for China, BNP Paribas |
| | 2002 - 2006 | Head, BNP Paribas Group Investor Relations and Financial Information |

Agenda Item No. 5 Appointment of Audit Committee Members (3 members)

Among the nominated outside director candidates, Messrs. Taeun Kwon, Seok Won Kim, Ke Sop Yun and Sun Tae Hwang were recommended as candidates of Audit Committee Members for FY 2011 through the resolution of the Audit Committee Member Recommendation Committee.

Agenda Item No.5-1 Audit Committee Member Candidate

Mr. Taeun Kwon

- | | | |
|----|---|--|
| 1. | Date of Birth | January 29, 1941 |
| 2. | Nominator | Audit Committee Member Recommendation Committee |
| 3. | Relation to the largest shareholder | None |
| 4. | Business transaction with SFG during the last 3 years | None |
| 5. | Term of Office | From Mar.23, 2011 until the 11 th AGM (1 year) |
| 6. | Current Position | Professor, Nagoya University of Foreign Studies |
| 7. | Education | Ph.D. in Business Administration, Nanzan University |
| 8. | Main Work Experience | |
| | 2010 - current | Dean, Department of Global Business, School of Contemporary International Studies, Nagoya University of Foreign Studies |
| | 1983 - 2010 | Chief Executive Officer, Nam Bu Ham Co., Ltd |
| | 1997 - 2009 | Committee member, Korean Residents Union HQ in Japan |
| | 1991 - 2008 | Counsel and Director, Korea Education Foundation |
| | 2004 | Professor, Department of Global Business, School of Contemporary International Studies, Nagoya University of Foreign Studies |

Agenda Item No.5-2 Audit Committee Member Candidate Mr. Seok Won Kim

1. Date of Birth April 29, 1947
2. Nominator Audit Committee Member Recommendation Committee
3. Relation to the largest shareholder None
4. Business transaction with SFG during the last 3 years None
5. Term of Office From Mar.23, 2011 until the 11th AGM (1 year)
6. Current Position Chairman, Credit Information Companies Association
7. Education Ph.D. in Economics, Kyung Hee University
8. Main Work Experience
 - 2009 - current Chairman, Credit Information Companies Association
 - 2006 - 2009 Chairman, Korea Federation of Savings Banks
 - 2005 Outside Director, Woori Bank
 - 2002 - 2005 Vice President, Korea Deposit Insurance Corporation
 - 1999 - 2001 Head of the Korea-OECD Multilateral Tax Center

Agenda Item No.5-3 Audit Committee Member Candidate

Mr. Ke Sop Yun

- | | | |
|----|---|---|
| 1. | Date of Birth | May 20, 1945 |
| 2. | Nominator | Audit Committee Member Recommendation Committee |
| 3. | Relation to the largest shareholder | None |
| 4. | Business transaction with SFG during the last 3 years | None |
| 5. | Term of Office | From Mar.23, 2011 until the 11 th AGM (1 year) |
| 6. | Current Position | Emeritus Professor, College of Business Administration, Seoul National University |
| 7. | Education | Ph.D in Business Administration, Seoul National University |
| 8. | Main Work Experience | |
| | 2001 - current | Chairman, Seoul Economist Club |
| | 1999 - 2001 | Dean, College of Business Administration, Seoul National University |
| | 1997 - 1998 | Exchange professor of London Graduate School, England(LBS) |
| | 1997 | Member, Financial Renovation Committee |

Additional Information

1. Number and Classification of Voting Shares

The record date for exercising voting rights at the Annual General Meeting of Shareholders is December 31, 2010. As of the record date, there were 474,199,587 shares outstanding, all of which are valid shares for voting.

2. Method of Resolutions

Pursuant to the provisions of the Commercial Code, Agenda Item No. 1, 3, 4 and 5 shall be passed by a majority of the votes cast by the shareholders present at the meeting and at least one-fourth of the total shares that are entitled to vote. Agenda Item No. 2 shall be passed by at least two-thirds of the votes cast by the shareholders present at the meeting and at least one-third of total shares entitled to vote.

