

MNP PETROLEUM CORP

FORM 10-K (Annual Report)

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended: December 31, 2014

or

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

For the transition period from _____ to _____

Commission file number: 333-107002

MNP PETROLEUM CORPORATION

(Exact name of registrant as specified in its charter)

Nevada

State or other jurisdiction of incorporation or organization

91-1918324

(I.R.S. Employer Identification No.)

Bahnhofstrasse 9, 6341 Baar, Switzerland

(Address of principal executive offices and Zip Code)

Registrant's telephone number, including area code +41 (44) 718 10 30

Securities registered pursuant to Section 12(b) of the Act

Title of each class

Nil

Name of each exchange on which registered

N/A

Securities registered pursuant to Section 12(g) of the Act

Common Stock, par value \$0.001 per share

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of 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.

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

Non-accelerated filer

(Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

As of June 30, 2014, the last business day of the registrant's most recently completed second fiscal quarter the aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant was approximately \$8,456,628, based on the closing price (last sale of the day) for the registrant's common stock on the OTCQB on June 30, 2014 of \$0.0627 per share.

APPLICABLE ONLY TO CORPORATE REGISTRANTS

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. **As of March 31, 2015, there were 166,112,792 shares of the registrant's common stock issued and outstanding.**

DOCUMENTS INCORPORATED BY REFERENCE

Not Applicable

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PART I

ITEM 1 BUSINESS

Forward-Looking Statements

This annual report contains forward-looking statements. Forward-looking statements are statements that relate to future events or future financial performance. In some cases, you can identify forward-looking statements by the use of terminology such as “may”, “should”, “intend”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “project”, “predict”, “potential”, or “continue” or the negative of these terms or other comparable terminology. These statements speak only as of the date of this annual report. Examples of forward-looking statements made in this annual report include statements pertaining to, among other things:

- management’s assessment that our company is a going concern;
- our plans to rehabilitate a producing asset in Tajikistan;
- our plans to form a new consortium to pursue Somon Oil’s project in Tajikistan;
- the quantity of potential natural gas and crude oil resources;
- potential natural gas and crude oil production levels;
- capital expenditure programs;
- projections of market prices and costs;
- supply and demand for natural gas and crude oil;
- our need for, and our ability to raise, capital; and
- treatment under governmental regulatory regimes and tax laws.

The material assumptions supporting these forward-looking statements include, among other things:

- our monthly burn rate of approximately USD 382,596 (corporate USD 249,666, ventures USD 132,929) for our operating costs excluding exploration and redevelopment expenses;
- our ability to obtain necessary financing on acceptable terms;
- timing and amount of capital expenditures;
- our ability to obtain necessary drilling and related equipment in a timely and cost-effective manner to carry out exploration activities;
- our venture partners’ successful and timely performance of their obligations with respect to the exploration programs in which we are involved;
- retention of skilled personnel;
- the timely receipt of required regulatory approvals;
- continuation of current tax and regulatory regimes;
- current exchange rates and interest rates; and
- general economic and financial market conditions.

Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect. These forward-looking statements are only predictions and involve known and unknown risks, uncertainties and other factors, including:

- our ability to establish or find resources or reserves;
- our need for, and our ability to raise, capital;
- volatility in market prices for natural gas and crude oil;
- liabilities inherent in natural gas and crude oil operations;
- uncertainties associated with estimating natural gas and crude oil resources or reserves;
- competition for, among other things, capital, resources, undeveloped lands and skilled personnel;
- political instability or changes of law in the countries we operate and the risk of terrorist attacks;
- assessments of the acquisitions;
- geological, technical, drilling and processing problems; and
- other factors discussed under the section entitled “Risk Factors” beginning on page 14 of this annual report.

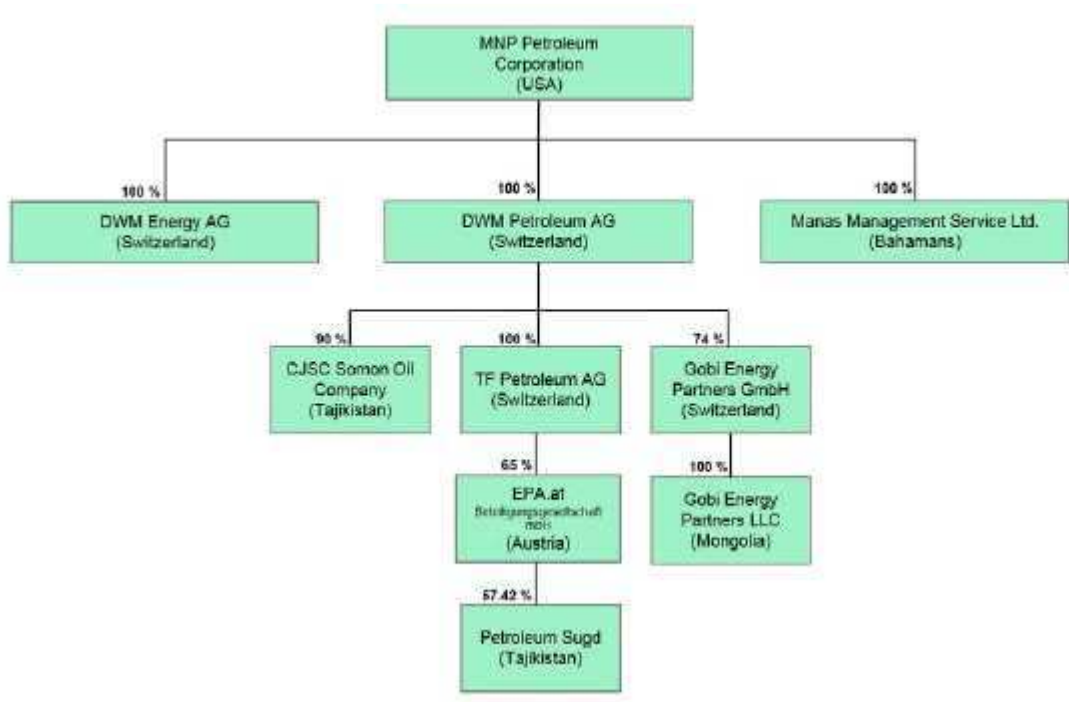
These risks, as well as risks that we cannot currently anticipate, could cause our company’s or our industry’s actual results, levels of activity or performance to be materially different from any future results, levels of activity or performance expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity or performance. Except as required by applicable law, including the securities laws of the United States and Canada, we do not intend to update any of the forward-looking statements to conform them to actual results.

As used in this annual report, the terms “we”, “us”, and “our” refer to MNP Petroleum Corporation, its wholly-owned subsidiaries DWM Petroleum AG, a Swiss company, DWM Energy AG (formerly Manas Petroleum AG), a Swiss company, Manas Management Services Ltd., a Bahamian company, and TF Petroleum AG, a Swiss company, and its partially owned subsidiaries CJSC Somon Oil Company, a Tajikistan company, Gobi Energy Partners GmbH, a Swiss company, and Gobi Energy Partners LLC, a Mongolian company, its 65% interest in Energy Partners Austria GmbH, an Austria registered company and its 57.42% equity interest in Petroleum Sugd, a Tajik company, held by Energy Partners Austria GmbH, as the context may require.

Organizational Structure

The following chart reflects our current organizational structure:



Our Current Business

We are in the business of exploring for and producing oil and gas, primarily in Central and East Asia. If we discover sufficient reserves of oil or gas, we intend to exploit them. Although we are currently focused on projects located in Asia, we remain open to attractive opportunities in other parts of the world.

We operate exploration projects in Mongolia and Tajikistan. In addition the company recently completed the purchase of an interest in a producing oilfield in Tajikistan.

Our executive offices are located in Switzerland.

Through DWM Petroleum, we own:

- 74% of Gobi Energy Partners GmbH, a Swiss company that holds two oil and gas production sharing contracts covering exploration acreage located in Mongolia, which is described in detail on page 6, under the heading “*Mongolia*” .
- 90% of CJSC Somon Oil Company, a closed joint stock company registered in Tajikistan. Somon Oil Company holds two licenses under one oil and gas production sharing agreement in Tajikistan. This project is described in detail on page 9, under the heading “*Tajikistan – CJSC Somon Oil Company*” .
- a 65% interest in Energy Partners Austria GmbH, an Austria registered company. Energy Partners Austria holds 57.42% of the equity interest in the Tajik company, Petroleum Sugd. Petroleum Sugd owns ten producing oil fields. The acquisition of the 65% interest in Energy Partners Austria is described in detail on page 11, under the heading “*Tajikistan – Petroleum Sugd*” .

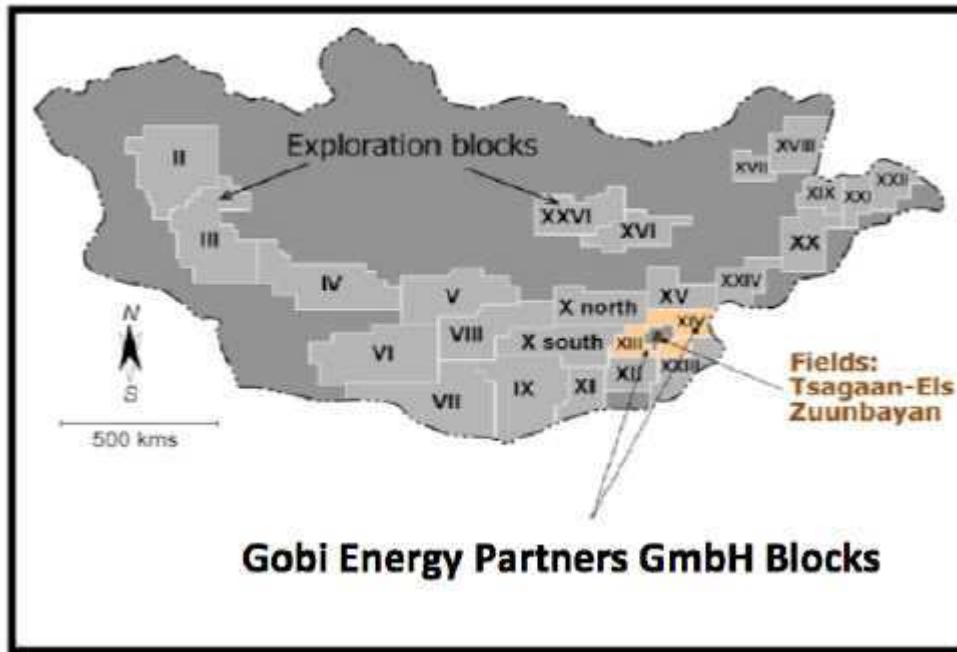
Overview of Our Projects

- Mongolia

DWM Petroleum owns 74% of Gobi Energy Partners GmbH, which owns record title to exploration licenses for Blocks XIII and XIV. These Blocks are located on Mongolia’s southern border in the central part of the East Gobi Rift oil and gas basin in South-eastern Mongolia, as shown on the map, below. Gobi Energy Partners LLC, a wholly-owned Mongolian subsidiary of Gobi Energy Partners GmbH, is the operator of the oil and gas project on Blocks XIII and XIV.

On April 21, 2009, DWM Petroleum AG entered into production sharing contracts for these two blocks with the Mongolian government. These production sharing contracts provide for a five-year exploration period (with a two year extension) that began on May 21, 2009, and a twenty-year exploitation period (with two five year extensions allowed). On May 31, 2011, these two production sharing contracts were assigned to Gobi Energy Partners GmbH as part of a restructuring. Block XIII, also known as Tsagaan-Els, originally contained 11,590 km² (2,863,951 acres) and Block XIV, also known as Zuunbayan, originally contained 8,731 km² (2,157,477 acres). In April 2012, Gobi Energy Partners GmbH relinquished 8,734 km² leaving 6,930 km² in Block XIII and 4,657 km² in Block XIV. In April 2013, Gobi Energy Partners GmbH relinquished 8,566 km² , leaving 1,030 km² in Block XIII and 1,911 km² in Block XIV. In 2014 Gobi Energy Partners GmbH did not relinquish any further areas. These production sharing contracts were the subject of a Moratorium that expired in May 2014, which extended the contract period by one year until May 21, 2015. We have applied for an additional extension of the Moratorium to give us until May 21, 2016 but this additional extension has not yet been granted. We originally asked for the Moratorium and the extension because we were unable to identify economic prospects on which to expend our outstanding commitments.

The location of these blocks is set out in the map below:



Ten percent of the equity in Gobi Energy Partners GmbH is owned by Wit Alliance Ltd, a 100% subsidiary of Shunkhlai Group LLC. Shunkhlai Group is a Mongolian company engaged in beverage production, logistics, mining, petroleum, transport, finance, health, property, telecommunications, publishing and infrastructure. Pursuant to a cooperation agreement dated November 5, 2010, Shunkhlai Group provides our company with ongoing advisory and consulting services.

In our November 5, 2010 cooperation agreement with Shunkhlai Group LLC, we agreed to pay all of the exploration and overhead expenses contemplated in an agreed work program and budget during a five-year exploration period consisting of a first phase of one year, a second phase of two years and a third phase of two years. In the event of a commercial discovery, trade sale and/or a corporate market transaction, Shunkhlai Group LLC agreed to repay its proportionate share (10%) of exploration and overhead expenses incurred during phases 2 and 3, together with interest at a rate of eight percent per annum, but we agreed not to charge interest during 2010. Also, if Shunkhlai Group LLC transfers its interest in Gobi Energy Partners GmbH to a third party, or if there is a change in control of Shunkhlai Group LLC, Shunkhlai Group LLC will be required to repay its proportionate share of exploration and overhead expenses incurred during phases 2 and 3 together with all accrued interest.

The financial and work commitment of each production sharing contract for Blocks XIII and XIV is as follows (excluding PSC fees):

Period	Contract Year	THE WORK PLAN	Cost (USD)	Investment per year (USD)
I	1	Collection and processing of geological data	150,000	625,000
		Reconnaissance of work of the block, 4000 km	40,000	
		Geological mapping 500 km ²	50,000	
		Geological mapping 100 km ²	30,000	
		Geologic structural sections 400 km	140,000	
		Lithologic-stratigraphical sections 1900m	95,000	
		Paleontologic stratigraphical works	40,000	
		Sampling 300	15,000	
		Laboratory analytical works	35,000	
		Data processing	30,000	
II	2	Geological mapping 850 km ²	85,000	825,000
		Geological mapping 400 km ²	120,000	
		Lithologic-stratigraphical sections 3200m	160,000	
		Paleontologic stratigraphical works	80,000	
		Sampling 800	40,000	
		Laboratory analytical works	75,000	
		Data processing	55,000	
	3	Data processing	15,000	1,740,000
		Topographic geodesic works	50,000	
		Exploration seismology 2D, 200 km	1,600,000	
III	4	Exploration seismology 3D, 5 km	75,000	4,360,000
		Data processing	40,000	
		Topographic geodesic works	20,000	
		Exploration seismology 2D, 100 km	800,000	
		Exploration seismology 3D, 20 km	300,000	
		Preparation to drilling, well 1	30,000	
		Well drilling, 1 well	2,870,000	
Log survey, 1 well	300,000			
IV	5	Data processing	50,000	6,900,000
		Preparation to drilling, well 2	60,000	
		Well drilling, 2 well	5,740,000	
		Log survey, 1 well	600,000	
		Well test, 3 well	450,000	
		TOTAL		14,450,000

The following table shows the incurred and forecasted PSC fees:

Period	Contract Year	Cost (USD)
I	1	640,323
II	2	460,642
	3	460,642
III	4	501,284
IV	5	432,114*
	TOTAL	2,495,005

* Estimated

Up to this date, there are no known reserves on either block.

Expenditures and Commitments

The following table sets forth the approximate expenditures actually incurred by us pursuant to each production sharing contract for Blocks XIII and XIV during the periods indicated (in USD):

Production Sharing Contract	2008	2009	2010	2011	2012 ²	2013 ³	2014 ³
Block XIII ¹	179,573	276,377	738,052	1,992,203	4,836,094	Nil	Nil
Block XIV ¹	179,573	276,377	847,242	2,336,397	1,511,429	Nil	Nil

¹ Actual figures, reported based on calendar year

² Subject to audit by local authorities

³ Moratorium ended May 2014. We request an extension to the moratorium until May 2015; approval pending.

The following table sets forth the approximate financial commitment amounts to be incurred by us pursuant to each production sharing contract for Blocks XIII and XIV during the periods indicated (in USD):

Production Sharing Contract	2013*	2014*
Block XIII	6,900,000	6,900,000
Block XIV	6,900,000	6,900,000

* Financial commitment for the fifth contract year (starting May 21 of each year) of the production sharing contract

Operating Activities

Early in 2012, Gobi Energy Partners LLC focused on the integration and interpretation of seismic data acquired in 2011. From April to May 2012, it conducted a passive seismic campaign using low-frequency spectroscopy to support the seismic. From June to August 2012, Gobi Energy also conducted a 2D seismic acquisition (vibroseis) program covering 335 kilometers over both blocks.

Gobi Energy spudded its first well, Ger Chuluu A1, on August 23, 2012. It stopped drilling at a depth of 1098 meters without having encountered any seal. The initially planned second well East Sainshand A1 was located in another sub-basin 170 kilometers away. In order to have a conclusive evaluation of the Ger Chuluu sub-basin, Gobi Energy decided to drill a second well before moving to East Sainshand. Ger Chuluu D1, the second well in the Ger Chuluu sub-basin, was spudded on September 21, 2012. Drilling was stopped after reaching 600 meters without any hydrocarbon shows. After logging, the well was plugged and abandoned.

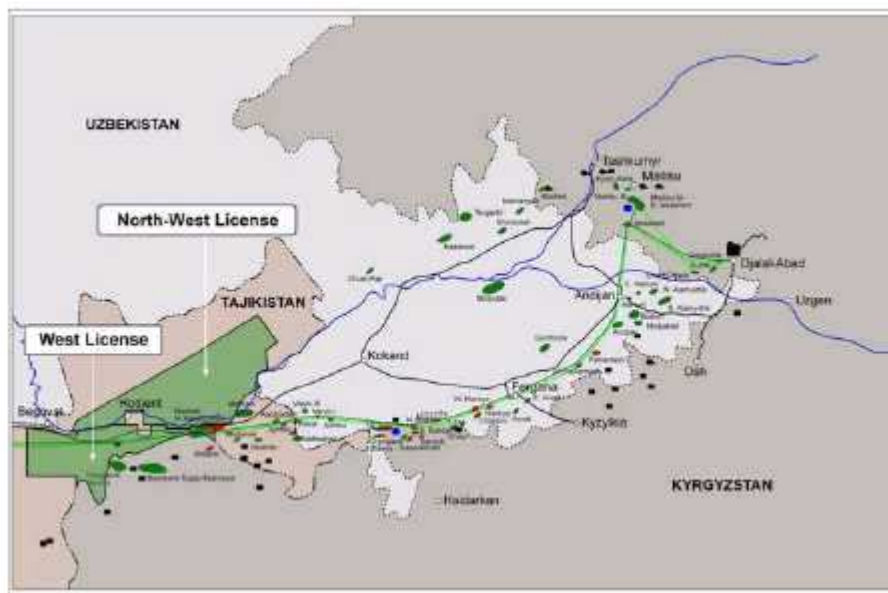
Gobi Energy had originally focused on six sub-basins in Mongolia; after drilling in the Ger Chuluu sub basin and conducting additional studies, Gobi Energy focused on two sub basins, East and West Sainshand. In order to enlarge the area to define more prospects to drill the outstanding commitments, Gobi Energy signed a moratorium with the government of Mongolia for the duration of one year ending in May 2014. Gobi Energy applied for an extension of the moratorium until the end of May 2015. The approval is still pending. During this period Gobi Energy expects the government to award us with relinquished areas from adjacent blocks.

- Tajikistan

CJSC Somon Oil Company:

Through our wholly-owned subsidiary, DWM Petroleum AG, we own 90% of the issued and outstanding shares of CJSC Somon Oil Company ("Somon Oil"), a Tajik company originally formed in 2005. The remaining 10% is owned by Anavak LLC. Somon Oil owns two exploration licenses located in Tajikistan. One of these licenses, known as Zapadnaya, or the West license, was granted by the Tajikistan government on July 25, 2007; the other, known as Severo-Zapadnaya, or the North-West license, was granted by the Tajikistan government on July 27, 2009.

The locations of these licenses are shown on the map below:



Santos International Ventures Pty Ltd funded all expenditures of Somon Oil, and had an option to enter into a farm in agreement in respect of these licenses, but decided on December 21, 2012 not to pursue this option. Santos continued to fund current capital expenditures, as well as certain general and administrative costs of Somon Oil until January 2013. We remain confident that the project has exploration potential and we are actively working to form a new consortium. Commitments were transferred from 2012/2013 to 2013/2014 and Somon Oil plans to complete them once a new consortium is formed and funded.

Expenditures and Commitments

The following table sets forth the approximate expenditures incurred by Somon Oil, pursuant to the licenses during the periods indicated (in USD):

License	2007	2008	2009	2010	2011	2012	2013	2014
West	625,261	465,818	Nil	1,830,159	519,962	1,814,367	705,626	1,143,288
North-West	Nil	Nil	Nil	1,747,517	4,333,961	5,315,649	597,569	81,112

The following table sets forth the approximate commitments pursuant to the licenses during the periods indicated (in USD):

License Area	2013*	2014*	2015*	2016*
West ¹	4,500,000	2,500,000	to be agreed	to be agreed
North-West ²	8,680,000	8,700,000	3,600,000	4,600,000

*Commitments are based on calendar year. Amounts indicative, work plan prevails

¹ Granted on July 25, 2007, extension after July 25, 2014 and the related commitments to be agreed

² License granted on July 28, 2009

The West License

The West license is located in the Fergana Basin and contains approximately 303,198 acres (approximately 1,227 km²). Although this license expired on July 25, 2014, Somon Oil received an extension in January 2015 and the license has been extended to July 25, 2017. Approximately sixty percent of the block in this license area is covered by former Soviet era seismic data. It is within this area that Somon Oil's targeted leads and prospects are found and the geological and structural setting appears to be very similar to the former Tuzluk license in Kyrgyzstan. Somon Oil has identified prospects located close to existing oil fields, all of which were originally identified by Soviet seismic. The seven year work commitment for the West license contains 650 km of 2D seismic and two wells.