Appendix A. Financial Statements of Shinhan Financial Group**1) Statement of Financial Position****Non-Consolidated Statement of Financial Position**

December 31, 2010 and December 31, 2009

(In millions of KRW)

Assets

I. Cash and Due from Banks		861,284		429,825
1. Due from Banks		861,284		429,825
II. Securities		27,024,517		25,035,976
1. Equity Method Investment Securities		27,024,517		25,035,976
III. Loans		1,447,725		1,567,125
Allowance for Loan Losses		(7,275)		(7,875)
1. Loans in Won		1,455,000		1,575,000
IV. Premises and Equipment		1,488		1,191
1. Equipment	2,018		1,673	
Accumulated Depreciation	(1,603)	415	(1,410)	263
2. Others	3,721		3,169	
Accumulated Depreciation	(2,648)	1,073	(2,241)	928
V. Other Assets		281,656		86,589
Allowance for Losses		(1,324)		(375)
1. Guarantee Deposits		12,474		8,974
2. Software		1,823		2,493
3. Accounts Receivable		241,651		51,358
4. Accrued Income		7,822		8,738
5. Advance Payments				10
6. Prepaid Expenses		680		11,567
7. Deferred Tax Asset		4,080		
8. Derivative Assets		9,127		
9. Sundry Assets		5,323		3,824
Total Assets		29,616,670		27,120,706

Liabilities

I. Borrowings		6,586,104		6,267,318
1. Borrowings in Won		5,000		674,000
2. Debentures in Won	6,370,000		5,400,000	

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Discounts	(12,223)	6,357,777	(8,263)	5,391,737
3. Debentures in Foreign Currency	223,533		202,051	
Discounts	(206)	223,327	(470)	201,581
II. Other Liabilities		305,813		125,027
1. Taxes Withheld		3,076		2,516
2. Dividends Payable		2,920		2,631
3. Accounts Payable		4,287		5,056
4. Accrued Expenses		128,516		98,875
5. Unearned Revenues		111		122
6. Income Taxes Payable		165,871		
7. Accrued Severance Benefits	5,163		3,741	
Deposits with Insurance Company for Severance Benefits			(2,300)	
8. Pension for Retirement and Severance Benefits	(4,131)	1,032		1,441
9. Derivative Liabilities				14,386
Total Liabilities		6,891,917		6,392,345
Stockholders Equity				
I. Capital Stock		2,852,473		2,852,473
1. Common Stock		2,370,998		2,370,998
2. Preferred Stock		481,475		481,475
II. Capital Surplus		9,924,851		9,924,852
1. Paid-in Capital in excess of Par Value		9,533,986		9,533,986
2. Other Capital Surplus		390,865		390,866
III. Capital Adjustment		(390,916)		(417,142)
1. Other		(390,916)		(417,142)
IV. Accumulated Other Comprehensive Income		1,382,007		1,182,574
1. Unrealized Gain on Equity Method Accounted Investments		1,387,986		1,194,265
2. Unrealized Loss on Equity Method Accounted Investments		(4,277)		(7,414)
3. Valuation Loss on Derivatives		(1,702)		(4,277)
V. Retained Earnings		8,956,338		7,185,604
1. Legal Reserve		1,152,507		1,021,878
2. Unappropriated Retained Earnings		7,803,831		6,163,726
Total Stockholders Equity		22,724,753		20,728,361
Total Liabilities and Stockholders Equity		29,616,670		27,120,706

1) Income Statements

Non-Consolidated Statements of Income
Year ended December 31, 2010 and December 31, 2009
(In millions of KRW)

	For the year ended December 31, 2010	For the year ended December 31, 2009
I. Operating Revenues	2,820,008	1,800,354
(1) Gain from Equity Method Accounted Investments	2,572,884	1,511,064
(2) Interest Income	104,359	138,472
1. Interest on Due from Banks	12,025	18,584
2. Interest on Loans	92,334	119,888
(3) Royalty	121,283	136,025
(4) Gain on Foreign Currency Transaction		10,818
(5) Gain on Derivatives Trading	21,482	
(6) Other Operating Revenues		3,975
1.Reversal of Allowance for Possible Loan Losses		3,975
II. Operating Expenses	442,487	504,176
(1) Loss from Equity Method Accounted Investments	345	244
(2) Interest Expenses	341,604	421,627
1. Interest on Borrowings	12,891	64,518
2. Interest on Debentures	328,713	357,109
(3) Loss on Foreign Currency Transaction	21,482	
(4) Loss on Derivatives Trading		10,818
(5) Commission Expenses	201	340
(6) Administrative Expenses	78,855	71,147
1. Salaries	28,187	26,479
2. Retirement Benefits	1,475	1,425
3. Employee Benefits	2,848	1,797
4. Rent	1,526	1,164
5. Entertainment	1,710	1,387
6. Depreciation	650	460
7. Amortization on Intangible Assets	731	433
8. Bad Debt Expense	349	

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	For the year ended December 31, 2010		For the year ended December 31, 2009	
9. Taxes and Dues	630		609	
10. Advertising	26,186		18,788	
11. Commissions	10,754		15,570	
12. Other expenses	3,809		3,035	
III. Operating Income		2,377,521		1,296,178
IV. Non-Operating Income		937		11,131
(1) Gain on Disposition of Equity Method Accounted Investments			10,509	
(2) Gain on Sale of Premises and Equipment	1		40	
(3) Miscellaneous	936		582	
V. Non-Operating Expenses		811		1,030
(1) Loss on Deposition of Equity Method of Accounted Investment				
(2) Loss on Sale of Premises and Equipment	1		2	
(3) Contribution	799		631	
(4) Miscellaneous	11		397	
VI. Income Before Income Tax Expenses		2,377,647		1,306,279
VII. Income Tax Benefits		3,537		13
VIII. Net Income for Year		2,381,184		1,306,292
IX. Earnings per Share				
(1) Basic Earnings per Share	KRW	4,525	KRW	2,305
(2) Diluted Earnings per Share	KRW	4,445	KRW	2,292

3) Statements of Appropriations of Retained Earnings**Non-Consolidated Statements of Appropriations of Retained Earnings (Draft)**

Year ended December 31, 2010 and December 31, 2009

(In millions of KRW)

	Year ended December 31, 2010	Year ended December 31, 2009
I. Unappropriated Retained Earnings	7,803,831	6,163,727
1. Unappropriated Retained Earnings carried over from prior years	5,422,444	4,861,736
2. Change in Retained Earnings of subsidiaries	203	(4,301)
3. Redemption of Preferred Stock	2,381,184	1,306,292
4. Net Income for Period	5,422,444	4,861,736
II. Appropriation of Retained Earnings	824,354	741,283
1. Legal Reserve	238,118	130,629
2. Voluntary Reserve		182,794
3. Dividends	586,236	427,860
1) Cash Dividends on Common Stock	355,650	189,680
Dividend per share: KRW 750 for 2010 KRW 400 for 2009		
2) Cash Dividends on Preferred Stock	230,586	238,180
Dividend per share		
Series 5 :		
KRW 730.674 (14.6135%) for 2009		
Series 8 :		
KRW 11,790 (235.8%) for 2009		
Series 10 :		
KRW 7,000 (140%) for 2010		
KRW 7,000 (140%) for 2009		
Series 11 :		
KRW 1,878.695 (37.5739%) for 2010		
KRW 1,878,695 (37.5739%) for 2009		
III. Unappropriated Retained Earnings carried over to subsequent year	6,979,477	5,422,444

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SHINHAN FINANCIAL GROUP CO., LTD.

By /s/ Buhmsoo Choi

Name: Buhmsoo Choi

Title: Chief Financial Officer

Date: February 21, 2011