Somon Oil intends to spud the first well in the beginning of the third quarter 2015; it believes that critical bottlenecks consist of Long Lead Items and rig availability. Depending on the results from the first well, Somon Oil intends to drill a second well during the license extension period.

The North-West License

In July 2009, Somon Oil was granted the North-West petroleum license which entitles the company to explore an exploration area covering 2,169 km² (535,971 acres) for a seven year term expiring in July 2016. The license area is located in the north part of the Sugd region, bordering on Uzbekistan. To the south-west the license area is adjacent to Somon Oil's West license area. The seven year work commitment for the North-West license contains 430 km of 2D seismic, 100 km² of 3D seismic and three wells. Somon Oil plans to drill its second exploration well in the North West License. Existing exploration data within the North-West license area includes six wells and 1,100 km of 2D seismic which was acquired during Soviet exploration campaigns between 1964 and 1992. In case of discovery, the license provides that Somon Oil will have the exclusive right to develop and exploit the discovery. Somon Oil is targeting subsalt structures as well as structural prospects in the center and at the edge of the Fergana basin.

To date, Somon Oil has not discovered any reserves on either the West or the North-West license areas in Tajikistan.

Operating Activities – Somon Oil

In April 2012, Somon Oil finalized the acquisition of 871 km of 2D seismic. The survey was very complex due to the different landscapes which had to be covered. It included areas with vibro seismic, different dynamite seismic in the mountains and offshore seismic on Lake Kayrakkum. Final seismic processing and interpretation was concluded in 2013.

On May 7, 2012, Somon Oil entered into a Production Sharing Agreement (we refer to this agreement as a "PSA") with the Government of the Republic of Tajikistan. The PSA grants to Somon Oil the exclusive right and authority to carry out all petroleum exploration, development and production activities in the defined contract area. The PSA also regulates these activities and determines how funds invested by Somon Oil will be recovered and how profit oil will be shared between the government and Somon Oil.

During the third quarter of 2012, Somon Oil finalized the first steps of processing and interpretation of the seismic acquisition program finished in April 2012 and commenced the studies for the first two wells. At the beginning of 2014, Somon Oil entered into a contract for the preparation of the first well location, Kayrakkum B, located in the West License. The civil construction at the well site was completed in June 2014, and the well site has been handed over to Somon Oil, which had suspended operations when the license expired in July of 2014. Operations resumed when the West license was extended on January 31, 2015 and activities to spud the first well have now resumed. As disclosed above, Somon Oil now plans to spud the first well during the third quarter of 2015.

Petroleum Sugd:

On December 31, 2012, DWM Petroleum entered into a Share Purchase Agreement with Kavsar General Trading FZE, an unrelated third party, to purchase 80% of the equity interest in TF Petroleum AG, a Swiss company, for USD 21,000,000 in cash. The agreement provided that, at the time of the closing of the transaction, TF Petroleum would own Petroleum Sugd, a limited liability joint venture formed under the laws of Tajikistan. Petroleum Sugd owns and operates certain producing oilfield assets located in Tajikistan. Energy Partners Austria GmbH, Kavsar's then wholly-owned subsidiary and an Austria registered company, currently owns the majority of the equity in Petroleum Sugd.

On March 31, 2014 DWM Petroleum and Kavsar signed a Supplement Agreement dated for effect September 27, 2013. The Supplement Agreement provided that DWM Petroleum was entitled to receive from Kavsar 65% of the equity in Energy Partners Austria, which was the beneficial owner of 57.42% of the equity in Petroleum Sugd, subject to the payment of USD 2,000,000 by DWM Petroleum. The equity in Energy Partners Austria was to be transferred to TF Petroleum AG at closing. The Supplement Agreement also provided that Kavsar was to transfer all shares of TF Petroleum AG, a Swiss company, to DWM Petroleum, for a consideration of CHF 100,000 (approx. USD 111,656). DWM Petroleum was then to be eligible to future profits and dividends from Energy Partners Austria from January 1, 2014 onwards. On April 4, 2014, DWM Petroleum gained control of TF Petroleum AG, which resulted in an increase in restricted cash and a decrease in transaction prepayment of CHF 100,000 (approx. USD 111,656). The closing of the transaction was subject to the capital restructuring requirement of Energy Partners Austria by Kavsar, the notary act and regulatory approval. On November 21, 2014 the notary act was signed which is effective November 21, 2014. On November 28, 2014, DWM transferred USD 2,000,000 to Kavsar in order to finalize the transaction. After the finalization of the Supplement Agreement, the Share Purchase Agreement is concluded.

On January 15, 2015, pursuant to the Supplement Agreement dated September 11, 2014 and a Notary Act dated November 21, 2014, DWM Petroleum AG, through its 100% subsidiary TF Petroleum AG, completed the acquisition of the 65% interest in Energy Partners Austria, for total consideration of USD 12,000,000 to the seller, Kavsar General Trading FZE. Energy Partners Austria holds 57.42% of the equity interest in the Tajik company, Petroleum Sugd; the remaining 42.58% equity interest in Petroleum Sugd is held by the Tajik state-owned oil company Sugdneftugas. Petroleum Sugd owns ten producing oil fields in the north of Tajikistan.

A field development program for the first five years has been developed. This program consists of light work overs (such as changing pumps, tubing, pumping units and clean ups), heavy work overs (plug backs, reperforations, stimulations, fishing and casing repairs) and new wells mainly in the shallow fields. The program will also include replacing the gathering lines, the pumping units and setting up the necessary operating facilities.

The focus will be initially on the low risk shallow fields and then gradually moving to the deeper fields.

- Kyrgyz Republic (South Petroleum Company)

At the beginning of 2014, our wholly-owned subsidiary, DWM Petroleum AG, owned 25% of the issued shares of South Petroleum Company, a Kyrgyz company incorporated in 2004. South Petroleum Company was formally liquidated as of October 24, 2014.

Competition

The oil and gas industry is intensely competitive. We compete with numerous individuals and companies, including many major oil and gas companies that have substantially greater technical, financial and operational resources and staff. We compete with these individuals and companies for desirable oil and gas leases, exploration and exploitation licenses, and necessary drilling equipment, as well as access to personnel and funds.

We believe several factors that differentiate us from our competitors include our extensive personal network among the oil and gas industry in the Commonwealth of Independent States, an ability to increase value through exploration of known structures and our command of modern geological knowledge and new concepts implemented to existing seismic and well data bases.

Need for Government Approval

Our business depends on the approval of different governments for various matters, including land tenure, prices, royalties, production rates, environmental protection, income, the grant of exploration and exploitation rights for oil and gas projects and the imposition of drilling obligations in connection with these grants, and the exportation of crude oil, natural gas and other products. Government regulations may change from time-to-time in response to economic or political conditions. The exercise of discretion by governmental authorities under existing regulations, the implementation of new regulations or the modification of existing regulations affecting the oil and gas industry could reduce demand for crude oil and natural gas, increase our costs and have a material adverse impact on our operations. Before proceeding with a project, the participants in the project must obtain all required regulatory approvals. The process of obtaining these approvals can involve stakeholder consultation, environmental impact assessments and public hearings, among other things. In addition, regulatory approvals can involve conditions, including the payment of security deposits and other financial commitments.

All our licenses depend on government regulation and approval.

Regulation

Our industry is affected by numerous laws and regulations, including discharge permits for drilling operations, drilling and abandonment bonds, reports concerning operations, the spacing of wells, pooling of properties, taxation and other laws and regulations relating generally to the energy industry. These laws and regulations vary according to where each project is located. Changes in any of these laws and regulations or the denial or vacating of permits and licenses could have a material adverse effect on our business.

Our operations are in, and our focus will continue to be on, operations in emerging markets. Generally, legal structures, codes and regulations in emerging markets are not as well defined as they can be in more developed markets and they are therefore more likely to change rapidly. In view of the many uncertainties with respect to current and future laws and regulations, including their applicability to us, we cannot predict the overall effect of such laws and regulations on our future operations.

We believe that our operations currently comply in all material respects with applicable laws and regulations. There are no pending or threatened enforcement actions related to any such laws or regulations. We believe that the existence and enforcement of such laws and regulations will have no more restrictive effect on our operations than on other similar companies in the energy industry.

Environmental Matters

We and the projects that we have invested in are subject to national and local environmental laws and regulations relating to water, air, hazardous substances and wastes, and threatened or endangered species that restrict or limit our business activities for purposes of protecting human health and the environment. Compliance with the multitude of regulations issued by the appropriate administrative agencies can be burdensome and costly. We believe that our operations currently comply in all material respects with applicable national and local environmental laws and regulations.

Exploration

Our business plan was focused on exploration until 2012 (the execution of our business plan has largely focused on acquiring prospective oil and gas licenses and negotiating production sharing and farm-out agreements). Since then, while we have continued to focus on exploration, we have also begun to look for ways to expand into production as we believe that such a strategy will allow us to maximize the long-term exploration and development of our oil and gas projects.

Except in connection with the exploration of our properties or the conduct of due diligence on properties that we might be interested in acquiring, we do not conduct research and development.

Employees

We have 32 employees, including our directors. Of our 30 full-time employees (excluding two non-executive directors), eight are located in Switzerland and the rest are located in Mongolia and Tajikistan. We anticipate increasing our number of employees and outsourced contract employment over the next twelve months depending on the need of our exploration and production activities.

ITEM 1A RISK FACTORS

An investment in our common stock involves a number of very significant risks. You should carefully consider the following risks and uncertainties in addition to other information in this annual report in evaluating our company and our business before purchasing shares of our common stock. Our business, operating results and financial condition could be seriously harmed as a result of the occurrence of any of the following risks. You could lose all or part of your investment due to any of these risks. You should invest in our common stock only if you can afford to lose your entire investment.

Risks Associated with Our Company

We need additional financing to support operations and future capital commitments.

There is no guarantee that we will be able to secure additional financing on acceptable terms, or at all, if needed to fully fund our 2015 drilling budget and to support future development activities. As shown in the report from our independent auditors, there is a substantial doubt about the Company's ability to continue as a going concern, however, the financial statements do not show any adjustments to reflect this.

Our lack of diversification increases the risk of an investment in us, and our financial condition and results of operations may deteriorate if we fail to diversify.

We have or are directly involved in projects in Mongolia and Tajikistan. Our focus on a limited number of countries in Asia presents the risk that we could be impacted more acutely by factors affecting this region, and in particular factors in this region that affect our industry.

We may not effectively manage the growth necessary to execute our business plan.

Our business plan anticipates an increase in the number of our strategic partners, equipment suppliers, manufacturers, dealers, distributors and customers especially as we attempt to expand our operations to include production. This growth could place significant strain on our current personnel, systems and resources. We expect that we will be required to hire qualified employees to help us manage our growth effectively. We believe that we may also be required to improve our management, technical, information and accounting systems, controls and procedures. We may not be able to maintain the quality of our operations, control our costs, continue complying with all applicable regulations and expand our internal management, technical information and accounting systems to support our desired growth. If we fail to manage our anticipated growth effectively, our business could be adversely affected.

We may be forced to liquidate one or more subsidiaries due to regulatory requirements which could have a material adverse effect on our business and operations.

All of our licenses and assets are owned by our subsidiaries. These subsidiaries are formed in various countries pursuant to local law and regulation. In some cases, local regulation could result in the forced liquidation of one or more of these subsidiary companies. If any of our subsidiaries is liquidated before we can transfer its assets, the licenses and assets held by it could revert to the respective government. If this happens, our business could be harmed.

We are subject to various risks of foreign operations.

None of our projects are located in the United States or Canada. We have or are involved in projects in Mongolia and Tajikistan. As such, our business is subject to governmental, political, economic, and other uncertainties in Mongolia and Tajikistan including, by way of example and not in limitation, expropriation of property without fair compensation, changes in energy policies or the personnel administering them, delays caused by the extensive bureaucracy, nationalization, currency fluctuations and devaluations, exchange controls and royalty increases, changes in oil or natural gas pricing policy, renegotiation or nullification of existing concessions and contracts, changes in taxation policies, economic sanctions, restrictions on the repatriation of currency and the imposition of specific drilling obligations and the other risks arising out of foreign governmental sovereignty over the areas in which our operations (or those of our venture partners) are conducted, as well as risks of loss due to civil strife, acts of war, guerrilla activities, insurrections, the actions of national labor unions, terrorism and abduction.

Our operations (and those of our venture partners) may also be adversely affected by laws and policies of the United States affecting foreign trade, taxation and investment. In the event of a dispute arising in connection with our operations (and those of our venture partners) in foreign countries, we may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of the United States or enforcing judgments in such other jurisdictions. We may also be hindered or prevented from enforcing our rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Accordingly, our exploration, development and production activities (or those of our venture partners) could be substantially affected by factors beyond our control, any of which could have a material adverse effect on our business or our company.

Substantially all of our assets are located outside the United States and Canada and three of our directors and all of our officers are nationals and/or residents of countries other than the United States and Canada, with the result that it may be difficult for investors to enforce within the United States or Canada any judgments obtained against us or our officers or directors.

Substantially all of our assets are located outside the United States and Canada. In addition, three of our five directors and all of our officers are nationals and/or residents of countries other than the United States and Canada, and all or a substantial portion of such persons' assets are located outside of North America. As a result, it may be difficult for investors to enforce within the United States or Canada any judgments obtained against us or our officers or directors, including judgments predicated upon the civil liability provisions of the securities laws of the United States and Canada. Consequently, you may be effectively prevented from pursuing remedies against us or them under applicable securities laws.

The unavailability or high cost of drilling rigs, equipment, supplies, personnel and oil field services could adversely affect our ability to execute on a timely basis our exploration and development plans within our budget.

Shortages or the high cost of drilling rigs, equipment, supplies or personnel could delay or adversely affect our development and exploration operations. As the price of oil and natural gas increases, the demand for production equipment and personnel will likely also increase, potentially resulting, at least in the near-term, in shortages of equipment and personnel. In addition, larger producers may be more likely to secure access to such equipment by virtue of offering drilling companies more lucrative terms. If we are unable to acquire access to such resources, or can obtain access only at higher prices, not only would this potentially delay our ability to convert our reserves into cash flow, but could also significantly increase the cost of producing those reserves, thereby negatively impacting anticipated net income.

Our articles of incorporation exculpate our officers and directors from any liability to our company or our stockholders.

Our articles of incorporation contain a provision limiting the liability of our officers and directors for their acts or failures to act, except for acts involving intentional misconduct, fraud or a knowing violation of law. This limitation on liability may reduce the likelihood of derivative litigation against our officers and directors and may discourage or deter our stockholders from suing our officers and directors based upon breaches of their duties to our company.

The loss of certain key management employees could have a material adverse effect on our business.

Exploration and development of resource properties depends, in large part, on the ability to attract and maintain qualified key personnel. Competition for such personnel is intense, and we cannot assure you that we will be able to attract and retain them. Our development now and in the future will depend on the efforts of key management figures, such as Heinz Scholz, the Chairman of our Board of Directors, Dr. Werner Ladwein, Executive Director and President and Chief Executive Officer and Peter-Mark Vogel, Chief Financial Officer. The loss of any of these key people could have a material adverse effect on our business. We do not currently maintain key-man life insurance on any of our key employees.

There are potential conflicts of interest between our company and some of our directors and officers.

Some of our directors and officers are also directors and officers of other companies. Conflicts of interest could arise as a result of this. As of the date of this annual report and to the knowledge of our directors and officers, there are no existing conflicts of interest between our company and any of these individuals but situations may arise where directors and/or officers of our company may be in competition with our company. Any conflicts of interest will be subject to and governed by the law applicable to directors' and officers' conflicts of interest. In the event that such a conflict of interest arises at a meeting of our directors, a director who has such a conflict is required to abstain from any discussion and vote for or against the approval of such participation or such terms. As a result, our Board of Directors will be deprived of that person's experience and expertise, which could adversely affect the outcome.

Risks Associated with Our Business

We have not discovered any oil and gas reserves, and we cannot assure you that we ever will.

We are in the business of exploring for oil and natural gas and the development and exploitation of any oil and gas that we might find in commercially exploitable quantities. Oil and gas exploration involves a high degree of risk that the exploration will not yield positive results. These risks are more acute in the early stages of exploration. We have not discovered any reserves, and we cannot guarantee that we ever will. Even if we succeed in discovering oil or gas reserves, these reserves may not be in commercially viable quantities or locations. Until we discover such reserves, we will not be able to generate any revenues from their exploitation and development. If we are unable to generate revenues from the exploitation and development of oil and gas reserves, we will be forced to change our business or cease operations.

Even if we discover and then develop oil and gas reserves, we may have difficulty distributing our production.

If we are able to produce oil and gas, we will have to make arrangements for storage and distribution of that oil and gas. We would have to rely on local infrastructure and the availability of transportation for storage and shipment of oil and gas products, but any readily available infrastructure and storage and transportation facilities may be insufficient or not available at commercially acceptable terms. This could be particularly problematic to the extent that operations are conducted in remote areas that are difficult to access, such as areas that are distant from shipping or pipeline facilities. Furthermore, weather conditions or natural disasters, actions by companies doing business in one or more of the areas in which we will operate, or labor disputes may impair the distribution of oil and gas. These factors may affect the ability to explore and develop properties and to store and transport oil and gas and may increase our expenses to a degree that has a material adverse effect on operations.

The oil and natural gas industry is highly competitive and there is no assurance that we will be successful in acquiring leases, equipment and personnel.

The oil and natural gas industry is intensely competitive. Although we do not compete with other oil and gas companies for the sale of any oil and gas that we may produce, as there is sufficient demand in the world market for these products, we compete with numerous individuals and companies for desirable oil and natural gas leases, suitable properties for drilling operations and necessary drilling equipment, qualified personnel and access to capital. Many of these individuals and companies with whom we compete have substantially greater technical, financial and operational resources and staff than we have. If we cannot compete for personnel, equipment and oil and gas properties, our business could be harmed.

Prices and markets for oil are unpredictable and tend to fluctuate significantly, which could reduce profitability, growth and the value of our business if we ever begin exploitation of reserves.

Our revenues and earnings, if any, will be highly sensitive to the price of oil and gas. Prices for oil and gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and gas, market uncertainty and a variety of additional factors beyond our control. These factors include, without limitation, governmental fixing, pegging, controls or any combination of these and other factors, changes in domestic, international, political, social and economic environments, worldwide economic uncertainty, the availability and cost of funds for exploration and production, the actions of the Organization of Petroleum Exporting Countries, governmental regulations, political stability in the Middle East and elsewhere, war, or the threat of war, in oil producing regions, the foreign supply of oil, the price of foreign imports and the availability of alternate fuel sources. Significant changes in long-term price outlooks for crude oil or natural gas could, if we ever discover and exploit any reserves of oil or natural gas, have a material adverse effect on revenues as well as the value of our licenses or other assets.

An extended decline in oil prices may affect the commercial viability of our projects and may adversely affect our business, financial condition or results of operations.

The price of crude oil has declined over the last twelve months, a trend that accelerated sharply in the fourth fiscal quarter ended December 31, 2014, primarily due to a less optimistic forecast of worldwide economic growth and increased global oil and gas production. The commercial viability of our exploration and development projects is highly dependent on the price of oil. Prices also affect our ability to borrow money or raise additional capital. We will need to obtain additional financing to fund our operating activities. Our ability to do so may be adversely affected by an extended decline in oil prices. If we are unable to obtain such financing when needed, on commercially reasonable terms, we may be required to cease or curtail our operations, which could have a materially adverse impact on the market price of our stock. An extended decline in oil prices may adversely affect our business, financial condition or results of operations and our ability to meet our capital expenditure obligations and financial commitments.

Our business will suffer if we cannot obtain or maintain necessary licenses or if there is a defect in the chain of title.

Our operations require that we obtain and maintain licenses and permits from various governmental authorities. Our ability to obtain, maintain, extend or renew such licenses and permits on acceptable terms is subject to extensive regulation and to changes, from time to time, in those regulations. Also, the decision to grant or renew a license or permit is frequently subject to the discretion of the applicable government. If we cannot obtain, maintain, extend or renew these licenses or permits our business could be harmed. An overview of our licenses and their renewal dates can be found on page 57.

Also, although title reviews have been conducted on our existing properties, such reviews do not guarantee or certify an unforeseen defect in the chain of title will not arise to defeat our claim which could result in the loss of title and a reduction of the revenue received, if any.

Amendments to current laws and regulations governing our proposed operations could have a material adverse impact on our proposed business.

We are subject to substantial regulation relating to the exploration for, and the development, upgrading, marketing, pricing, taxation, and transportation of, oil and gas. Amendments to current laws and regulations governing operations and activities of oil and gas exploration and extraction operations could have a material adverse impact on our proposed business. In addition, we cannot assure you that income tax laws, royalty regulations and government incentive programs related to the oil and gas industry generally, or to us specifically will not be changed in a manner which may adversely affect us and cause delays, inability to complete or abandonment of projects.

Penalties we may incur could impair our business.

Failure to comply with government regulations could subject us to civil and criminal penalties, could require us to forfeit property rights or licenses, and may affect the value of our assets. We may also be required to take corrective actions, such as installing additional equipment, which could require substantial capital expenditures. We could also be required to indemnify our employees in connection with any expenses or liabilities that they may incur individually in connection with regulatory action against them. As a result, our future business prospects could deteriorate due to regulatory constraints, and our profitability could be impaired by our obligation to provide such indemnification to our employees.

Our inability to obtain necessary facilities could hamper our operations.

Oil and gas exploration and development activities depend on the availability of equipment, transportation, power and technical support in the particular areas where these activities will be conducted, and our access to these facilities may be limited. To the extent that we conduct our activities in remote areas or in under-developed markets, needed facilities may not be readily available, which could increase our expenses. Demand for such limited equipment and other facilities or access restrictions may affect the availability of such equipment and may delay exploration and development activities. The quality and reliability of necessary facilities may also be unpredictable and we may be required to make efforts to standardize our facilities, which may entail unanticipated costs and delays. Shortages or the unavailability of necessary equipment or other facilities will impair our activities, either by delaying our activities, increasing our costs or otherwise.

Emerging markets are subject to greater risks than more developed markets, including significant legal, economic and political risks.

In recent years Mongolia and Tajikistan have undergone substantial political, economic and social change. As in any emerging market, Mongolia and Tajikistan do not possess as sophisticated and efficient business, regulatory, power and transportation infrastructures as generally exist in more developed market economies. Investors in emerging markets should be aware that these markets are subject to greater risks than more developed markets, including in some cases significant legal, economic and political risks. Investors should also note that emerging economies are subject to rapid change and that the information set out herein may become outdated relatively quickly. We cannot predict what economic, political, legal or other changes may occur in these or other emerging markets, but such changes could adversely affect our ability to carry out exploration and development projects.

Particularly, the legal systems of Mongolia and Tajikistan are less developed than those of more established jurisdictions, which may result in risk such as: the lack of effective legal redress in the courts, whether in respect of a breach of law or regulation, or, in an ownership dispute, a higher degree of discretion on the part of governmental authorities, the delays caused by the extensive bureaucracy, the lack of judicial or administrative guidance on interpreting applicable laws and regulations, inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions, or relative inexperience of the judiciary and courts in such matters.

Our business in Mongolia may be subject to legal risk.

Mongolia transitioned from state socialism and a planned economy to parliamentary democracy and a free market economy. Much progress has been made in this transition, but much remains to be done, particularly with respect to the rule of law. The legal framework in Mongolia is, in many instances, based on recent political reforms or newly enacted legislation, which may not be consistent with long-standing local conventions and customs. As a result, there may be ambiguities, inconsistencies and anomalies in the agreements, licenses and title documents through which we hold our interests in Mongolia, or the underlying legislation upon which those interests are based. Many laws have been enacted, but in many instances they are neither understood nor enforced and may be applied in an inconsistent, arbitrary or unfair manner, while legal remedies may be uncertain, delayed or unavailable. For decades Mongolians have looked to politicians and bureaucrats as the sources of the “law”. This has changed in theory, but often not in practice. With respect to most day-to-day activities in Mongolia, government civil servants interpret, and often effectively make, the law. This situation is gradually changing but at a relatively slow pace. Although we believe that we have taken the legal steps necessary to obtain and hold its property and other interests in Mongolia, there can be no guarantee that such steps will be sufficient to preserve those interests.

Strategic relationships upon which we may rely are subject to change, which may diminish our ability to conduct our operations.

Our ability to discover reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements depends on developing and maintaining close working relationships with industry participants and government officials and on our ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment. We may not be able to establish these strategic relationships or, if established, we may not be able to maintain them. In addition, the dynamics of our relationships with strategic partners may require us to incur expenses or undertake activities we would not otherwise be inclined to undertake in order to fulfill our obligations to these partners or maintain our relationships. If our strategic relationships are not established or maintained, our business prospects may be limited, which could diminish our ability to conduct our operations.

Environmental risks may adversely affect our business.

All phases of the oil and gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. The application of environmental laws to our business may cause us to curtail our production or increase the costs of any production, development or exploration activities.

Losses and liabilities arising from uninsured or under-insured hazards could have a material adverse effect on our business.

If we develop and exploit oil and gas reserves, those operations will be subject to the customary hazards of recovering, transporting and processing hydrocarbons, such as fires, explosions, gas leaks, migration of harmful substances, blowouts and oil spills. An accident or error arising from these hazards might result in the loss of equipment or life, as well as injury, property damage or other liability. We have not made a determination as to the amount and type of insurance that we will carry. We cannot assure you that we will obtain insurance on reasonable terms or that any insurance we may obtain will be sufficient to cover any such accident or error. Our operations could be interrupted by natural disasters or other events beyond our control. Losses and liabilities arising from uninsured or under-insured events could have a material adverse effect on our business, financial condition and results of operations.

Fluctuations in currency exchange rates could have a material adverse impact on our operations.

All of our current operations are located in foreign countries. The terms and conditions of our major production sharing contracts and licenses are denominated in U.S. dollar, but various agreements, such as contractors, local staff and infrastructure, may be denominated in currencies other than U.S. dollar. Fluctuations in the value of the U.S. dollar or the local currency may cause a negative impact on costs. These types of fluctuations could have an adverse impact on our operations.

Risks Associated with Our Common Stock

The price of our common stock may become volatile, which could lead to losses by investors and costly securities litigation.

The trading price of our common stock is likely to be highly volatile and could fluctuate in response to factors such as:

- actual or anticipated variations in our operating results;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures, capital commitments, or other business developments, such as oil or gas discoveries;
- adoption of new accounting standards affecting our industry;
- additions or departures of key personnel;
- sales of our common stock or other securities in the open market;
- conditions or trends in our industry; and
- other events or factors, many of which are beyond our control.

The stock market has experienced significant price and volume fluctuations, and the market prices of stock in exploration stage companies have been highly volatile. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been initiated against the company. Litigation initiated against us, whether or not successful, could result in substantial costs and diversion of our management's attention and resources, which could harm our business and financial condition.

If we obtain additional financing through the sale of additional equity in our company, the issuance of additional shares of common stock will result in dilution to our existing stockholders .

We are authorized to issue 600,000,000 shares of common stock and, as of March 31, 2015, 166,112,792 shares of our common stock were issued and outstanding. In addition, holders of options had, as of that date, the right to acquire up to an additional 12,300,000 number of shares of our common stock. Our Board of Directors has the authority to issue additional shares of common stock up to the authorized capital without the consent of any of our stockholders. Our Board of Directors may choose to issue some or all of such shares to acquire one or more businesses or to provide additional financing in the future. The issuance of any such shares may result in a reduction of the book value or market price of the outstanding shares of our common stock. If we do issue any such additional shares, such issuance will cause a reduction in the proportionate ownership and voting power of all other stockholders. Further, any such issuance may result in a change of control of our company.

Our directors and executive officers own approximately 27.7% of our outstanding common stock.

In the aggregate, our directors and executive officers own approximately 21.9% of our outstanding common stock and they have the right to exercise options that would permit them to acquire, in the aggregate, up to an additional 5.8% of our common stock within the next 60 days. As a result, our directors and executive officers as a group may have a significant effect in delaying, deferring or preventing any potential change in control of our company, be able to strongly influence the actions of our Board of Directors even if they were to cease being our directors and control the outcome of actions brought to our stockholders for approval. Such a high level of ownership may adversely affect the voting and other rights of other stockholders.

We do not expect to pay dividends in the foreseeable future.

We do not intend to declare dividends for the foreseeable future, as we anticipate that we will reinvest any future earnings in the development and growth of our business. Therefore, investors will not receive any funds unless they sell their common stock, and stockholders may be unable to sell their shares on favorable terms or at all. We cannot assure you of a positive return on investment or that you will not lose the entire amount of your investment in our common stock.

Our stock is a penny stock. Trading of our stock may be restricted by the Securities and Exchange Commission's penny stock regulations which may limit a stockholder's ability to buy and sell our stock.

Our stock is a penny stock. The Securities and Exchange Commission has adopted Rule 15c-9 which generally defines "penny stock" to be any equity security that has a market price (as defined) of less than USD 5.00 per share or an exercise price of less than USD 5.00 per share, subject to certain exceptions. Our securities are covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and "accredited investors". The term "accredited investor" refers generally to institutions with assets in excess of USD 5,000,000 or individuals with a net worth in excess of USD 1,000,000 or annual income exceeding USD 200,000 or USD 300,000 jointly with their spouse. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the Securities and Exchange Commission which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer's confirmation. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from these rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the stock that is subject to these penny stock rules. Consequently, these penny stock rules may affect the ability of broker-dealers to trade our securities. We believe that the penny stock rules discourage investor interest in and limit the marketability of our common stock.

The Financial Industry Regulatory Authority sales practice requirements may also limit a stockholder's ability to buy and sell our stock.

In addition to the "penny stock" rules described above, the Financial Industry Regulatory Authority, or "FINRA", has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low-priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low-priced securities will not be suitable for at least some customers. The FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our stock and have an adverse effect on the market for shares of our common stock.

ITEM 1B UNRESOLVED STAFF COMMENTS

Not Applicable.

ITEM 2 PROPERTIES

Executive Offices and Registered Agent

Our principal executive office address is Bahnhofstrasse 9, 6341 Baar, Switzerland. Its telephone number is +41 (44) 718 10 30. Gobi Energy Partners LLC has an office in Ulan Bator, the capital of Mongolia. Somon Oil Company has offices in Dushanbe, the capital of Tajikistan, and Kudjant, which serve as base camps for geological expeditions for our operations in Tajikistan.

We maintain a registered office for service in the State of Nevada, located at Nevada Corporate Services, Inc., 8883 West Flamingo Road Suite 102, Las Vegas, Nevada 89147, U.S.A. In addition, the offices of Velletta and Company, located in Victoria, British Columbia, serves as our registered office in the Province of British Columbia. Velletta and Company's address is 4th Floor – 931 Fort Street, Victoria, British Columbia V8V 3K3, Canada.

Oil and Gas Properties

The description of our oil and gas property interests is under the section entitled "Business" beginning on page 6 starting with the subsection "Overview of Our Projects".

ITEM 3 LEGAL PROCEEDINGS

There are no pending legal proceedings to which our company or any of our subsidiaries is a party or of which any of our properties, or the properties of any of our subsidiaries, is the subject. In addition, we do not know of any such proceedings contemplated by any governmental authorities.

Litigation in Chile

Manas Management Services Ltd., our wholly-owned Bahamian subsidiary, owned 99% of Manas Energia Chile Limitada which in turn, was one of the parties to a farm-out agreement in respect of a project located in Chile.

During the initial phase of applying for our Chilean Exploration license, we formed a joint bidding group with Improved Petroleum Recovery Tranquillo Chile (commonly referred to as "IPR") and a start-up company called Energy Focus Limitada ("Energy Focus"). Each had a one-third interest. Of its own accord, Energy Focus left the bidding group. The three parties signed a side letter which provided that Energy Focus would have an option to rejoin the bidding group under certain conditions.

Even though Energy Focus had been asked many times to join the group by contributing its prorated share of capital, it failed to do so. Despite this, Energy Focus claims that it is entitled to participate in the consortium at any future time, not just under certain conditions. We and IPR believe that Energy Focus no longer has any right to join the bidding group because the conditions specified in the side letter did not occur, and can no longer occur.

Energy Focus commenced litigation for specific performance and damages in an unspecified amount in Santiago de Chile, claiming interest in the Tranquilo Block from our company and IPR, and our respective subsidiaries. Our company, IPR and our respective legal counsel are of the view that the Energy Focus' claim is without merit, that it was brought in the wrong jurisdiction and that Energy Focus failed to properly serve the parties. The trial courts of Santiago have dismissed the case. Energy Focus took an appeal, which was also dismissed. Energy Focus took a second appeal and that too was also dismissed. The time to bring a further appeal has lapsed and our legal advisors inform us that the matter is now finally concluded in favor of our company.

In January 2010, we signed an agreement to transfer our interest in this Chilean project and on April 14, 2011, we transferred all our rights, interests and obligations in the project to Methanex and Wintershall. The Chilean Minister of Energy authorized this transfer on April 28, 2011. The cash payment for the transfer of the Company's interest in the Chilean project of USD 72,000 was received on September 23, 2011 from the new owners.

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

Market Information

Our common stock is quoted on the OTCQB, the over-the-counter-market operated by OTC Markets Group, under the trading symbol "MNAP". Our common stock is also listed on the TSX Venture Exchange in Canada under the trading symbol "MNP". The CUSIP number for our common stock is 55315B 109. Quotations of our common stock on all of these markets have been sporadic, and trading volume has been low.

Set forth below are the range of high and low bid quotations for our common stock from the OTCQB and high and low closing prices for our common stock from the TSX Venture Exchange for each fiscal quarter during the fiscal years ended December 31, 2014 and 2013. The market quotations were obtained from the OTCQB and the TSX Venture Exchange, respectively, and reflect inter-dealer prices, without retail mark-up, mark-down or commissions and may not necessarily represent actual transactions:

Quarter Ended	TSX Venture Exchange (Canadian Dollars)		OTCQB (US Dollars)	
	High	Low	High	Low
March 31, 2013	0.1150	0.700	0.070	0.068
June 30, 2013	0.075	0.050	0.058	0.055
September 30, 2013	0.080	0.050	0.055	0.054
December 31, 2013	0.080	0.040	0.070	0.044
March 31, 2014	0.080	0.045	0.070	0.050
June 30, 2014	0.095	0.055	0.090	0.050
September 30, 2014	0.165	0.045	0.160	0.040
December 31, 2014	0.155	0.080	0.140	0.080

On March 26, 2015, the closing price for our common stock as reported by the OTCQB was USD 0.11 and the closing price of our common stock on the TSX Venture Exchange was CAD 0.12.

Transfer Agent

Our shares of common stock are issued in registered form. The transfer agent and registrar for our common stock is Island Stock Transfer. Its address is 15500 Roosevelt Boulevard, Suite 301 Clearwater, FL 33760. The co-transfer agent for our common stock is Equity Financial Trust Company, 1185 West Georgia Street, Suite 1620, Vancouver B.C. V6E 4E6.

Holder of Common Stock

As of March 26, 2015, there were approximately 555 registered holders of record of our common stock. As of such date, 166,112,792 shares were issued and outstanding.

Dividends

The payment of dividends, if any, in the future, rests within the sole discretion of our Board of Directors. The payment of dividends will depend upon our earnings, our capital requirements and our financial condition, as well as other relevant factors. We have not declared any cash dividends since our inception and have no present intention of paying any cash dividends on our common stock in the foreseeable future.

There are no restrictions in our articles of incorporation or bylaws that prevent us from declaring dividends. The Nevada Revised Statutes, however, do prohibit us from declaring dividends where, after giving effect to the distribution of the dividend:

1. We would not be able to pay our debts as they become due in the usual course of business; or
2. Our total assets would be less than the sum of our total liabilities plus the amount that would be needed to satisfy the rights of shareholders who have preferential rights superior to those receiving the distribution.

Securities authorized for issuance under equity compensation plans.

We have no long-term incentive plans, other than the Stock Option Plans described below.

Stock Option Plans

2007 Omnibus Stock Option Plan

In April 2007, our Board of Directors adopted and our shareholders approved our 2007 Omnibus Stock Option Plan. On October 21, 2008 our Board of Directors approved a modification to our 2007 Omnibus Stock Option Plan and, on October 31, 2008, our shareholders approved the modified 2007 Omnibus Stock Option Plan. Under the 2007 Omnibus Stock Option Plan, as amended, we may grant our qualified directors, officers, employees, consultants and advisors stock options (which may be designated as nonqualified stock options or incentive stock options), stock appreciation rights, restricted stock awards, performance awards or other forms of stock-based incentive awards, up to a maximum of 20,000,000 shares.

Our Board of Directors administers the 2007 Omnibus Stock Option Plan. Members of the Board of Directors receive no additional compensation for their services in connection with the administration of the Stock Option Plan. They have full discretion and exclusive power to:

- select who will participate in our 2007 Omnibus Stock Option Plan and what awards they will be granted;
- determine the time at which awards shall be granted and any terms and conditions, within the limits of the 2007 Omnibus Stock Option Plan, of such awards; and
- resolve all questions relating to the administration of the 2007 Omnibus Stock Option Plan.

The Board of Directors may grant nonqualified stock options or incentive stock options that are evidenced by stock option agreements. The exercise price of the common stock subject to a non-qualified stock option or an incentive stock option may be paid in cash or, at the discretion of our Board of Directors, by a promissory note, by the tender of common stock or through a combination thereof. The Board of Directors may provide for the exercise of options in installments and upon such terms, conditions and restrictions as it may determine.

A non-qualified stock option is a right to purchase a specific number of shares of common stock during such time as the Board of Directors may determine, not to exceed 10 years, at a price determined by the Board of Directors that, unless deemed otherwise by the Board of Directors, is not less than the fair market value of the common stock on the date the Board grants the non-qualified stock option.

An incentive stock option is an option that meets the requirements of Section 422 of the *Internal Revenue Code of 1986*, as amended. No incentive stock option may be granted under our 2007 Omnibus Stock Option Plan to an employee who owns more than 10% of our outstanding voting stock unless the option price is at least 110% of the fair market value of the common stock at the date of grant and the incentive stock option is not exercisable more than five years after our Board grants it. In the case of a grantee that does not own 10% or more of our common stock, no incentive stock option may be exercisable more than 10 years after the date our Board grants it and its exercise price may not be less than the fair market value of the common stock on the date our Board grants it. Our Board may not grant an employee an incentive stock option that first becomes exercisable during a calendar year for the purchase of common stock with an aggregate fair market value (determined as of the date of grant of each incentive stock option) in excess of USD 100,000. An incentive stock option (or any installment thereof) counts against the annual limitation only in the year it first becomes exercisable.

A stock appreciation right is a right granted to receive, upon surrender of the right, but without payment, an amount payable in cash. The amount payable with respect to each stock appreciation right shall be based on the excess, if any, of the fair market value of a share of common stock on the exercise date over the exercise price of the stock appreciation right, which will not be less than the fair market value of the common stock on the date the stock appreciation right is granted. In the case of a stock appreciation right granted in tandem with an incentive stock option to an employee who holds at least ten percent of our common stock, the exercise price shall not be less than 110% of the fair market value of a share of common stock on the date our Board grants the stock appreciation right.

Restricted Stock is common stock that is issued at a price determined by the Board of Directors, which price per share may not be less than the par value of the common stock, and is subject to restrictions on transfer and/or such other restrictions on incidents of ownership as the Board of Directors may determine.

A performance award granted under our 2007 Omnibus Stock Option Plan may be denominated or payable to the recipient in cash, common stock (including, without limitation, Restricted Stock), other securities or other awards. A performance award shall confer on the recipient the right to receive payments, in whole or in part, upon the achievement of such performance goals during such performance periods as our Board of Directors shall establish. Subject to the terms of our 2007 Omnibus Stock Option Plan and any applicable award agreement, the performance goals to be achieved during any performance period, the length of any performance period, the amount of any performance award and the amount of any payment or transfer to be made pursuant to that performance award shall be determined by our Board of Directors.

Our Board of Directors may grant awards under the 2007 Omnibus Stock Option Plan that provide the recipient with the right to purchase common stock or that are valued by reference to the fair market value of the common stock (including, but not limited to, phantom securities or dividend equivalents). Such awards shall be in a form determined by our Board of Directors, as long as such awards are not inconsistent with the terms and purposes of our 2007 Omnibus Stock Option Plan. Our Board of Directors determines the price of any such award and may accept any lawful consideration.

Our Board of Directors may at any time amend, suspend or terminate our 2007 Omnibus Stock Option Plan as long as it does not change any awards previously granted, increase the aggregate number of shares of the common stock with respect to which it may grant awards or change the class of persons eligible to receive awards.

In the event a change in control occurs, then, notwithstanding any provision of our 2007 Omnibus Stock Option Plan or of any provisions of any award agreement to the contrary, all awards that have not expired and which are then held shall become fully and immediately vested and exercisable and may be exercised for the remaining term of such awards.

No awards may be granted under the Stock Option Plan on or after April 10, 2017, but Awards granted prior to such date may be exercised in accordance with their terms. Because our shares of common stock are listed on the Canadian TSX Venture Exchange, certain provisions mandated by the policies of that stock exchange restrict our ability to make certain grants to persons in specified categories.

Amended 2011 Stock Option Plan

On September 22, 2011, our Board of Directors adopted and our shareholders approved our 2011 Stock Option Plan. The purpose of our 2011 Stock Option Plan is to advance the interests of our company by encouraging our directors, officers, employees and consultants to acquire shares of our common stock, thereby increasing their proprietary interest in our company, encouraging them to remain associated with our company and furnishing them with additional incentive in their efforts on behalf of our company in the conduct of their affairs.

On February 20, 2014 our shareholders approved a resolution to amend our 2011 stock option plan to change it from a “rolling” plan to a “fixed” plan. As a rolling plan, we were permitted to issue such number of stock options as was equal, in the aggregate to a maximum of ten percent (10%) of the number of common shares that were issued and outstanding at the time of each grant. As amended, our 2011 stock option plan permits the issuance of up to an aggregate of 34,500,000 stock options (including all outstanding stock options granted under prior stock option plans), regardless of how many shares of our common stock are issued and outstanding at the time of each grant. The aggregate number of shares of our common stock to be delivered upon the exercise of stock options granted under our Amended 2011 Stock Option Plan cannot exceed the maximum number of shares of our common stock permitted under the rules of any stock exchange on which the shares of our common stock are then listed or other regulatory body having jurisdiction. If any stock option granted under our Amended 2011 Stock Option Plan expires or terminates without having been exercised in full, the unpurchased shares of our common stock will again be available for the purpose of our Amended 2011 Stock Option Plan.

Our Amended 2011 Stock Option Plan is to be administered by our Board of Directors or by a special committee of directors appointed by our Board of Directors. Our Board of Directors, or if appointed our special committee of directors, may designate bona fide directors, officers, employees or consultants of our company or a subsidiary of our company, or a company that is wholly owned by a bona fide director, officer, employee or consultant of our company or a subsidiary of our company to whom stock options to purchase shares of our common stock may be granted and the number of shares of our common stock to be optioned to each, subject to the terms of our Amended 2011 Stock Option Plan. The number of shares of our common stock subject to stock options granted to an optionee, other than a consultant or an employee conducting investor relations activities, must be determined by our Board of Directors or by a special committee of our Board of Directors, if one has been appointed, but no optionee, where our company is listed on any stock exchange, must be granted stock options which cover a number of shares of our common stock which exceed the maximum number of shares permitted under any stock exchange on which shares of our common stock are then listed or other regulatory body having jurisdiction, which maximum number of shares is presently an amount equal to 5% of the then issued and outstanding shares of our common stock (on a non-diluted basis) in any 12 month period unless our company receives disinterested shareholder approval.

The maximum number of shares of our common stock subject to stock options that may be granted to an optionee who is a consultant is presently limited to an amount equal to 2% of the then issued and outstanding shares of our common stock (on a non-diluted basis) in any 12 month period. The maximum number of shares of our common stock subject to stock options that may be granted to all persons in aggregate who are employed to perform investor relations activities is presently limited to an amount equal to 2% of the then issued and outstanding shares of our common stock (on a non-diluted basis) in any 12 month period and such stock options must vest in stages over a 12 month period with no more than 1/4 of the stock options vesting in any 3 month period. Other than the foregoing, our Board of Directors or our special committee of the Board of Directors, if one has been appointed, subject to the policies of the TSX Venture Exchange, may determine and impose terms upon which each stock option become vested.

The exercise price of any stock options granted under our Amended 2011 Stock Option Plan must be determined by our Board of Directors or a special committee of our Board of Directors, if one is appointed, but may not be less than the price permitted by any stock exchange on which shares of our common stock are then listed or other regulatory body having jurisdiction, which minimum exercise price is currently not less than the discounted market price as defined by the policies of the TSX Venture Exchange. In addition, the minimum exercise price of stock options granted to the optionees who are subject to tax in the United States must not be less than the fair market value of the shares covered by such stock options on the date the stock options are granted. The minimum exercise price of shares of our common stock covered by the stock options cannot be established unless the stock options are allocated to a particular optionee.

The exercise of any stock option is contingent upon our receipt of a written notice of exercise, accompanied by cash payment, certified cheque or bank draft for the full purchase price of shares of our common stock with respect to which the stock option is exercised.

The term of any stock options granted under our Amended 2011 stock option plan must be determined by our Board of Directors, or by a special committee of our Board of Directors, if one is appointed, at the time of grant but, subject to earlier termination in the event of cessation as a director, officer, employee or consultant or in the event of death.

The term of any stock options granted under our 2011 stock option plan may not exceed the maximum period permitted by any stock exchange on which shares of our common stock are then listed or other regulatory body having jurisdiction, which maximum period is presently 10 years from the date of grant.

If an optionee who is a director, officer employee or consultant of our company or a subsidiary of our company ceases to act in that capacity (for a reason other than death), the optionee may, but only within 90 days (30 days for an optionee who is engaged in investor relations activities on behalf of our company) after ceasing to be a director, officer, employee or consultant, exercise his stock options to the extent he was entitled to exercise them at the date of such cessation.

In the event of the death of an optionee, the stock options previously granted to him are exercisable only within 12 months next succeeding such death and then only by the person or persons to whom the optionee's rights under the stock options pass by the optionee's will or the laws of descent and distribution and if and to the extent that he was entitled to exercise the stock options at the date of his death.

The stock options are not transferable or assignable unless specifically provided in our Amended 2011 Stock Option Plan. During the lifetime of an optionee, the stock options may only be exercised by the optionee.

The shares of our common stock will not be issued with respect to a stock option unless the exercise of such stock option and the issuance and delivery of such shares comply with applicable securities laws and the rules of any applicable stock exchange and stock quotation system. The optionee must pay us promptly upon exercise of a stock option or, if later, the date that the amount of such obligations becomes determinable, all applicable federal, state, local and foreign withholding taxes resulting upon exercise of a stock option or otherwise related to a stock option or shares of our common stock acquired in connection with a stock option.

Our Board of Directors, or a special committee of our Board of Directors, if one has been appointed, may at any time terminate our Amended 2011 Stock Option Plan. Our Board of Directors may, subject to such approvals as may be required under the rules of any stock exchange on which our common stock is then listed or other regulatory body having jurisdiction, also at any time may amend or revise the terms of our Amended 2011 stock option plan, provided that no such amendment or revision alters the terms of any stock options theretofore granted under our Amended 2011 Stock Option Plan.

The following table summarizes certain information regarding our equity compensation plans as at December 31, 2014:

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 Remaining Available for Future Issuance Under Equity Compensation Plan
Equity compensation plans approved by security holders (2007 Revised Omnibus Stock Option Plan)	1,000,000	USD 0.22	-
Equity compensation plans approved by security holders (Amended 2011 Stock Option Plan)	11,300,000	USD 0.24	22,200,000 ¹
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	12,300,000	USD 0.24	22,200,000

(1) Our Amended 2011 Stock Option Plan permits the issuance of up to an aggregate of 34,500,000 stock options (including all outstanding stock options granted under our 2007 Revised Omnibus Stock Option Plan).

Recent Sales of Unregistered Securities

Since the beginning of our fiscal year ended December 31, 2014, we have not sold any equity securities that were not registered under the Securities Act of 1933 that were not previously reported in an annual report on Form 10-K, in a quarterly report on Form 10-Q or in a current report on Form 8-K.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Period	Total number of shares purchased	Average Price paid per Share (USD)	Total number of shares purchased as part of publicly announced plans of programs	Share repurchase amount (USD) *	Maximum number of shares that may yet be purchased under the plans programs
10.01.2014 - 10.10.2014	213,000	0.127	213,000	27,051	2,479,114
11.28.2014 - 11.28.2014	212,000	0.088	212,000	18,656	2,267,114
12.08.2014 - 12.12.2014	450,000	0.118	450,000	53,100	1,817,114
Total	875,000	0.11	6,479,500	98,807	1,817,114

* Calculated using average price paid per share.

- a) Date of program announcement: May 13, 2014
- b) Amount of shares approved: 8,296,614
- c) Expiration date of program: May 18, 2015

We repurchased shares of our common stock in the open market, which were booked as treasury shares upon repurchase.

ITEM 6 SELECTED FINANCIAL DATA

Not applicable.

ITEM 7 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our management's discussion and analysis of financial condition and results of operations provides a narrative about our financial performance and condition that should be read in conjunction with the audited consolidated financial statements and related notes thereto included in this annual report beginning at page 35 below. This discussion contains forward looking statements reflecting our current expectations and estimates and assumptions about events and trends that may affect our future operating results or financial position. Our actual results and the timing of certain events could differ materially from those discussed in these forward-looking statements due to a number of factors, including, but not limited to, those set forth in the sections of this annual report titled " *Risk Factors* " beginning at page 14 above and " *Forward-Looking Statements* " beginning at page 4 above.

Overview of business operations

We are in the business of exploring for and producing oil and gas, primarily in Central and East Asia. If we discover sufficient reserves of oil or gas, we intend to exploit them. Although we are currently focused primarily on projects located in certain geographic regions, we remain open to attractive opportunities in other areas. Since the acquisition of 65% of the equity in EPA.at, we have a 37.32% working interest in ten oil fields located in the Fergana basin in Tajikistan.

We carry out our operations both directly and through participation in ventures with other oil and gas companies. We are actively involved in projects in Mongolia and Tajikistan.

We have no operating income yet and, as a result, depend upon funding from various sources to continue operations and to implement our growth strategy.

Results of Operations

Net income/net loss

Net loss for the year ended December 31, 2014, was USD 6,562,089 compared to a net loss of USD 10,961,113 for the same period in 2013. This decrease of USD 4,399,024 was mainly due to a change in fair value in investment in associate.

Operating expenses

Operating expenses for the year ended December 31, 2014, increased to USD 6,898,661 from USD 6,542,669 reported for the same period in 2013. This increase of 5% in our total operating expenses is mainly due to an increase in exploration activities.

Personnel costs

For the year ended December 31, 2014, personnel costs decreased to USD 2,075,805 from USD 2,301,938 for the same period in 2013. This decrease of 10% is mainly attributable to lower expenses related to equity awards under the stock compensation and stock option plans as well as a continued wind down of activity in Mongolia.

Exploration costs

For the year ended December 31, 2014, we incurred exploration costs of USD 1,813,475 as compared to USD 1,146,948 for the same period in 2013. This is an increase of 58% and is primarily related to increased exploration activity at our project in Tajikistan.

Consulting fees

For the year ended December 31, 2014, we incurred consulting fees of USD 1,516,416 as compared to consulting fees of USD 1,838,909 for the same period in 2013. This is a decrease of 18% and is due to lower expenses related to investor relation activities.

For the year ended December 31, 2014, we incurred expenses of USD 57,151 related to equity-based awards to non-employees, as compared to USD 30,540 in the same period in 2013. For the year ended period ended December 31, 2014, we incurred expenses of USD 182,854 related to public and investor relations, as compared to USD 415,804 in the same period in 2013, representing a reduction of 56%. For the year ended period ended December 31, 2014, we incurred expenses of USD 1,276,411 related to consulting costs, as compared to USD 1,392,565 in the same period in 2013. These costs are primarily related to our projects in Tajikistan and Mongolia, as well as regulatory, tax and legal fees.

Administrative costs

For the year ended period ended December 31, 2014, we recorded administrative costs of USD 1,429,650 compared to USD 1,201,888 for the same period in 2013. This increase of 19% is attributable to an increase in audit fees and computer system costs.

Non-operating income/expense

For the year ended December 31, 2014, we recorded a non-operating gain of USD 344,798 compared to a non-operating loss of USD 4,283,426 for the same period in 2013. This increase of USD 4,628,224 is mainly attributable to a change in the value of our investment in Petromanas.

For the year ended December 31, 2014, we recorded an increase in fair value of investment in associate (Petromanas) of USD 665,378 compared to a decrease in fair value of investment in associate of USD 4,247,067 for the same period in 2013.

Liquidity and Capital Resources

Our cash balance as of December 31, 2014 was USD 1,369,778. Shareholders' equity as of December 31, 2014 was USD 13,688,596. As of December 31, 2014, total current assets were USD 2,570,343 and total current liabilities were USD 1,312,297, resulting in net working capital of USD 1,257,565. Of our cash balance as of December 31, 2014, USD 1,369,778 was on bank accounts of MNP Petroleum Corp. and its subsidiaries. Since our company considers foreign subsidiaries to be permanently invested, taxes will be due in the event of repatriation.

During the period of March 3, 2014 to March 11, 2014, DWM Petroleum sold 42,000,000 shares of Petromanas at an average price of CAD 0.20 per common share for gross proceeds of CAD 8,450,000 (USD 7,637,955) on the open market. During the period November 7, 2014 to November 21, 2014, DWM Petroleum sold an additional 4,000,000 shares of Petromanas at an average price of CAD 0.10 per common share for gross proceeds of CAD 370,000 (USD 323,961) on the open market. At December 31, 2014, DWM Petroleum owned 4,000,000 shares of Petromanas, representing approximately 0.6% of the issued shares of Petromanas.

Cash Flows (in USD)

	<i>Year ended</i>	
	Dec 31, 2014	Dec 31, 2013
Net Cash used in Operating Activities	(6,181,869)	(5,124,010)
Net Cash provided by Investing Activities	5,308,611	5,695,733
Net Cash provided by (used in) Financing Activities	(551,018)	(377,125)
Change in Cash and Cash Equivalents during the Period	(1,453,814)	194,597

Operating Activities

Net cash used in operating activities of USD 6,181,869 for the year ended December 31, 2014 changed from net cash used of USD 5,124,010 for the same period in 2013. This increase in net cash used in operating activities of USD 1,057,859, is mainly due to currency exchange differences and fluctuations in receivables, prepaid expenses and accounts payable.

Investing Activities

Net cash provided by investing activities of USD 5,308,611 for the year ended December 31, 2014 changed from net cash provided by investing activities of USD 5,695,733 for the same period in 2013. This decrease of USD 387,122 in cash provided by investing activities is attributable to the capitalization of exploration costs of USD 514,368 related to our project in Tajikistan and the capitalization of a further USD 2,000,000 paid in relation to the Kavsar transaction.

Financing Activities

Net cash used in financing activities of USD 551,018 for the year ended December 31, 2014 changed from net cash used in financing activities of USD 377,125 for the same period in 2013. This increase in net cash used in financing activities of USD 173,893 is attributable to the repurchase of shares.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Cash Requirements

The following table outlines the estimated cash requirements for our operations for the next 12 months (in USD):

<i>Expenses</i>	<i>Amount</i>
Corporate	2,995,995
Kyrgyzstan	28,800 ¹
Mongolia	98,404 ²
Tajikistan - Exploration	1,253,077 ³
Tajikistan - PS	94,870
Business Development	120,000
Total	4,591,146

- (1) The information presented in the table above includes the costs related to our normal operational activities only.
- (2) The information presented in the table above includes the costs related to our normal operational activities only. It does not include such financial commitments as discussed in Item 1 as we are subject to certain expenditures and commitments in order to maintain our licenses which are currently pending re-negotiations.
- (3) The information presented in the table above includes the costs related to our normal operational activities and development of infrastructure but does not include any drilling activity. It does not include such financial commitments discussed in Item 1 because we assume to farm-out and be carried.

Our monthly burn rate amounts to approximately USD 382,596 (corporate USD 249,666, ventures USD 132,929) Considering our net working capital and our 4 million shares in Petromanas Energy Inc., we are not able to fund our planned operations for the next twelve months.

These matters raise substantial doubt about the Group's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In order to continue to fund operations for the next twelve months and implement the geological work program for our projects in Central Asia as well as to finance continuing operations, the Group will require further funds. We expect these funds will be raised through additional equity and/or debt financing through the expected Stichting VB Vagobel ("Vagobel") transaction disclosed to the market on September 9, 2014, the terms of which are outlined below, or through other transactions which are currently under negotiations.

On November 29, 2014, we entered into a private placement agreement with Vagobel, pursuant to which we agreed to sell, and Vagobel agreed to purchase, the following securities of our company:

- (a) 43,000,000 shares of our common stock (the "Initial Shares") at a purchase price of US\$0.15 per Initial Share for an aggregate purchase price of US\$6,450,000; and
- (b) for no additional consideration, two non-transferable common share purchase warrants. The first of these non-transferable common share purchase warrants (the "Initial Warrant") will provide that Vagobel must purchase, on the fifth business day (the "Warrant Exercise Date") following the date upon which our stockholders approve the private placement with Vagobel, an additional 23,717,633 shares of our common stock (the "Initial Warrant Shares") at an exercise price of US\$0.20 per Initial Warrant Share for aggregate proceeds of US\$4,743,527. The second of these non-transferable common share purchase warrants (the "Second Warrant") will provide that Vagobel must purchase, on the Warrant Exercise Date, an additional 5,771,130 shares of our common stock (the "Second Warrant Shares") at an exercise price of US\$0.15 per Second Warrant Share for aggregate proceeds of US\$865,669;

On the Warrant Exercise Date:

- (a) one non-transferable convertible debenture (the "First Debenture") in the amount of US\$25,000,000;
- (b) one non-transferable common share purchase warrant (the "Interest Warrant") pursuant to which Vagobel must purchase, on each interest payment date such number of shares of our common stock (each an "Interest Warrant Share") as is equal to the amount of interest payable in Interest Warrant Shares (as contemplated by the terms of each of the First Debenture and the Second Debenture (as defined below)) on that interest payment date, at an exercise price of US\$0.70 per Interest Warrant Share; and

On the four-month anniversary of the stockholder approval of the private placement, one non-transferable convertible debenture (the "Second Debenture") in the principal amount of US\$25,000,000.

The purchase price for the First Debenture and the Interest Warrant will be US\$25,000,000 and the purchase price for the Second Debenture will be US\$25,000,000.

Each of the First Debenture and the Second Debenture (the “Debentures”) will have a maturity date of five years from the date of issuance.

We must pay all or any part of the principal amounts outstanding under the Debentures by way of conversions into shares of our common stock at a conversion price of US\$0.70 per share. At any time after the date of issuance and until the maturity date, Vagobel will be entitled to convert some or all of the outstanding principal amounts under the Debentures into shares of our common stock at a conversion price of US\$0.70 per share. All principal that remains outstanding on the maturity date will be automatically converted on the maturity date.

Outstanding principal under the Debentures will bear interest at the rate of 3% per annum, with interest payable annually within 30 days after each anniversary of issuance of the Debentures. 2% of the interest is to be paid through exercise of the Interest Warrant providing for the purchase of up to an aggregate of up to 7,142,857 Interest Warrant Shares at an exercise price of US\$0.70 per Interest Warrant Share for a period coterminous with the Debentures and the residual of 1% is to be paid in cash. The right to purchase Interest Warrant Shares will vest only as and when interest becomes payable under the Debentures and the number of such vested Interest Warrant Shares will be determined by dividing the amount of interest accrued and unpaid on each anniversary of issuance of the Debentures by an exercise price of US\$0.70 per Interest Warrant Share.

If we are not able to raise the required funds, we would consider farming-out projects in order to reduce our financial commitments. If the Company is unable to obtain such funding, or complete farming-out projects, the Company will not be able to continue its business. Any additional equity financing may be dilutive to shareholders, and debt financing, if available, will increase expenses and may involve restrictive covenants. The Company will be required to raise additional capital on terms which are uncertain, especially under the current capital market conditions. Under these circumstances, if the Company is unable to obtain capital or is required to raise it on undesirable terms, it may have a material adverse effect on the Company's financial condition.

Application of Critical Accounting Policies

Our financial statements and accompanying notes are prepared in accordance with generally accepted accounting principles in the United States of America. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. These estimates and assumptions are affected by management's application of accounting policies. We believe that understanding the basis and nature of the estimates and assumptions involved with the following aspects of our financial statements is critical to an understanding of our financial statements.

We base our assumptions and estimates on historical experience and other sources that we believe to be reasonable at the time. Actual results may vary from our estimates due to changes in circumstances, weather, politics, global economics, mechanical problems, general business conditions and other factors. Our significant estimates are related to the going concern, the valuation of options and oil and gas properties.

There are accounting policies that we believe are significant to the presentation of our financial statements. The most significant of these are described below.

Exploration and evaluation costs

The Company uses the successful efforts method of accounting for oil and natural gas producing activities. Under this method, acquisition costs for proved and unproved properties are capitalized when incurred.

Exploration costs, including geological and geophysical costs, the costs of carrying and retaining unproved properties and exploratory dry hole drilling costs, are expensed.

Exploratory drilling costs are capitalized when incurred pending the determination of whether a well has found proved reserves. If a well is determined to be successful, the capitalized drilling costs will be reclassified as part of the cost of the well. If a well is determined to be unsuccessful, the capitalized drilling costs will be charged to expense in the period the determination is made.

Stock-based Compensation

We account for all of our stock-based payments and awards applying the fair value method.

Stock-based payments to non-employees are measured at the fair value of the consideration received, or the fair value of the equity instruments issued, or liabilities incurred, whichever is more reliably measurable. The fair value of stock-based payments to non-employees is periodically re-measured until the counterparty performance is complete, and any change therein is recognized over the vesting period of the award and in the same manner as if we had paid cash instead of paying with or using equity based instruments. The costs of the stock-based payments to non-employees that are fully vested and non-forfeitable as at the grant date is measured and recognized at that date, unless there is a contractual term for services in which case such compensation would be amortized over the contractual term. For restricted share grants, we calculate the fair value applying a prorated discount of 12% on the share price at the grant date over the restriction period.

We account for the granting of share purchase options to employees using the fair value method whereby all awards to employees will be recorded at fair value on the date of the grant. The fair value of all share purchase options are expensed over their vesting period with a corresponding increase to additional paid-in capital. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in additional capital surplus, is recorded as an increase to share capital.

We use the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of the grant. Option pricing models require the input of highly subjective assumptions.

ITEM 7A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

- Report of Independent Registered Public Accounting Firm
- Consolidated Balance Sheets
- Consolidated Statements of Comprehensive Loss
- Consolidated Cash Flow Statements
- Consolidated Statements of Shareholders' Equity
- Notes to the Consolidated Financial Statements



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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
MNP Petroleum Corporation

We have audited the accompanying consolidated balance sheets of MNP Petroleum Corporation as of December 31, 2014 and 2013 and the related consolidated statements of comprehensive loss, stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. 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 audits 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 also 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 MNP Petroleum Corporation at December 31, 2014 and 2013, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 2 to the consolidated financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Zurich, March 31, 2015

BDO Visura International AG

/s/ Christoph Tschumi
Christoph Tschumi

/s/ ppa. Julian Snow
ppa. Julian Snow

MNP PETROLEUM CORPORATION

CONSOLIDATED BALANCE SHEETS

	12.31.2014 USD	12.31.2013 USD
ASSETS		
Cash and cash equivalents	1,369,778	3,063,947
Restricted cash	208,621	46,738
Accounts receivable	14,359	32,508
Investment in associate (Petromanas)	206,382	7,478,799
Other prepaid expenses	771,203	302,713
Total current assets	2,570,343	10,924,705
Tangible fixed assets	83,254	132,374
Oil and gas properties (unproved)	687,645	772,855
Transaction prepayment	12,000,000	10,111,656
Total non-current assets	12,770,899	11,016,885
TOTAL ASSETS	15,341,242	21,941,590
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	1,165,472	447,736
Accrued expenses exploration costs	-	312,000
Other accrued expenses	146,825	332,835
Total current liabilities	1,312,297	1,092,571
Pension liabilities	340,349	142,271
Total non-current liabilities	340,349	142,271
TOTAL LIABILITIES	1,652,646	1,234,842
Common Stock (600,000,000 shares authorized as of December 31, 2014 and 2013, USD 0.001 par value, 172,592,292 shares issued, 166,112,792 and 172,592,292 shares outstanding, respectively)	172,592	172,592
Additional paid-in capital	78,622,945	78,527,990
Treasury stock	(551,018)	-
Accumulated deficit	(64,606,924)	(58,044,835)
Currency translation adjustment	51,001	51,001
TOTAL SHAREHOLDERS' EQUITY	13,688,596	20,706,748
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	15,341,242	21,941,590

MNP PETROLEUM CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	12.31.2014 USD	12.31.2013 USD
OPERATING REVENUES		
Revenues	-	-
Total revenues	-	-
OPERATING EXPENSES		
Personnel costs	(2,075,805)	(2,301,938)
Exploration costs	(1,813,475)	(1,146,948)
Depreciation	(47,351)	(52,986)
Consulting fees	(1,516,416)	(1,838,909)
Administrative costs	(1,429,650)	(1,201,888)
Loss on disposal of tangible fixed assets and software	(15,964)	-
Total operating expenses	(6,898,661)	(6,542,669)
NON-OPERATING INCOME / (EXPENSES)		
Exchange differences	(320,287)	(37,137)
Change in fair value of investment in associate	665,378	(4,247,067)
Interest income	340	1,391
Interest expense	(633)	(613)
Total non-operating income / (expenses)	344,798	(4,283,426)
Loss before taxes	(6,553,863)	(10,826,095)
Income taxes	(8,226)	(135,018)
Net loss	(6,562,089)	(10,961,113)
Net comprehensive loss	(6,562,089)	(10,961,113)
Weighted average number of outstanding shares (basic)	170,134,834	172,592,292
Weighted average number of outstanding shares (diluted)	170,134,834	172,592,292
Basic earnings/(loss) per share	(0.04)	(0.06)
Diluted earnings/(loss) per share	(0.04)	(0.06)

MNP PETROLEUM CORPORATION

CONSOLIDATED CASH FLOW STATEMENTS

	12.31.2014	12.31.2013
	USD	USD
OPERATING ACTIVITIES		
Net loss	(6,562,089)	(10,961,113)
To reconcile net loss to net cash used in operating activities		
Change in fair value of investment in associate	(665,378)	4,247,067
Depreciation	47,351	52,986
Impairment of associate	-	238,305
Impairment of oil and gas properties	287,578	-
Exchange differences	320,287	37,137
Stock-based compensation	94,955	699,105
Loss on disposal of tangible fixed assets and software	15,964	-
Decrease / (increase) in receivables and prepaid expenses	(450,341)	42,592
(Decrease) / increase in accounts payables	717,736	320,453
(Decrease) / increase in accrued expenses	(186,010)	166,588
Change in pension liability	198,078	32,870
Cash flow used in operating activities	(6,181,869)	(5,124,010)
INVESTING ACTIVITIES		
Transaction prepayment	(2,000,000)	-
Capitalized oil and gas properties	(514,368)	-
Purchase of tangible fixed assets and software	(14,195)	(52,926)
Sale of tangible fixed assets and software	-	17,384
Proceeds from sale of investment	7,887,401	5,655,492
Decrease / (increase) restricted cash	(50,227)	75,783
Cash flow from investing activities	5,308,611	5,695,733
FINANCING ACTIVITIES		
Repurchase of shares	(551,018)	-
(Decrease) / increase in refundable deposits	-	(377,125)
Cash flow used in from financing activities	(551,018)	(377,125)
Net change in cash and cash equivalents	(1,424,276)	194,597
Cash and cash equivalents at the beginning of the period	3,063,947	2,842,495
Currency translation effect on cash and cash equivalents	(269,893)	26,855
Cash and cash equivalents at the end of the period	1,369,778	3,063,947
Supplement schedule of non-cash investing and financing activities:		
Offset of impairment of oil and gas properties and renegotiation of accrued expenses	312,000	-
Transfer from transaction prepayment to restricted cash due to acquisition of TF Petroleum AG	111,656	-

MNP PETROLEUM CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

SHAREHOLDERS' DEFICIT	Number of shares	Share capital	Additional paid-in capital	Treasury stock	Deficit accumulated	Accumulated other comprehensive income	Total shareholders' deficit
Balance January 1, 2013	172,592,292	172,592	77,828,886	-	(47,083,722)	51,001	30,968,757
Stock-based compensation	-	-	699,104	-	-	-	699,104
Net loss for the year	-	-	-	-	(10,961,113)	-	(10,961,113)
Balance December 31, 2013	172,592,292	172,592	78,527,990	-	(58,044,835)	51,001	20,706,748
Balance January 1, 2014	172,592,292	172,592	78,527,990	-	(58,044,835)	51,001	20,706,748
Stock-based compensation	-	-	94,955	-	-	-	94,955
Treasury stock	-	-	-	(551,018)	-	-	(551,018)
Net loss for the year	-	-	-	-	(6,562,089)	-	(6,562,089)
Balance December 31, 2014	172,592,292	172,592	78,622,945	(551,018)	(64,606,924)	51,001	13,688,596

1. CORPORATE INFORMATION

The consolidated financial statements comprise MNP Petroleum Corporation (“MNP” or the “Company”) and its subsidiaries (collectively, “the Group”) for the years ended December 31, 2014 and 2013.

The Company is in the business of exploring for oil and gas, primarily in Central and East Asia. If the Company discovers sufficient reserves of oil or gas, it intends to exploit them. The Company has not commenced planned principal operations and therefore has not realized any revenues to date. The Company carries out its operations both directly and through participation in ventures with other oil and gas companies. It is actively involved in exploration projects in Tajikistan and Mongolia. In addition, the Company recently purchased producing oilfields in Tajikistan. As the Company currently depends upon funding from various sources to continue operations and to implement its growth strategy, the Company’s activities are subject to significant risks and uncertainties, including failing to secure additional funding to operationalize the Company’s licenses.

The Company, formerly known as Express Systems Corporation, was incorporated in the State of Nevada on July 9, 1998.

On April 10, 2007, the Company completed the Exchange Transaction whereby it acquired its then sole subsidiary DWM Petroleum AG, Baar (“DWM Petroleum”) pursuant to an exchange agreement signed in November 2006 whereby 100% of the shares of DWM Petroleum were exchanged for 80,000,000 common shares of the Company. As part of the closing of this exchange transaction, the Company issued 800,000 shares as finders’ fees at the closing price of USD 3.20.

The acquisition of DWM Petroleum was accounted for as a merger of a private operating company into a non-operating public shell. Consequently, the Company is the continuing legal registrant for regulatory purposes and DWM Petroleum is treated as the continuing accounting acquirer for accounting and reporting purposes. The assets and liabilities of DWM Petroleum remained at historic cost. Under accounting principles generally accepted in the United States of America, in transactions involving the merger of a private operating company into a non-operating public shell, the transaction is equivalent to the issuance of stock by DWM Petroleum for the net monetary assets of the Company, accompanied by a recapitalization. The accounting is identical to a reverse acquisition, except that no goodwill or other intangibles are recorded.

The Company has a focused strategy on exploration and developing oil and gas resources in Central Asia and East Asia (Tajikistan and Mongolia).

2. GOING CONCERN

The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern. The Group has no operating income and therefore will remain dependent upon continued funding from its shareholders or other sources. Our cash balance as of December 31, 2014 was USD 1,578,399, of which USD 208,621 has been restricted leaving a balance of USD 1,369,778. Additionally, the Group has 4,000,000 shares in PMI valuing the investment at USD 206,382.

These matters raise substantial doubt about the Group’s ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Based on our expected monthly burn rate of USD 382,596 on basic operational activities, we estimate that we have sufficient working capital to fund operations for four months.

In order to continue to fund operations for the next twelve months and implement the geological work program for our projects in Central Asia as well as to finance continuing operations, the Group will require further funds. We expect these funds will be raised through additional equity and/or debt financing through the expected Stichting VB Vagobel (“Vagobel”) transaction disclosed to the market on September 9, 2014, the terms of which are outlined below, or through other transactions which are currently under negotiations.

On November 29, 2014, we entered into a private placement agreement with Vagobel, pursuant to which we agreed to sell, and Vagobel agreed to purchase, the following securities of our company:

- (a) 43,000,000 shares of our common stock (the “Initial Shares”) at a purchase price of US\$0.15 per Initial Share for an aggregate purchase price of US\$6,450,000; and
- (b) for no additional consideration, two non-transferable common share purchase warrants. The first of these non-transferable common share purchase warrants (the “Initial Warrant”) will provide that Vagobel must purchase, on the fifth business day (the “Warrant Exercise Date”) following the date upon which our stockholders approve the private placement with Vagobel, an additional 23,717,633 shares of our common stock (the “Initial Warrant Shares”) at an exercise price of US\$0.20 per Initial Warrant Share for aggregate proceeds of US\$4,743,527. The second of these non-transferable common share purchase warrants (the “Second Warrant”) will provide that Vagobel must purchase, on the Warrant Exercise Date, an additional 5,771,130 shares of our common stock (the “Second Warrant Shares”) at an exercise price of US\$0.15 per Second Warrant Share for aggregate proceeds of US\$865,669;

On the Warrant Exercise Date:

- (a) one non-transferable convertible debenture (the “First Debenture”) in the amount of US\$25,000,000;
- (b) one non-transferable common share purchase warrant (the “Interest Warrant”) pursuant to which Vagobel must purchase, on each interest payment date such number of shares of our common stock (each an “Interest Warrant Share”) as is equal to the amount of interest payable in Interest Warrant Shares (as contemplated by the terms of each of the First Debenture and the Second Debenture (as defined below)) on that interest payment date, at an exercise price of US\$0.70 per Interest Warrant Share; and

On the four-month anniversary of the stockholder approval of the private placement, one non-transferable convertible debenture (the “Second Debenture”) in the principal amount of US\$25,000,000.

The purchase price for the First Debenture and the Interest Warrant will be US\$25,000,000 and the purchase price for the Second Debenture will be US\$25,000,000.

Each of the First Debenture and the Second Debenture (the “Debentures”) will have a maturity date of five years from the date of issuance.

We must pay all or any part of the principal amounts outstanding under the Debentures by way of conversions into shares of our common stock at a conversion price of US\$0.70 per share. At any time after the date of issuance and until the maturity date, Vagobel will be entitled to convert some or all of the outstanding principal amounts under the Debentures into shares of our common stock at a conversion price of US\$0.70 per share. All principal that remains outstanding on the maturity date will be automatically converted on the maturity date.

Outstanding principal under the Debentures will bear interest at the rate of 3% per annum, with interest payable annually within 30 days after each anniversary of issuance of the Debentures. 2% of the interest is to be paid through exercise of the Interest Warrant providing for the purchase of up to an aggregate of up to 7,142,857 Interest Warrant Shares at an exercise price of US\$0.70 per Interest Warrant Share for a period coterminous with the Debentures and the residual of 1% is to be paid in cash. The right to purchase Interest Warrant Shares will vest only as and when interest becomes payable under the Debentures and the number of such vested Interest Warrant Shares will be determined by dividing the amount of interest accrued and unpaid on each anniversary of issuance of the Debentures by an exercise price of US\$0.70 per Interest Warrant Share.

If we are not able to raise the required funds, we would consider farming-out projects in order to reduce our financial commitments. If the Company is unable to obtain such funding, or complete farming-out projects, the Company will not be able to continue its business. Any additional equity financing may be dilutive to shareholders, and debt financing, if available, will increase expenses and may involve restrictive covenants. The Company will be required to raise additional capital on terms which are uncertain, especially under the current capital market conditions. Under these circumstances, if the Company is unable to obtain capital or is required to raise it on undesirable terms, it may have a material adverse effect on the Company's financial condition.

3. ACCOUNTING POLICIES

The Company's Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures, if any, of contingent assets and liabilities at the date of the financial statements. Actual results could differ from these estimates.

Successful Efforts Method of Accounting

The Company uses the successful efforts method of accounting for oil and natural gas producing activities. Under this method, acquisition costs for proved and unproved properties are capitalized when incurred. Exploration costs, including geological and geophysical costs, the costs of carrying and retaining unproved properties and exploratory dry hole drilling costs, are expensed. Development costs, including the costs to drill and equip development wells and successful exploratory drilling costs to locate proved reserves, are capitalized. Upon sale or retirement of a proved property, the cost and accumulated depreciation, depletion and amortization are eliminated from property accounts and the resultant gain or loss is recognized.

Exploratory drilling costs are capitalized when incurred pending the determination of whether a well has found proved reserves. If a well is determined to be successful, the capitalized drilling costs will be reclassified as part of the cost of the well. If a well is determined to be unsuccessful, the capitalized drilling costs will be charged to expense in the period the determination is made.

Development costs of proved oil and natural gas properties, including estimated dismantlement, restoration, abandonment costs and acquisition costs, are depreciated and depleted on a well by well basis by the units-of-production method using estimated proved developed reserves.

We perform quarterly assessments of unproved oil properties for impairment on a field basis, and recognize a loss at the time of impairment by recording an expense to "exploration costs". In determining whether an unproved property is impaired we consider numerous factors including, but not limited to, dry holes drilled, current exploration plans, favorable or unfavorable exploratory activity on adjacent areas and our geologists' evaluation.

Scope and methods of consolidation

The consolidated financial statements include MNP Petroleum Corporation and all companies which MNP Petroleum Corporation directly or indirectly controls (over 50% of voting interest). The companies included in the consolidation are listed in Note 11.

Investments in which the Company exercises significant influence, but not control (generally 20% to 50% ownership) are accounted for using the equity method. The Group's share of earnings or losses is included in consolidated net loss and the Group's share of the net assets is included in long-term assets. Investments where the Company holds less than 50% and has no ability to exercise significant influence are accounted for using the cost method, unless we have elected the fair value option in accordance with ASC 820.

Principles of consolidation

The annual closing date of the individual financial statements is December 31, with all cost and income items being reported in the period to which they relate. Intercompany income and expenses, including unrealized gross profits from internal Group transactions and intercompany receivables, payables and loans, have been eliminated. Companies acquired or divested in the course of the year are included in the consolidated financial statements as of the date of purchase respectively up to the date of sale.

Foreign currency translation

The consolidated financial statements of the Group are presented in US dollars (USD). The parent Company's functional currency is the US dollar. Transactions in currencies other than the book currency are recorded using the appropriate exchange rate at the time of the transaction.

The functional currency for all of our consolidated subsidiaries is US dollar. For our subsidiary in Tajikistan that keeps its books in a currency other than US dollars, the company re-measures the Tajik financials as follows: Monetary assets and liabilities are translated using the balance sheet period-end date, while for the non-monetary assets and liabilities the historical rate is used. Expenses are translated using the average rate for the reporting period, except for depreciation and amortization, where the historical rate of the related asset or liability applies. Foreign currency translation gains and losses are reported on the statement of operations.

Concentrations of risk

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily cash and cash equivalents. Cash and cash equivalents are maintained with several financial institutions. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally these deposits may be redeemed upon demand. Cash and cash equivalents are subject to currency exchange rate fluctuations.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less (petty cash, bank balances and fiduciary deposits).

Investment in associate measured at fair value

For periods ended December 31, 2014 and 2013, we classified our investment in associates as Level 1 and account for it in accordance with ASC 320 *Investments - Debt and Equity Securities*. We classified the investment in associates as trading securities and report it at fair value, with unrealized gains and losses included in earnings.

Accounts receivable and prepaid expenses

This position includes receivables from third parties, value added taxes, withholding taxes, loans to employees, prepaid expenses for goods and services not yet received as well as income from the current year that will not be received until the following year. The carrying amount of these assets approximates their fair value. There is currently no reserve for bad debt.

Tangible fixed assets, computer software and depreciation

Tangible fixed assets (office equipment, vehicles and furniture) and computer software are recorded at cost and are depreciated on a straight-line basis over the following estimated useful lives:

Office equipment	3 - 5 years
Operating equipment	3 - 5 years
Vehicles	5 - 6 years
Leasehold improvements	5 years
Computer software	2 years

Tangible fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The carrying value of a long-lived asset or asset group is considered to be impaired when the undiscounted expected cash flows from the asset or asset group are less than its carrying amount. In that event, an impairment loss is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined based on quoted market prices, where available, or is estimated as the present value of the expected future cash flows from the asset or asset group discounted at a rate commensurate with the risk involved.

Leased assets

Rentals payable under operating leases are charged to the income statement on a straight line basis.

Current liabilities

Current liabilities include current or renewable liabilities due within a maximum period of one year. Current liabilities are carried at their nominal value, which approximates fair market value.

Fair value of financial instruments

The Company's financial instruments consist of cash and cash equivalents, restricted cash, accounts receivable, investment in Petromanas, transaction prepayment, accounts payable and refundable deposits. The fair value of these financial instruments approximate their carrying value due to the short maturities of these instruments, unless otherwise noted.

Non-current liabilities

Non-current liabilities include all known liabilities as per year end, which can reliably be quantified with a due date of at least one year after the date of the balance sheet.

Income taxes

Taxes on income are accrued in the same period as the revenues and expenses to which they relate.

Deferred taxes are calculated on the temporary differences that arise between the tax base of an asset or liability and its carrying value in the balance sheet of the Group companies prepared for consolidation purposes, with the exception of temporary differences arising on investments in foreign subsidiaries where the Group has plans to permanently reinvest profits into the foreign subsidiaries.

Deferred tax assets on tax loss carry-forwards are only recognized to the extent that it is more likely than not, that future profits will be available and the tax loss carry-forward can be utilized.

Changes to tax laws or tax rates enacted at the balance sheet date are taken into account in the determination of the applicable tax rate provided that they are likely to be applicable in the period when the deferred tax assets or tax liabilities are realized.

The Group is required to pay income taxes in a number of countries. Significant judgment is required in determining income tax provisions and in evaluating tax positions.

The Group recognizes the benefit of uncertain tax positions in the financial statements when it is more likely than not that the position will be sustained on examination by the tax authorities. The benefit recognized is the largest amount of tax benefit that is greater than 50 percent likely of being realized on settlement with the tax authority, assuming full knowledge of the position and all relevant facts. The Group adjusts its recognition of these uncertain tax benefits in the period in which new information is available impacting either the recognition of measurement of its uncertain tax positions. Interest and penalties related to uncertain tax positions are recognized as income tax expense.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. We consider amounts to be earned once evidence of an arrangement has been obtained, services are delivered, fees are fixed or determinable, and collectability is reasonably assured. The Group did not earn revenue during the years 2014 and 2013.

Exploration costs

For exploration and evaluation costs the successful efforts method is applied.

Related parties

Parties are considered to be related if one party directly or indirectly controls, is controlled by, or is under common control with the other party, if it has an interest in the other party that gives it significant influence over the party, if it has joint control over the party, or if it is an associate or a joint venture. Senior management of the company and close family members are also deemed to be related parties.

Pension plans

In accordance with ASC 715-30, *Defined Benefit Plans – Pension*, the Group recognizes the funded status of the defined benefit plans in the balance sheet. Actuarial gains and losses are fully recognized in the statement of operations of the respective period.

Stock-based compensation

Stock-based compensation costs are recognized in earnings using the fair-value based method for all awards granted. Compensation costs for unvested stock options and awards are recognized in earnings over the requisite service period based on the fair value of those options and awards. For employees, fair value is estimated at the grant date and for non-employees fair value is re-measured at each reporting date as required by ASC 718, *Compensation-Stock Compensation*, and ASC 505-50, *Equity-Based Payments to Non-Employees*. Fair values of awards granted under the share option plans are estimated using a Black-Scholes option pricing model. The model input assumptions are determined based on available internal and external data sources. The risk free rate used in the model is based on the US treasury rate for the expected contractual term. Expected volatility is based on the Company's own historical share price volatility, since the Company's share price data can be traced back to April 2, 2007. For restricted share grants, we calculate the fair value applying a prorated discount of 12% on the share price at the grant date over the restriction period. The discount rate is an estimate of the cost of capital, based on previous long-term debt the Company has issued.

Earnings per share

Basic earnings per share are calculated using the Company's weighted-average outstanding common shares. When the effects are not anti-dilutive, diluted earnings per share is calculated using the weighted-average outstanding common shares and the dilutive effect of warrants and stock options as determined under the treasury stock method.

4. NEW ACCOUNTING STANDARDS

In June 2014, the FASB released ASU 2014-10 — Accounting Standards Update 2014-10, *Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation*.

This update was issued to improve financial reporting by reducing the cost and complexity associated with the incremental reporting requirements for development stage entities. Users of financial statements of development stage entities determined that the inception to date information, and certain other disclosures currently required under U.S. generally accepted accounting principles (GAAP) in the financial statements of development stage entities provide information that has limited relevance and is generally not decision useful. As a result, the amendments in this Update remove all incremental financial reporting requirements from U.S. GAAP for development stage entities, thereby improving financial reporting by eliminating the cost and complexity associated with providing that information.

This update eliminates the requirements for development stage entities to (1) present inception to date information in the statements of income, cash flows, and shareholder equity, (2) label the financial statements as those of a development stage entity, (3) disclose a description of the development stage activities in which the entity is engaged, and (4) disclose in the first year in which the entity is no longer a development stage entity that in prior years it had been in the development stage. The amendments also clarify that the guidance in *Topic 275, Risks and Uncertainties*, is applicable to entities that have not commenced planned principal operations.

This ASU has been early adopted by the Company as of July 1, 2014 and therefore for the year ended December 31, 2014 as such early adoption is permitted for all financial statements that have not been issued or made available for issuance. This ASU had an impact on the Company's consolidated financial statements, as the corresponding inception to date information, labeling financial statements as those of a development stage entity, etc. will no longer be provided.

5. CASH AND CASH EQUIVALENTS

	Held in USD	Held in EUR	Held in CHF	Held in other currencies	Total Dec 31, 2014	Total Dec 31, 2013
Cash and cash equivalents (in USD)	496,766	2,865	859,061	11,087	1,369,778	3,063,947

Cash and cash equivalents are available to the Group without restriction or limitation on withdrawal and/or use of these funds. The Group's cash equivalents are placed with high credit rated financial institutions. The carrying amount of these assets approximates their fair value.

6. PLAN FOR ACQUISITION

On December 31, 2012, DWM Petroleum entered into a Share Purchase Agreement with Kavsar General Trading FZE, an unrelated third party, to purchase 80% of the equity interest in TF Petroleum AG, a Swiss company, for USD 21,000,000 in cash. The agreement provided that, at the time of the closing of the transaction, TF Petroleum would own Petroleum Sugd, a limited liability joint venture formed under the laws of Tajikistan. Petroleum Sugd owns and operates certain producing oilfield assets located in Tajikistan. Energy Partners Austria GmbH, Kavsar's then wholly-owned subsidiary and an Austria registered company, currently owns the majority of the equity in Petroleum Sugd.

On March 31, 2014 DWM Petroleum and Kavsar signed a Supplement Agreement dated for effect September 27, 2013. The Supplement Agreement provided that DWM Petroleum was entitled to receive from Kavsar 65% of the equity in Energy Partners Austria, which was the beneficial owner of 57.42% of the equity in Petroleum Sugd, subject to the payment of USD 2,000,000 by DWM Petroleum. The equity in Energy Partners Austria was to be transferred to TF Petroleum AG at closing. The Supplement Agreement also provided that Kavsar was to transfer all shares of TF Petroleum AG, a Swiss company, to DWM Petroleum, for a consideration of CHF 100,000 (approx. USD 111,656). DWM Petroleum was then to be eligible to future profits and dividends from Energy Partners Austria from January 1, 2014 onwards. On April 4, 2014, DWM Petroleum gained control of TF Petroleum AG, which resulted in an increase in restricted cash and a decrease in transaction prepayment of CHF 100,000 (approx. USD 111,656). The closing of the transaction was subject to the capital restructuring requirement of Energy Partners Austria by Kavsar, the notary act and regulatory approval. On November 21, 2014 the notary act was signed which is effective November 21, 2014. On November 28, 2014, DWM transferred USD 2,000,000 to Kavsar in order to finalize the transaction. The total consideration of USD 12,000,000 was capitalized as a "Transaction prepayment" as at December 31, 2014. After the finalization of the Supplement Agreement, the Share Purchase Agreement is concluded.

On January 15, 2015, pursuant to the Supplement Agreement dated September 11, 2014 and a Notary Act dated November 21, 2014, DWM Petroleum AG, through its 100% subsidiary TF Petroleum AG, completed the acquisition of the 65% interest in Energy Partners Austria, for total consideration of USD 12,000,000 to the seller, Kavsar General Trading FZE. Energy Partners Austria holds 57.42% of the equity interest in the Tajik company, Petroleum Sugd; the remaining 42.58% equity interest in Petroleum Sugd is held by the Tajik state-owned oil company Sugdneftugas. Petroleum Sugd owns ten producing oil fields in the north of Tajikistan.

7. TANGIBLE FIXED ASSETS

Year 2014 (in USD)	Office equipment & furniture	Vehicles	Leasehold improvements	Computer software	Total
Cost at Jan 1, 2014	157,717	140,366	47,375	35,697	381,155
Additions	6,262	-	7,252	680	14,194
Disposals	(110,209)	(24,593)	(47,358)	(36,377)	(218,537)
Cost at Dec 31, 2014	53,770	115,773	7,269	-	176,812
Accumulated depreciation at Jan 1, 2014	(124,364)	(55,567)	(47,375)	(21,474)	(248,780)
Depreciation	(14,991)	(17,192)	(945)	(14,223)	(47,351)
Disposals	109,700	9,801	47,375	35,697	202,573
Accumulated depreciation at Dec 31, 2014	(29,655)	(62,958)	(945)	-	(93,558)
Net book value at Dec 31, 2014	24,115	52,815	6,324	-	83,254

Year 2013 (in USD)	Office equipment & furniture	Vehicles	Leasehold improvements	Computer software	Total
Cost at Jan 1, 2013	147,141	117,884	47,375	33,212	345,613
Additions	10,575	39,866	-	2,485	52,926
Disposals	-	(17,384)	-	-	(17,384)
Cost at Dec 31, 2013	157,717	140,366	47,375	35,697	381,155
Accumulated depreciation at Jan 1, 2013	(112,608)	(50,146)	(47,375)	(3,048)	(213,178)
Depreciation	(11,756)	(22,805)	-	(18,426)	(52,986)
Disposals	-	17,384	-	-	17,384
Accumulated depreciation at Dec 31, 2013	(124,364)	(55,567)	(47,375)	(21,474)	(248,780)
Net book value at Dec 31, 2013	33,353	84,799	-	14,223	132,374

Depreciation expense for the year ended December 31, 2014 and 2013 was USD 47,351 and USD 52,986, respectively.

8. OIL AND GAS PROPERTIES

Capitalized exploration costs (in USD)	<i>Year ended Dec 31, 2014</i>	<i>Year ended Dec 31, 2013</i>
Unproved, not subject to depletion:		
Mongolia	173,277	772,855
Tajikistan	514,368	-
Proved subject to depletion	-	-
Accumulated depletion	-	-
Total capitalized exploration costs	687,645	772,855

During 2012, two wells were drilled as part of one large campaign which included three drillings in Mongolia. At the beginning of the year, the Company had no recorded unproved properties in Mongolia. During 2012, the Company capitalized USD 2,998,636 of which USD 2,225,781 was expensed as "Exploration Costs" in the Statement of Operations during the third quarter of 2012 as the two wells were found dry. The Company had a remaining capitalized balance of USD 772,855 as of December 31, 2013. This balance related to specific costs for wells still to be drilled including capitalized costs recorded as accruals for USD 312,000. These costs were not paid due to the moratorium in place.

As of June 27, 2013, the Company entered into a Moratorium with the Petroleum Authority of Mongolia. The exploration term was suspended for a period of one year and the initial five year exploration term, extended until May 20, 2015; thereafter the Company would have the possibility to extend the licenses for an additional two years if required. The basis for the Moratorium was the lack of drillable economic structures to fulfill the Company's outstanding PSC commitments. No exploration costs were capitalized during the year ended December 31, 2013.

As of March 31, 2014, the Company impaired USD 312,000 relating to 3 well designs out of the remaining 4 well designs initially capitalized. Furthermore, during the year ended December 31, 2014 the Company renegotiated the cost related to 4 well designs due to the fact that the supplier did not fulfill its responsibilities as per the contract. It was agreed to offset the penalty that the supplier should have paid with the remaining outstanding accrual of USD 312,000.

On May 28, 2014, the Company wrote to the Petroleum Authority of Mongolia requesting the moratorium be extended an additional year. As at December 31, 2014, the Company has not received any response to its request. If the moratorium is extended, the Company plans to begin drilling activities once the full evaluation of the new area is completed and drillable economic structures are available to fulfill outstanding commitments.

During the year ended December 31, 2014, the Company capitalized USD 514,368 relating to the well site preparation of Kayrakkum B in the Republic of Tajikistan. Additionally, in December 2014, the Company impaired USD 287,578 relating to various capitalized expenses and materials in Mongolia which were deemed to no longer provide any future economic benefit leaving one well design and drilling equipment as the remaining balance.

9. STOCK COMPENSATION PROGRAM

Amended 2011 Stock Option Plan

At the Company's Annual and Special Meeting of Shareholders held on September 22, 2011, the shareholders approved the Company's 2011 Stock Option Plan. The purpose of the 2011 Stock Option Plan is to advance the interests of the Company by encouraging its directors, officers, employees and consultants to acquire shares of the Company's common stock, thereby increasing their proprietary interest in the Company, encouraging them to remain associated with the Company and providing them with additional incentive to assist the Company in building value. The previous 2011 Stock Option Plan authorizes the Company to issue options to purchase such number of the Company's common shares as is equal to on aggregate, together with options issued under any prior plan, of up to 10% of the number of issued and outstanding shares of the Company's common stock at the time of the grant (it is the type of stock option plan referred to as a "rolling" stock option plan).

The Amended 2011 Stock Option Plan, which was approved at the Company's Annual Shareholders Meeting dated February 20, 2014, authorizes the Company to issue options to purchase such number of the Company's common shares as is equal to on aggregate, together with options issued under any prior plan, of up to 34,500,000 shares of the Company's common stock (it is the type of stock option plan referred to as a "fixed" stock option plan).

If all or any portion of any stock option granted under the Amended 2011 Stock Option Plan expires or terminates without having been exercised in full, the unexercised balance will be returned to the pool of stock available for grant under the 2011 Stock Option Plan. During the year 2014, 1,050,000 stock options were granted to consultants and certain employees. Due to the termination of certain consultant and employment contracts, 850,000 stock options were forfeited during the year.

Recognition of Stock-based Compensation Costs

Stock-based compensation costs are recognized in earnings using the fair-value based method for all awards granted. For employees fair value is estimated at the grant date and for non-employees fair value is re-measured at each reporting date. Compensation costs for unvested stock options and unvested share grants are expensed over the requisite service period on a straight-line basis.

Grants

- **2014**

On July 7, 2014, the Company granted 300,000 stock options to one employee. Subject to vesting, each stock option is exercisable at a price of USD 0.06 per share for a period of ten years and vesting over two years in quarterly installments.

On August 20, 2014, the Company granted 750,000 stock options to Streicher Capital LLC. 250,000 of these stock options are exercisable at a price of USD 0.076 per share, 250,000 are exercisable at a price of USD 0.084 per share, and 250,000 are exercisable at a price of USD 0.09 per share. Subject to vesting, each stock option is exercisable for a period of five years, vesting over a period of less than one year on specific dates agreed by both parties. Streicher Capital LLC provides marketing and investment relations consulting services to MNP Petroleum Corp. and its affiliates.

- 2013

On February 1, 2013, the Company issued under the 2011 stock option plan 2,000,000 stock options to two directors. Each stock option is exercisable at a price of CAD 0.15 per share for a period of 10 years and vesting in 2 years in quarterly installments.

On February 1, 2013, the Company granted 750,000 stock options to the consultant General Research GmbH pursuant to a consulting agreement for the provisions of investor relations and corporate communication services in Europe. Each stock option is exercisable at a price of US\$0.15 per share for a period of 5 years and vesting in 2 years in quarterly installments.

On June 26, 2013, the Company granted 750,000 stock options to the consultant Undiscovered Equities Inc. pursuant to a consulting agreement for the provisions of investor relations and corporate communication services in North America. Of the total, 250,000 stock options may be exercised at a price of US\$0.15 per share, 250,000 stock options may be exercised at a price of US\$0.30 per share and 250,000 stock options may be exercised at a price of US\$0.45 per shares. The options expire on June 26, 2018 and vest over 12 months in quarterly installments following the effective date of the option agreement.

On February 1, 2013 4,850,000 options of certain directors and officers were cancelled. The unamortized compensation was expensed and was immaterial. On June 30, 2013 500,000 options expired unexercised and further 1,000,000 options expired unexercised on September 30, 2013 and on October 29, 2013 respectively.

9.1. Stock Option Grants

The Company calculates the fair value of options granted by applying the Black-Scholes option pricing model. Expected volatility is based on the Company's own historical share price volatility. The Company's share price data can be traced back to April 2, 2007, and the Company believes that this set of data is sufficient to determine expected volatility as input for the Black-Scholes option pricing model. The Company uses the simplified method to determine the expected term as there is no historical exercise data available.

The following table shows the weighted average assumptions used in the Black-Scholes option pricing model to calculate the fair values of the options granted during the financial year ended December 31, 2014 and 2013:

Assumption used	2014	2013
Expected dividend yield	0%	0%
Expected volatility	147%	107%
Risk-free interest rate	1.14%	0.97%
Expected term (in years)	7.47	5.34

During the years ended December 31, 2014 and 2013, the weighted average fair value of options granted was USD 0.06 and USD 0.05 at the grant dates, respectively.

The following tables summarize the Company's stock option activity for the years ended December 31, 2014 and 2013:

Outstanding options 2014	Shares under option	Weighted-average exercise price	Weighted-average remaining contractual term (years)	Aggregate intrinsic value
Outstanding at December 31, 2013	12,100,000	USD 0.25	6.22	-
Granted	1,050,000	0.08	6.22	75
Exercised	-	-	-	-
Forfeited or expired	(850,000)	USD 0.29	6.22	-
Outstanding at December 31, 2014	12,300,000	USD 0.24	6.21	7,973
Exercisable at December 31, 2014	11,256,250	USD 0.25	6.22	1,177

Outstanding options 2013	Shares under option	Weighted-average exercise price	Weighted-average remaining contractual term (years)	Aggregate intrinsic value
Outstanding at December 31, 2012	15,950,000	USD 0.39	7.07	-
Granted	3,500,000	USD 0.18	6.21	-
Exercised	-	-	-	-
Forfeited or expired	(7,350,000)	USD 0.50	-	-
Outstanding at December 31, 2013	12,100,000	USD 0.25	7.07	-
Exercisable at December 31, 2013	10,631,250	USD 0.26	7.17	-

The following table illustrates the development of the Company's non-vested options during the year ended December 31, 2014:

Non-vested options	Shares under option	Weighted-average grant date fair value
Non-vested at December 31, 2013	1,468,750	0.06
Non-vested granted	1,050,000	0.06
Vested	(1,475,000)	0.06
Non-vested, forfeited or canceled	-	-
Non-vested at December 31, 2014	1,043,750	0.06

As of December 31, 2014, there was USD 45,289 of unrecognized compensation expense related to non-vested stock option based compensation arrangements. These expenses are expected to be recognized over a weighted average period of 0.77 years.

The following tables summarize information about the Company's stock options as of December 31, 2014:

Exercise Price in USD	Options Outstanding		Options Exercisable	
	Number of Options	WA Remaining Contractual Term	Number of Options	WA Remaining Contractual Term
0.06	300,000	9.52	37,500	9.52
0.076	250,000	4.64	62,500	4.64
0.084	250,000	4.64	62,500	4.64
0.09	250,000	4.64	62,500	4.64
0.15	750,000	3.09	656,250	3.09
0.20	500,000	1.90	500,000	1.90
0.215	8,000,000	6.77	8,000,000	6.77
0.68	500,000	4.61	500,000	4.61
0.79	500,000	4.61	500,000	4.61
Total	11,300,000	6.21	10,381,250	6.22

Exercise Price in CAD	Options Outstanding		Options Exercisable	
	Number of Options	WA Remaining Contractual Term	Number of Options	WA Remaining Contractual Term
0.15	1,000,000	8.09	875,000	8.09

9.2. Share Grants

The Company calculates the fair value of share grants at the grant date based on the market price at closing. For restricted share grants, the Company applies a prorated discount of 12% on the market price of the shares over the restriction period. The discount rate is an estimate of the cost of capital, based on previous long-term debt the Company has issued.

No share grants were granted in 2014. As of December 31, 2014, there were no unrecognized compensation costs related to unvested share grants.

9.3. Summary of Stock-based Compensation Expenses

A summary of stock-based compensation expense for the respective reporting periods is presented in the following table:

Stock based compensation expenses (in USD)	Year ended	
	Dec 31, 2014	Dec 31, 2013
Option grants	94,954	699,104
Share grants	-	-
Total	94,954	699,104
Recorded under "Personnel"	37,803	668,564
Recorded under "Consulting fees"	57,151	30,540

10. WARRANTS

On May 6, 2011, upon completion of a public offering, the Company issued 44,450,500 Unit Warrants and 1,333,515 Agent Warrants. The Unit Warrants are exercisable until May 6, 2014 and the Agent Warrants until May 6, 2013, respectively. In accordance with ASC 815, the Company determined that the Unit Warrants and the Agent Warrants are to be classified in stockholders' equity due to the fact that there are no cash settlement provisions, no re-set provisions or any other provisions that would require liability accounting.

10.1. Warrant activity

The following tables summarize the Company's warrant activities for the years ended December 31, 2014 and 2013:

Warrants 2014	Number of warrants	Weighted average exercise price
Outstanding at December 31, 2013	44,450,500	USD 0.70
Granted	-	-
Exercised	-	-
Forfeit or expired	(44,450,500)	USD 0.70
Outstanding at December 31, 2014	-	-

Warrants 2013	Number of warrants	Weighted average exercise price
Outstanding at December 31, 2012	45,934,015	USD 0.70
Granted	-	-
Exercised	-	-
Forfeit or expired	(1,483,515)	-
Outstanding at December 31, 2013	44,450,500	USD 0.70

10.2. Warrants Outstanding

As of December 31, 2014, the Company had no warrants outstanding to purchase common stock. As of December 31, 2013 there were 44,450,500 warrants outstanding. Each warrant entitled the holder to purchase one share of the Company's common stock.

The following table summarizes information about the Company's warrants outstanding as of December 31, 2013:

Warrant series 2013	Number of warrants	Strike price	Grant date	Expiry date
Unit warrants	44,450,500	USD 0.70	May 6, 2011	May 6, 2014
Total warrants outstanding	44,450,500			

11. INVESTMENT IN PETROMANAS

On February 12, 2010, the Company's wholly-owned subsidiary DWM Petroleum, signed a Share Purchase Agreement and completed the sale of all of the issued and outstanding shares of Manas Adriatic to Petromanas Energy Inc. ("Petromanas"). After closing, the Share Purchase Agreement was amended by an amending agreement dated May 25, 2010. As a result of this transaction, the Company acquired 200,000,000 common shares of Petromanas. 100,000,000 of these were issued on March 3, 2010 pursuant to the original terms of the Share Purchase Agreement; the additional 100,000,000 were received on May 26, 2010, pursuant to the amending agreement. The shares were subject to a hold period expiring September 24, 2011 and bore a legend to that effect. In addition, all of these shares were deposited into an escrow pursuant to the requirements of the TSX Venture Exchange which provides for the release of the shares from escrow according to the following schedule:

Release dates	Number of shares released from escrow
June 24, 2010	10,000,000
August 24, 2010	15,000,000
February 24, 2011	15,000,000
June 24, 2011	40,000,000
August 24, 2011	30,000,000
February 24, 2012	30,000,000
August 24, 2012	30,000,000
February 24, 2013	30,000,000
Total	200,000,000

On July 6, 2012, DWM Petroleum sold 10,000,000 of these shares to one unrelated party at a price of CAD 0.17 per common share for gross proceeds of CAD 1,700,000 (USD 1,670,598). On August 17, 2012, pursuant to agreements dated August 13, 2012, DWM Petroleum sold an additional 90,000,000 of these Petromanas shares to twelve purchasers at a price of CAD 0.115 per common share for gross proceeds of CAD 10,350,000 (USD 10,445,050) together with the right to receive 22.5% of the Performance Shares if and when any Performance Shares are issued by Petromanas. As of December 31, 2012 no proceeds were allocated to these performance shares as they are only issuable upon achievement of certain conditions and the likelihood of the contingent event is not reasonably determined.

During the Period of October 18, 2013 to October 29, 2013, DWM Petroleum sold 1,000,000 shares at a price of CAD 0.12 per common share for gross proceeds of CAD 120,000 (USD 114,900) on the open market. On October 25, 2013, DWM Petroleum sold an additional 3,000,000 shares at a price of CAD 0.10 per common shares for gross proceeds of CAD 300,000 (USD 288,510) on the open market.

On November 8, 2013, DWM Petroleum sold an additional 46,000,000 shares at a volume weighted price of CAD 0.12 per common shares for gross proceeds of CAD 5,595,710 (USD 5,366,286) on the open market.

Since the shares were subject to a hold period of thirty months until February 24, 2013, and because the shares were also deposited into escrow and subject to a fixed escrow release schedule, the Company deemed them to have a Level 2 input for the calculation of the fair value in accordance with ASC 820 (Fair value measurements and disclosures). The Company had applied an annual discount rate of 12% on the quoted market price based on the time before the shares become freely tradable. The discount rate was an estimate of the cost of capital, based on previous long-term debt the Company has issued.

Since February 25, 2013 the fair value of the investment in Petromanas has been reclassified to Level 1 and no additional discount rate is being used for the current calculation of the investment.

Effective from and after August 14, 2013 all Petromanas shares held by the Company were free of any restrictions and are eligible for resale. The Company intends to use these shares for its working capital requirements or pledge them for a short term financing facility. Pursuant to that we have reclassified the remaining Petromanas shares from non-current to current assets.

On December 31, 2013, DWM Petroleum owned and controlled 50,000,000 common shares of Petromanas and it had the right to acquire a further 38,750,000 common shares (referred to as "Performance Shares") upon the occurrence of certain conditions. The 50,000,000 common shares represented approximately 7.2% of the issued and outstanding common shares of Petromanas.

Between February 26, 2014 and February 27, 2014 DWM Petroleum sold 1,500,000 shares of Petromanas (PMI) at a weighted average price of CAD 0.23 per common share for gross proceeds of CAD 337,500 (USD 300,602). On March 5, 2014, DWM Petroleum sold an additional 40,000,000 shares at a price of CAD 0.20 per common share for gross proceeds of CAD 8,000,000 (USD 7,214,632) on the open market. On March 6, 2014 DWM Petroleum sold 500,000 shares at a price of CAD 0.22 for gross proceeds of CAD 110,000 (USD 98,751).

During the period between November 7, 2014 and November 21, 2014 DWM Petroleum sold 4,000,000 shares at a weighted average price of CAD 0.095 per common share for gross proceeds of CAD 380,000 (USD 335,266).

As of December 31, 2014, DWM Petroleum holds 4,000,000 shares in Petromanas, representing 0.6% of the outstanding shares. Additionally, it has the right to receive a further 38,750,000 common shares (referred to as "Performance Shares") upon the occurrence of certain conditions.

The quoted market price for one common share of Petromanas on December 31, 2014 and December 31, 2013 was CAD 0.06 (USD 0.052) and CAD 0.16 (USD 0.150), respectively.

During the year ended December 31, 2014 and 2013, respectively, the Company recorded USD 665,378 unrealized gain on investment in Petromanas and USD 4,247,067 unrealized loss on investment, respectively.

12. SHAREHOLDERS' EQUITY

12.1. Common Stock

As at December 31, 2014, the Company had only one class of common stock with a 6,000,000 shares authorized and a par value of USD 0.001

12.2. Share Repurchase Program

In 2014, the Company's Board of Directors authorized a repurchase program to repurchase up to 8,296,614 shares of its common shares over a period of 12 months, which represents 5% of the 172,592,292 issued and outstanding common shares, under the normal course issuer bid. As at December 31, 2014, the Company had repurchased 6,479,500 of its shares under the program shown as treasury stock with a value of USD 551,018.

13. RELATED PARTY DISCLOSURE

The consolidated financial statements include the financial statements of MNP Petroleum Corporation and the entities listed in the following table:

Company	Country	Equity share Dec 31, 2014	Equity share Dec 31, 2013
DWM Petroleum AG, Baar ⁽¹⁾	Switzerland	100%	100%
DWM Energy AG Baar ⁽²⁾	Switzerland	100%	100%
Petromanas Energy Inc., Calgary ⁽³⁾	Canada	0.6%	7.2%
CJSC South Petroleum Company, Jalalabat ⁽⁴⁾	Kyrgyz Republic	-	25%
CJSC Somon Oil Company, Dushanbe ⁽⁵⁾	Republic of Tajikistan	90%	90%
Manas Management Services Ltd., Nassau ⁽⁶⁾	Bahamas	100%	100%
Manas Chile Energia Limitada, Santiago ⁽⁷⁾	Chile	100%	100%
Gobi Energy Partners LLC, Ulaan Baator ⁽⁸⁾	Mongolia	74%	74%
Gobi Energy Partners GmbH ⁽⁹⁾	Switzerland	74%	74%
TF Petroleum AG ⁽¹⁰⁾	Switzerland	100%	-

(1) Included Branch in Albania that was sold in February 2010.

(2) Founded in 2007.

(3) Petromanas Energy Inc. participation resulted from partial sale of Manas Adriatic GmbH; fair value method applied.

(4) CJSC South Petroleum Company was founded by DWM Petroleum AG; equity method investee that is not consolidated. This company has been formally liquidated as of October 24, 2014.

(5) CJSC Somon Oil Company was founded by DWM Petroleum AG. As CJSC Somon Oil has been in a loss position since its inception and MNP is legally required to fund the losses, no no-controlling interest has been recorded.

(6) Founded in 2008.

(7) Manas Chile Energia Limitada was founded by Manas Management Services Ltd.; founded in 2008.

(8) Gobi Energy Partners LLC was founded in 2009 by DWM Petroleum AG (formerly Manas Gobi LLC). Gobi Energy Partners GmbH holds record title to 100% of Gobi Energy Partners LLC.

(9) Gobi Energy Partners GmbH was founded in 2010. DWM Petroleum AG held record title to 100% of Gobi Energy Partners GmbH, of which 26% were held in trust for others. In July 2012, these 26% were transferred to the beneficial shareholders. The Company determined that no value needs to be ascribed to the non-controlling interest due to the fact that the non-controlling parties do not carry any costs.

(10) TF Petroleum was founded in 2012 pursuant to the Supplement Agreement dated March 31, 2014. DWM Petroleum AG acquired 100% for a purchase price of CHF 1.00 (USD 1.13) pursuant to a Share Purchase Agreement signed on April 4, 2014.

• CJSC South Petroleum Company

On October 4, 2006 a contract was signed with Santos International Holdings PTY Ltd. (“Santos”) to sell a 70% interest in CJSC South Petroleum Company, Jalalabat for a payment of USD 4,000,000, a two phase work program totalling USD 53,500,000 (Phase 1: USD 11,500,000, Phase 2: USD 42,000,000), additional working capital outlays of USD 1,000,000 per annum and an earn-out of USD 1,000,000 to former DWM shareholders to be settled in shares of Santos if they elect to enter into Phase 2 of the work program. If Santos does not exercise the option to enter into Phase 2, the 70% interest is returned to DWM Petroleum at no cost. On December 2, 2008, Santos announced to enter into Phase 2 and the earn-out was paid to former DWM shareholders.

In phase 2 of the work program, in the event Santos spends in excess of USD 42,000,000 on the appraisal wells, the Company would be obligated to pay 30% of the excess expenditure. Pursuant to the farm-in agreement with Santos, costs had been carried by Santos and DWM Petroleum AG has not recorded any losses.

Due to political uncertainty in the country Santos and DWM have decided to exit Kyrgyzstan. On July 2013, the Board of Directors took the decision to exit Kyrgyzstan. Since then all of the licenses have expired and Santos is in the process of winding up South Petroleum at its expense. There will be no liquidated damages as a result of exiting the venture. We wrote off our investment in associate of USD 238,304 during the third quarter of 2013 which was recorded under exploration costs.

South Petroleum Company was formally liquidated as of October 24, 2014.

• CJSC Somon Oil (Tajikistan)

On December 10, 2007 DWM Petroleum (100% subsidiary of MNP Petroleum) & Santos entered into an Option Agreement under which Santos had a unilateral option to elect for those parties to execute at a later stage, a Farm In Agreement for a 70% interest in DWM Petroleum’s “West” (area Navobod-Obchai Kalacha) Tajikistan License and a proposed North Tajik license. MNP Petroleum expects the North Tajik license to be granted to Somon Oil in the near future.



Santos International Ventures Pty Ltd had an option to enter into a farm in agreement in respect of these licenses, but decided in December 31, 2012 not to pursue this option. Santos continued to fund current capital expenditures, as well as certain general and administrative costs of Somon Oil until January 2013. DWM is in negotiations to setup a new consortium for this acreage, and the Company anticipates the financial commitment amounts to change. To date no liquidated damages have occurred.

- **Related parties**

Due to the sale of 196,000,000 shares of Petromanas Energy, ownership and voting right percentages of MNP Petroleum Corporation has diminished as the amount of shares owned have decreased from 7.2% at December 31, 2013 to 0.6% at December 31, 2014.

The following table provides the total amount of transactions, which have been entered into with related parties for the specified period:

Related parties' transactions	<i>Year ended</i>	
	Dec 31, 2014	Dec 31, 2013
Affiliates		
Management services performed to Petromanas*	(278)	(13,052)
Board of directors		
Payments to directors for office rent	37,954	37,344
Payments to related companies controlled by directors for rendered consulting services	382,071	379,057

* Services invoiced or accrued are recorded as contra-expense in personnel cost and administrative cost

14. INCOME TAXES

The components of income from continuing operations before income taxes are as follows:

Pre-tax income (in USD)	<i>Year ended</i>	
	Dec 31, 2014	Dec 31, 2013
Domestic	(1,405,962)	(1,410,271)
Foreign	(5,147,901)	(9,415,824)
Income/(loss) from operations before income tax	(6,553,863)	(10,826,095)

Income taxes relating to the Company's continuing operations are as follows:

Income taxes for continuing operations (in USD)	<i>Year ended</i>	
	Dec 31, 2014	Dec 31, 2013
<i>Current income taxes</i>		
US Federal, state and local	-	-
Foreign	8,226	233
<i>Deferred income taxes</i>		
US Federal, state and local	-	134,785
Foreign	-	-
Income tax expense/(recovery)	8,226	135,018

Income taxes at the United States federal statutory rate compared to the Company's income tax expenses as reported are as follows:

Income taxes at the US statutory rate (in USD)	<i>Year ended</i>	
	Dec 31, 2014	Dec 31, 2013
Net income/(loss) before income tax	(6,553,863)	(10,826,095)
Statutory tax rate	35%	35%
Expected income tax expense/(recovery)	(2,293,852)	(3,789,133)
Impact on income tax expense/(recovery) of the following:		
Permanent differences: Sale of PMI shares	943,348	4,591,691
Change in valuation of warrants and liabilities	19,193	12,168
Expiring losses	2,561,244	-
True-up of available losses	(90,489)	1,161,033
Stock compensation forfeited	18,633	2,318,379
Section 956 inclusion	195,833	209,642
Intercompany interest	173,619	169,786
Change in valuation allowance	(430,385)	(6,729,279)
Impact of tax rate changes and differences	(1,015,562)	(2,212,608)
US tax penalties	-	134,785
Other	(73,356)	(156,662)
Income tax expense/(recovery)	8,226	135,018

The Company assesses the recoverability of its deferred tax assets and, to the extent recoverability does not satisfy the "more likely than not" recognition criterion under ASC 740, records a valuation allowance against its deferred tax assets. The Company considered its recent operating results and anticipated future taxable income in assessing the need for its valuation allowance.

The Company's deferred tax assets and liabilities consist of the following:

Deferred tax assets and liabilities (in USD)	<i>Year ended</i>	
	Dec 31, 2014	Dec 31, 2013
<i>Deferred tax assets</i>		
Stock based compensation	602,696	588,094
Tax loss carry-forwards	8,135,888	8,616,459
Other	21,675	31,536
Investment in Petromanas	(1,218)	(51,963)
Valuation allowance	(8,759,041)	(9,184,126)
Deferred tax assets/(liabilities)	-	-

The Company's operating loss carry-forwards of all jurisdictions expire according to the following schedule:

<i>Operating loss carry-forward (in USD)</i>	<i>As of Dec 31, 2014</i>				
	United States	Switzerland	Mongolia	Tajikistan	Total
2015	-	72,470	909,772	929,872	1,912,114
2016	-	75,463	1,075,684	220,326	1,371,473
2017	-	-	-	345,480	345,480
2018	-	70,777	-	327,479	398,256
2019	-	154,657	-	207,819	362,476
2020	-	102,948	-	504,790	607,738
2021	71,637	29,346	-	796,775	897,758
2022	94,341	-	-	-	94,341
2023	63,291	-	-	-	63,291
2024	13,578	-	-	-	13,578
2025	134,360	-	-	-	134,360
2026	360,521	-	-	-	360,521
2027	5,327,959	-	-	-	5,327,959
2028	4,285,071	-	-	-	4,285,071
2029	3,245,872	-	-	-	3,245,872
2030	3,054,151	-	-	-	3,054,151
2031	2,851,080	-	-	-	2,851,080
2032	277,493	-	-	-	277,493
2033	280,630	-	-	-	280,630
2034	689,557	-	-	-	689,557
Total operating loss carry-forwards	20,749,541	505,661	1,985,456	3,332,541	26,573,199

Under current income tax law in Mongolia, our 74% owned subsidiary Gobi Energy Partners LLC is exempted from income tax.

The following tax years remain subject to examination:

Significant Jurisdictions	Open Years
US Federal	2014
Switzerland	2014
Mongolia	2014
Tajikistan	2014

As of December 31, 2014 and 2013, there were no known uncertain tax positions. We have not identified any tax positions for which it is reasonably possible that a significant change will occur during the next 12 months.

Pursuant to APB 23, provision has not been made for U.S. or additional foreign taxes since all ventures of the Company are not generating any income and will not for the foreseeable future. The company expects that future earnings will be reinvested but could become subject to additional tax if they were remitted as dividends or were loaned to the Company, or if the Company should sell or dispose of its stock in the foreign subsidiaries. It is not practical to determine the deferred tax liability, if any, that might be payable on foreign earnings because if the Company were to repatriate these earnings, the Company believes there would be various methods available to it, each with different U.S. tax consequences.

15. ISSUED CAPITAL AND RESERVES

Shares MNP Petroleum Corporation	<i>Year ended</i>	
	Dec 31, 2014	Dec 31, 2013
Total number of authorized shares	600,000,000	600,000,000
Total number of fully paid-in shares	172,592,292	172,592,292
Par value per share (in USD)	0.001	0.001
Total share capital (in USD)	172,592	172,592

All shares are common shares. There are no different share categories.

16. COMMITMENTS & CONTINGENT LIABILITIES

Legal actions and claims (Republic of Tajikistan, Mongolia and Chile)

In the ordinary course of business, members of the Group doing business in Mongolia and the Republic of Tajikistan may be subject to legal actions and complaints from time to time. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition, the results of future operations or cash flows of the associates/subsidiaries in Mongolia and the Republic of Tajikistan.

At December 31, 2014, there had been no legal actions against any member of the Group in Mongolia and the Republic of Tajikistan.

Management believes that the members of the Group are in substantial compliance with the tax laws affecting their respective operations in the Republic of Tajikistan and Mongolia. However, the risk remains that relevant authorities could take differing positions with regards to interpretative issues.

License agreements held by Gobi Energy Partners (Mongolia)

The following table sets forth the approximate financial commitment amounts pursuant to each production sharing contract for Blocks XIII and XIV during the periods indicated (in USD):

Production Sharing Contract	2013*	2014*
Block XIII	6,900,000	6,900,000
Block XIV	6,900,000	6,900,000

* Financial commitment for the fifth contract year (starting April 21 of each year) of the production sharing contract

The contract is currently under a Moratorium, which extends the contract period by one year. Afterwards the licenses can be extended. The Moratorium ends in May 2014. It was entered due to lack of potentially economic prospects to fulfill the outstanding commitments. We have applied for a further extension of the Moratorium until the end of May 2015. The approval is still pending.

License agreement held by CJSC Somon Oil (Republic of Tajikistan)

The following table sets forth the approximate commitments pursuant to the licenses during the periods indicated (in USD):

License Area	2013*	2014*	2015*	2016*
West ¹	4,500,000	2,500,000	to be agreed	to be agreed
North-West ²	8,680,000	8,700,000	3,600,000	4,600,000

*Commitments are based on calendar year. Amounts indicative, work plan prevails

¹ Granted on July 25, 2007, extension after July 25, 2014 and the related commitments to be agreed

² License granted on July 28, 2009

Santos International Ventures Pty Ltd funded all expenditures of Somon Oil, and had an option to enter into a farm-in agreement in respect of these licenses, but decided on December 21, 2012 not to pursue this option. Santos continued to fund current capital expenditures, as well as certain general and administrative costs of Somon Oil until January 2013. We remain confident that the project has exploration potential and we are actively working to form a new consortium.

Operating leases

In October 2011, the Company entered into lease contracts for two cars. The contracts have a term of 48 months each.

For the years ended December 31, 2014 and 2013 we had expenses for these items of USD 24,951 and USD 120,765, respectively.

Future net lease payments for two leased cars are presented in the table below (in USD):

Year	Lease payments
2015	18,597
2016	-
Thereafter	-
Total	18,597

17. PERSONNEL COSTS AND EMPLOYEE BENEFIT PLANS

Personnel Costs (in USD)	2014	2013
Wages and salaries	1,678,170	2,064,955
Social security contributions	128,448	143,525
Pension fund contribution	71,386	60,587
Pension (surplus)/underfunding	198,078	32,870
Total Personnel Costs	2,076,082	2,301,938

Defined Benefit Plan

We maintain Swiss defined benefit plans for seven of our employees. These plans are part of independent collective funds providing pensions combined with life and disability insurance. The assets of the funded plans are held independently of the Company's assets in a legally distinct and independent collective trust fund which serves various unrelated employers. The funds' benefit obligations are fully reinsured by AXA Winterthur Insurance Company. The plans are valued by independent actuaries using the projected unit credit method. The liabilities correspond to the projected benefit obligations of which the discounted net present value is calculated based on years of employment, expected salary increases, and pension adjustments.

The actuarial valuation was carried out as of December 31, 2014. The amounts recognized in the consolidated balance sheets, shown in other non-current liabilities, as at December 31, 2014 and as at December 31, 2013 respectively, were determined to be as follows:

Amounts recognized (in USD)	2014	2013
ABO End of Year	628,800	685,041
Change in PBO During Year		
PBO at Beginning of Period	923,602	827,379
Service Cost	16,424	47,545
Interest Cost	21,617	19,029
Employee Contributions	48,220	82,481
Plan Amendments	-	-
Liability (Gain)/Loss	74,008	13,905
Actuarial (Gain)/Loss due to Changes in Assumptions	150,095	-
Benefit Payments	(71,101)	(88,938)
Currency Translation Adjustment	(96,469)	22,200
PBO at End of Year (in USD)	1,066,396	923,602
Change in Assets During Year		
Fair Value of Assets at Beginning of period	781,331	690,234
Actual Return on Assets	(25,432)	11,491
Company Contributions	48,220	82,481
Employee Contributions	48,220	82,481
Benefit Payments	(58,706)	(79,517)
Currency Translation Adjustment	(67,586)	(5,842)
Fair Value of Assets at End of Year	726,047	781,331
Net Assets/(Liabilities) in Balance Sheet	(340,349)	(142,271)

The following table provides the weighted average assumptions used to calculate net periodic benefit cost and the actuarial present value of projected benefit obligations:

Assumptions at year-end	Dec 31, 2014	Dec 31, 2013
Discount rate	1.10%	2.25%
Expected rate of return on plan assets	1.10%	2.00%
Salary increases	1.00%	1.00%

Due to current economic conditions and the decrease in government bond rates, the discount rate used in the pension plan calculations decrease significantly in the year ended December 31, 2014.

Future benefits, to the extent that they are based on compensation, include assumed salary increases, as presented above, consistent with past experience and estimates of future increases in the Swiss industrial labor market.

Net periodic pension cost has been included in the Company's results as follows:

Pension expense (in USD)	Dec 31, 2014	Dec 31, 2013
Net service cost	16,424	47,545
Interest cost	21,617	19,029
Expected return on assets	(17,667)	(17,223)
Actuarial net loss	267,202	19,637
Net periodic pension cost	287,576	68,988

All of the assets are held under the collective contract by the plan's re-insurer AXA Winterthur Insurance Company and are invested in a mix of Swiss and international bond and equity securities within the limits prescribed by the Swiss Pension Law.

The expected future cash flows to be paid by the Group in respect of employer contributions to the pension plan for the year ended December 31, 2015 are USD 72,925.

Future projected benefit payments in the next five years are expected to be zero.

For its employees in subsidiaries outside of Switzerland, the social security policy does not require pension funding from the employer.

18. FAIR VALUE MEASUREMENT

ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. Financial assets carried at fair value are classified in one of the three categories as follows:

Financial assets and liabilities carried at fair value as of December 31, 2014:

Financial assets 2014 (in USD)	Level 1	Level 2	Level 3
Investment in associate (Petromanas)	206,382	-	-
Total	206,382	-	-

Financial assets and liabilities carried at fair value as of December 31, 2013:

Financial assets 2013 (in USD)	Level 1	Level 2	Level 3
Investment in associate (Petromanas)	7,478,799	-	-
Total	7,478,799	-	-

The following table summarizes the changes in the fair value of the Company's level 2 financial assets and liabilities for the year ended December 31, 2013 (in USD):

Balance at Jan 1, 2013	17,462,734
Total gains (losses) realized and unrealized:	
<i>Included in earnings - unrealized</i>	(81,376)
<i>Included in earnings - realized</i>	(4,247,067)
<i>Included in other comprehensive income</i>	-
Proceeds from sale of investment in associate	(5,655,492)
Net transfer in/(out) of level 2	(7,478,799)
Balance at Dec 31, 2013	-

Fair Value of Financial Instruments

In addition to the methods and assumptions we use to record the fair value of financial instruments as discussed in the Fair Value Measurements section above, we used the following methods and assumptions to estimate the fair value of our financial instruments.

- **Cash and cash equivalents** – carrying amount approximated fair value.
- **Restricted cash** – carrying amount approximated fair value
- **Accounts receivable** – carrying amount approximated fair value.
- **Transaction prepayment** – carrying amount approximated fair value.
- **Investment in Petromanas** – calculated based on quoted market prices.
- **Accounts Payable** – carrying amount approximated fair value.

The fair value of our financial instruments is presented in the table below (in USD):

	December 31, 2014		December 31, 2013		Fair Value Levels	Reference
	Carrying Amount	Fair Value	Carrying Amount	Fair Value		
Cash and cash equivalents	1,369,778	1,369,778	3,063,947	3,063,947	1	Note 4
Restricted cash	208,621	208,621	46,738	46,738	1	
Transaction prepayment	12,000,000	12,000,000	10,111,656	10,111,656	1	Note 5
Accounts receivable	14,359	14,359	32,508	32,508	1	
Investment in associate (Petromanas)	206,382	206,382	7,478,799	7,478,799	1	Note 10
Accounts Payable	1,165,472	1,165,472	447,736	447,736	1	
Refundable Deposits	-	-	-	-	1	

19. EARNINGS PER SHARE

Basic earnings per share result by dividing the Company's net income (or net loss) by the weighted average number of shares outstanding for the contemplated period.

Diluted earnings per share are calculated applying the treasury stock method. When there is net income, dilutive effects of all stock-based compensation awards or participating financial instruments are considered. When the Company posts a loss, basic loss per share equals diluted loss per share.

The following table depicts how the denominator for the calculation of basic and diluted earnings per share was determined under the treasury stock method:

EPS	Year ended	
	Dec 31, 2014	Dec 31, 2013
Company posted	Net loss	Net loss
Basic weighted average shares outstanding	170,134,834	172,592,292
Dilutive effect of common stock equivalents:		
- stock options under employee compensation plans and warrants	-	-
Diluted weighted average shares outstanding	170,134,834	172,592,292

The following table shows the total number of stock equivalents that was excluded from the computation of diluted earnings per share for the respective period because the effect would have been anti-dilutive:

Stock equivalent	<i>Year ended</i>	
	Dec 31, 2014	Dec 31, 2013
Options	12,300,000	12,100,000
Warrants	-	44,450,500
Total	12,300,000	56,550,500

20. SEGMENT INFORMATION

The Chief Operating Decision Makers (“CODM”) are the Group CEO and Group CFO. None of the CODM, Executive Officers nor the Directors receive disaggregated financial information about the locations in which exploration is occurring. Therefore, the Group considers that it has only one reporting segment.

The following table presents the Company’s tangible fixed assets by geographic region:

Tangible fixed assets (in USD)	Dec 31, 2014	Dec 31, 2013
United States	-	-
Switzerland	13,893	14,223
Mongolia	39,699	62,070
Tajikistan	29,662	56,081
Total tangible fixed assets	83,254	132,374

21. SUBSEQUENT EVENTS

MNP Petroleum Corp. (“MNP”) (TSX-V: MNP; OTCQB: MNAP) announced that it has completed the EPA.at transaction on January 15, 2015. Pursuant to the Supplement Agreement dated September 11, 2014 and the Notary Act dated November 21, 2014, DWM Petroleum AG, a 100% subsidiary of MNP, through its 100% subsidiary TF Petroleum AG has completed the acquisition of a 65% interest in EPA.at, an Austria registered company, for total consideration of US\$12 million in cash to the Seller, Kavsar General Trading FZE. EPA.at holds 57.42% of the equity interest in the Tajik company Petroleum Sugd; the remaining 42.58% equity interest in Petroleum Sugd is held by the Tajik state oil company Sugdneftugas. Petroleum Sugd owns ten producing oil fields. Petroleum Sugd is consolidated in the financials of EPA which will be shown as an equity investment due to its variable interest nature.

In addition, MNP announced that CJSC Somon Oil’s, a 90% subsidiary of DWM Petroleum AG, Western Oil Exploration License (Zapadnyi) pursuant to the provisions of Production Sharing Agreement, Subsoil Law and Licensing Law has been extended for three years until July 25, 2017.

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

None.

ITEM 9A CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain “disclosure controls and procedures”, as that term is defined in Rule 13a-15(e), promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in our company’s reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

As required by paragraph (b) of Rules 13a-15 under the Securities Exchange Act of 1934, our management, with the participation of our principal executive officer and our principal financial officer, evaluated our company’s disclosure controls and procedures as of the end of the period covered by this annual report on Form 10-K. Based on this evaluation, our management concluded that as of the end of the period covered by this annual report on Form 10-K, our disclosure controls and procedures were effective.

Management’s Report on Internal Control over Financial Reporting

Our management, including our principal executive officer, principal financial officer and our Board of Directors, is responsible for establishing and maintaining a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Our management, with the participation of our principal executive officer and our principal financial officer, evaluated the effectiveness of our internal control over financial reporting as of December 31, 2014. Our management’s evaluation of our internal control over financial reporting was based on the framework in Internal Control—Integrated Framework (1992), issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2014 and no material weakness has been detected within our company.

A material weakness is a deficiency or a combination of control deficiencies in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Our principal executive officer and our principal financial officer do not expect that our disclosure controls or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additional controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the fiscal quarter ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

ITEM 9B OTHER INFORMATION

None.

PART III

ITEM 10 DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors and Executive Officers

Our directors hold office until the next annual meeting, until their successors have been elected and qualified, or until they resign or are removed. Our Board of Directors appoints our officers, and our officers hold office for such term as may be prescribed by our Board of Directors and until their successors are chosen and qualify, or until their death or resignation, or until their removal.

Our directors and executive officers, their ages, positions held, and duration of such are as follows:

Name	Position Held	Age	Date First Elected or Appointed
Heinz J. Scholz ²	Executive Director and Chairman of the Board	72	April 10, 2007
Michael J. Velletta ^{1,2}	Executive Director	58	April 10, 2007
Dr. Richard Schenz ¹	Director	74	November 21, 2008
Dr. Werner Ladwein ³	Director, President and Chief Executive Officer	65	September 16, 2010
Darcy Spady ^{1,2,3}	Director	52	November 8, 2012
Peter-Mark Vogel	Chief Financial Officer, Treasurer and Secretary	50	March 25, 2013

- (1) Member of the audit committee
- (2) Member of the corporate governance and compensation committee
- (3) Member of the technical committee

Business Experience

The following is a brief account of the education and business experience of directors and executive officers during at least the past five years, indicating their principal occupation during the period, and the name and principal business of the organization by which they were employed.

Heinz J. Scholz, Executive Director and Chairman

Heinz J. Scholz is a physicist and engineer. In the 1980s Mr. Scholz built, through his company HJS Planung & Engineering, where he was the majority shareholder and Chief Executive Officer and President, factories and telecommunication networks in the former Soviet Union. After the German reunification, he also advised Soviet Ministries regarding the negotiations on the sale of Russia's East German telecommunication network to Deutsche Telecom. He has worked in collaboration with scientific institutes in the Russian Federation. Mr. Scholz was a Co-Chairman and Member of the Compensation Committee of Petromanas Energy Inc. (TSX Venture Exchange, PMI) from February 24, 2010 to November 5, 2013.

Mr. Scholz has been our Executive Director since August 25, 2008 and the Chairman of our Board of Directors and one of our directors since April 10, 2007. Since May 2004, he has acted as the Chairman of the Board of Directors for DWM Petroleum AG, and from May 2004 to April 2007, he acted as Chief Executive Officer for DWM Petroleum AG. Mr. Scholz earned his Engineering degree in 1975 and MSc equivalent in Physics in 1979 at University (Bremen) Engineer for Electro Technology and University for Technology (Bremen), respectively.

We believe Mr. Scholz is qualified to serve on our Board of Directors because of his extensive knowledge of our company's history and current operations. Mr. Scholz is also a co-founder of DWM Petroleum AG, our wholly-owned subsidiary. Mr. Scholz plays a critical role in targeting, appraising and subsequently acquiring the rights to major oil and gas assets in the former Soviet Union and its satellite countries.

Michael J. Velletta, Executive Director

Michael J. Velletta has been a lawyer in British Columbia, Canada since 1990 and is a partner with the law firm of Velletta & Company, which focuses on corporate and commercial law, and litigation. He was our Corporate Secretary from April 10, 2007 until March 25, 2013. Mr. Velletta serves on the Board of Directors of several private and public corporations, and is a governor of the Trial Lawyers Association of BC. Mr. Velletta was a director and Chairman of the Compensation Committee of Petromanas Energy Inc. (TSX Venture Exchange: PMI) from February 24, 2010 to August 26, 2011.

Mr. Velletta has been our Executive Director since August 25, 2008 and one of our directors since April 10, 2007. He served as our general counsel from April 10, 2007 to August 25, 2008. Mr. Velletta received his LL.B. degree in Law from the University of Victoria in 1989.

We believe Mr. Velletta is qualified to serve on our Board of Directors because of his extensive knowledge of our company's history and current operations, his legal background and skills, and his experience as a director on the board of other companies. In particular, Mr. Velletta's background as a lawyer provides a unique perspective to our Board of Directors.

Dr. Richard Schenz, Director

Dr. Richard Schenz studied technical physics in Vienna and finished his study in 1967, with a Ph.D. from the University of Technology in Vienna. In 1969 he started his career with the Austrian oil & gas company OMV AG, and was its CEO from 1992 to 2001. In 2001, Dr. Schenz was appointed representative for the Austrian Capital Market by the Austrian government. Additionally, Dr. Schenz has held the positions of Vice President of the Austrian Federal Economic Chamber and President of the Austrian Chapter of the International Chamber of Commerce (ICC-Austria) since June 2001. In 2002, he was appointed Chairman of the Austrian Commission for Corporate Governance.

Dr. Schenz was appointed as one of our directors on November 21, 2008.

We believe Dr. Schenz is qualified to serve on our Board of Directors because of his extensive energy experience. Dr. Schenz has over 30 years of experience in the energy sector, which he obtained with OMV AG. Dr. Schenz sits on various boards of private and listed companies in Europe. We believe Dr. Schenz's strong network to investment banking firms as well as sovereign funds will prove invaluable to us as we attempt to grow our company.

Dr. Werner Ladwein, Director, President and Chief Executive Officer

Dr. Werner Ladwein obtained a Ph. D in Geology and Mineralogy from the University of Innsbruck, Austria in February 1977. Furthermore, Dr. Ladwein obtained an MBA in International Business from Webster University in July 1988. Dr. Ladwein has more than 30 years of experience in the oil & gas industry. At OMV AG, an Austrian oil and gas company, Dr. Ladwein was assigned various managerial tasks primarily in exploration and production.

During his tenure at OMV AG Dr. Ladwein had the following management positions: from 1990 to 1992, he was the Head of Exploration and Research in Austria and neighboring countries; from 1992 to 1997, he was the General Manager of OMV AG in Libya; the first operated international venture of OMV AG in exploration and production and the first oil field development for OMV AG abroad. He renegotiated agreements and acquired new licenses; from 1997 to 2001, he was the General Manager of OMV AG Albania; he restructured the joint venture and started exploration with new partners in new licenses; from 2002 to 2004, he was the General Manager of OMV AG Pakistan; he restructured the company and built it up to the largest foreign producer, acquired operations of another company and incorporated company into OMV AG, acquired additional licenses and successful implementation of Corporate Social Responsibility, which was base for roll out in OMV AG. From 2004 to 2008, he was a member of the Petrom SA Board of Directors and Executive Director Exploration and Production; he was a main contributor to OMV Group results, restructuring of a privatized company and integration into OMV AG, changing it to be an efficient operator including successful implementation of environment policies, restructuring and acquisition of a major service company to Petrom. Petrom had exploration and production activities in Kazakhstan, Turkmenistan and Russia. Since 2008, he has worked as an independent oil and gas consultant. Dr. Ladwein was a director and a member of the Reserve Committee of Petromanas (TSX Venture Exchange, PMI) from August 26, 2011 to November 5, 2013.

Dr. Ladwein was appointed as one of our directors on September 16, 2010.

Effective November 1, 2011, Dr. Ladwein was appointed to the office of President. Effective March 25, 2013, Dr. Ladwein was appointed to the office of Chief Executive Officer. In this function, Dr. Ladwein reports to the Board of Directors.

We believe Dr. Ladwein is qualified to serve on our Board of Directors because of his 30 years of experience in the oil & gas industry, including his experience gained from holding several management positions at OMV AG.

Darcy Spady, Director

Mr. Spady has served as the Director of Client Solutions for the Canadian Business Unit of Sanjel Corporation, a Calgary headquartered global energy service company since September 2012. From May 2010 to August 2012, he was Vice President and Managing Director of Saint Brendan's Exploration Ltd., focusing on the Canadian Maritimes and Europe. Mr. Spady also chairs the Board of Directors of Green Imaging Technologies, Inc. of Fredericton, New Brunswick, Canada. He has previously held executive positions in two TSX Venture Exchange companies: Contact Exploration Inc. (from June 2007 until the company's reorganization in May 2010) and Petroglobe Inc. (from December 2005 to September 2007). Mr. Spady was also been based in Charleston, West Virginia and Fredericton, New Brunswick as part of the Columbia Natural Resources / Triana Energy team, in various management positions.

Mr. Spady has an extensive background in the natural gas and oil industry throughout the U.S. and Canada, having worked for the Schlumberger organization in Western Canada, Ontario, Quebec, Atlantic Canada offshore, as well as the Illinois and the Appalachian Basins.

Mr. Spady holds a Bachelor of Science degree in Petroleum Engineering from the University of Alberta and is a P.Eng. in the Provinces of Alberta and New Brunswick. His is a past Chair of the Society of Petroleum Engineers Calgary Section.

Mr. Spady was appointed as one of our directors on November 8, 2012.

We believe Mr. Spady is qualified to serve on our Board of Directors because of his extensive background in the natural gas and oil industry throughout the United States and Canada that has spanned more than two decades.

Peter-Mark Vogel, Chief Financial Officer, Treasurer and Secretary

Mr. Vogel was employed as a Senior Financial Analyst and Vice President at Bank Sal. Oppenheim, Zürich, Switzerland from 2000 to July 2005 and holds the Chartered Financial Analyst designation. He was Vice President of the HSBC Research Department in Guyerzeller, Zurich, Switzerland from 1999 to 2000. From 1998 to 1999, he was Vice President of the Research Department Orbitex Finance. He was a Portfolio Manager and Assistant to the Bank's Executive Committee for Societe Generale from 1995 to 1998. He was Assistant Vice President of Societe Generale, Zurich, Switzerland from 1995 to 1998. From 1993 to 1995 he was the Finance and Regulatory Associate and Regulatory Analyst at Merrill Lynch Capital Markets. He has been a member of the Swiss Society of Investment Professionals since 1999 and a member of the CFA Institute, formerly the Association of Investment Management and Research, since 1999.

On March 5, 2013, our Board of Directors appointed Peter-Mark Vogel as our Corporate Secretary. On August 1, 2013, our Board of Directors appointed Peter-Mark Vogel as our Chief Financial Officer. Prior to his appointment as Chief Financial Officer Mr. Vogel held office as President and Chief Executive from September 16, 2010 until November 1, 2011 and as Chief Executive Officer from November 1, 2011 to March 25, 2013. Mr. Vogel is one of our founders and has previously served our company in a number of roles, including Chief Financial Officer from April 10, 2007 to February 8, 2008 and a Director, Finance from April 10, 2007 to February 1, 2009. Also from February 1, 2009 to July 15, 2010 he acted as an advisor to our Board of Directors. From February 24, 2010 to August 13, 2012, Mr. Vogel was also a director of Petromanas Energy Inc.

Mr. Vogel received his Master and Bachelor degrees in Business Administration and Economics from the University of Zurich, Switzerland in 1992. He received his Master of Business Administration degree from the University of Chicago Booth School of Business in 2003.

Committees of the Board of Directors

Our Board of Directors has the authority to appoint committees to perform certain management and administration functions. Currently, we have an audit committee, a corporate governance and compensation committee and a technical committee but we do not have a nominating committee or an audit committee financial expert.

Nominating Committee

We do not have a nominating committee. Our Board of Directors performs the functions associated with a nominating committee. Generally, nominees for directors are identified and suggested by the members of our Board of Directors or management using their business networks and all of our director nominees were nominated for a seat on the Board of Directors based on prior service as directors to our company. Our Board of Directors has not retained any executive search firms or other third parties to identify or evaluate director candidates in the past and does not intend to in the near future. We have elected not to have a nominating committee because we are an exploration stage company with limited operations and resources.

Our Board of Directors does not have a written policy or charter regarding how director candidates are evaluated or nominated for our Board of Directors. Additionally, our Board of Directors has not created particular qualifications or minimum standards that candidates for our Board of Directors must meet. Instead, our Board of Directors considers how a candidate could contribute to our business and meet our needs and those of our Board of Directors. As we are an exploration stage company, our Board of Directors will not consider candidates for director recommended by our stockholders, and we have received no such candidate recommendations from our stockholders.

Corporate Governance and Compensation Committee

Effective March 25, 2013, our Board of Directors established a corporate governance and compensation committee consisting of Darcy W. Spady, Heinz J. Scholz and Michael J. Velletta. Darcy W. Spady is the chair of the corporate governance and compensation committee. Our corporate governance and compensation committee assists our Board of Directors in fulfilling its compensation responsibilities by reviewing all forms of compensation provided to our executive officers, directors, consultants and employees, including stock-based compensation.

Technical Committee

Effective March 25, 2013, our Board of Directors established a technical committee consisting of Dr. Werner Ladwein and Darcy W. Spady. Darcy W. Spady is the chair of the technical committee. Our technical committee assists our Board of Directors with respect to the potential reserves, if any, of our oil and gas property interests.

Audit Committee

Effective December 20, 2010, our Board of Directors established an audit committee. The audit committee currently consists of Michael J. Velletta, Dr. Richard Schenz, and Darcy Spady. Michael J. Velletta is the chair of the audit committee. Our audit committee assists our Board of Directors in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by our company to regulatory authorities and stockholders, our systems of internal controls regarding finance and accounting and our auditing, accounting and financial reporting processes. Our audit committee's primary duties and responsibilities are to serve as an independent and objective party to monitor our financial reporting and internal control system and review our financial statements, review and appraise the performance of our external auditor and provide an open avenue of communication among our auditor, financial and senior management and our Board of Directors.

Audit Committee Financial Expert

Our Board of Directors has determined that it does not have a member that qualifies as an "audit committee financial expert" as defined in Item 407(d)(5)(ii) of Regulation S-K issued by the United States Securities and Exchange Commission.

We believe that our entire audit committee is capable of analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues reasonably expected to be raised by our company. We believe that retaining an independent director who would qualify as an "audit committee financial expert" would be overly costly and burdensome and is not warranted in our circumstances given the early stages of our development and the fact that we have not generated operating revenues to date.

Family Relationships

There are no family relationships between any director or executive officer.

Involvement in Certain Legal Proceedings

Except as disclosed below, our directors and executive officers have not been involved in any of the following events during the past ten years:

1. 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;
2. any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
3. 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 his involvement in any type of business, securities or banking activities;
4. being found by a court of competent jurisdiction (in a civil action), the Securities and Exchange 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;
5. being the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of: (i) any federal or state securities or commodities law or regulation; or (ii) any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order; or (iii) any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or

6. being the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Securities Exchange Act of 1934), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

On October 9, 2007, the British Columbia Securities Commission of Canada issued a cease trade order against our company in British Columbia, Canada pursuant to section 164(1) of the Securities Act (British Columbia). At the time of the order, we were not a reporting issuer in British Columbia, Canada and had our securities quoted on the OTC Bulletin Board. We distributed securities to residents of British Columbia and failed to file a Report of Exempt Distribution with the British Columbia Securities Commission according to National Instrument 45-106. As a result, the British Columbia Securities Commission ordered that trading in our securities cease in British Columbia until the order was revoked. We filed the Report of Exempt Distribution and on April 1, 2008, the British Columbia Securities Commission partially revoked the cease trade order to permit trading in our securities except by certain offshore entities. The British Columbia Securities Commission left the order in effect with respect to those offshore entities because it was unable to determine the beneficial ownership of the shares registered in the name of those entities.

Code of Ethics

On May 1, 2007, our Board of Directors adopted a code of business conduct and ethics policy, which is posted on our homepage under www.mnppetroleum.com. The adoption of our code of business conduct and ethics policy allows us to focus our Board of Directors and each director and officer on areas of ethical risk, provide guidance to directors to help them recognize and deal with ethical issues, provide mechanisms to report unethical conduct and help foster a culture of honesty and accountability.

Except as set out in our code of business conduct and ethics policy, we do not have any formal policies and procedures for the review, approval or ratification of transactions between individual board members or officers and us. Our code of business conduct and ethics policy, which applies to all of our officers and directors, states that they must avoid any conflicts of interest between the director or officer and us unless the relationship is approved in advance by our Board of Directors. The code sets out a conflict of interest as a situation in which a director's or officer's personal interest is adverse, or may appear to be adverse, to our interest as a whole.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the *Securities Exchange Act of 1934* requires our executive officers and directors, and persons who own more than 10% of our common stock, to file initial statements of beneficial ownership, reports of changes in ownership and annual reports concerning their ownership of our common stock and other equity securities with the Securities and Exchange Commission and to provide us with copies of those filings. Based solely on our review of the copies of such forms received by us, or written representations from certain reporting persons, we believe that during year ended December 31, 2014 all filing requirements applicable to our executive officers and directors, and persons who own more than 10% of our common stock were complied with, with the exception of the following:

Name	Number of Late Reports	Number of Transactions Not Reported on a Timely Basis	Failure to File Requested Forms
Dr. Werner Ladwein	1	1	Nil
Darcy Spady	3	3	Nil

ITEM 11 EXECUTIVE COMPENSATION

Summary Compensation

The particulars of compensation paid to the following persons:

- a) all individuals serving as our principal executive officer during the year ended December 31, 2014;
- b) each of our two most highly compensated executive officers other than our principal executive officer who were serving as executive officers at December 31, 2014 who had total compensation exceeding USD 100,000;
- c) and up to two additional individuals for whom disclosure would have been provided under (b) but for the fact that the individual was not serving as our executive officer at December 31, 2014,

who we will collectively refer to as the named executive officers, for the years ended December 31, 2014 and 2013, are set out in the following summary compensation table (in USD):

Name and Principal Position	Year	Salary	Bonus	Stock Awards	Option Awards	All Other Compensation	Total
Dr. Werner Ladwein <i>President, Chief Executive Officer¹ and Director</i>	2014	233,853	Nil	Nil	Nil	83,889 ⁴	317,742
	2013	243,465	Nil	Nil	Nil	88,573 ⁴	332,038
Peter-Mark Vogel <i>Chief Financial Officer³ and Chief Executive Officer²</i>	2014	233,853	Nil	Nil	Nil	62,786 ⁵	296,639
	2013	230,990	Nil	Nil	Nil	Nil	230,990

- (1) Appointed Chief Executive Officer effective March 25, 2013
- (2) Served as Chief Executive Officer from November 1, 2011 to March 25, 2013
- (3) Appointed Chief Financial Officer effective August 1, 2013
- (4) Payments for housing and a leased car. Monthly income component corresponds to 0.8% of purchasing price in accordance with Swiss Tax law
- (5) Reimbursement for social security contributions 2009 - 2011

Compensation for Executive Officers and Directors

Compensation arrangements for our named executive officers and directors are described below. Also, under our amended 2011 stock option plan, our Board of Directors may grant directors, officers, employees or consultants of our company or our subsidiaries stock options to acquire an aggregate of up to 34,500,000 shares of our common stock (including all stock options under any previous plan) subject to certain limitations imposed under the policies of the TSX Venture Exchange.

We maintain Swiss defined benefit plans for our employees, of which three are executive officers. The plan is part of an independent collective fund which provides pensions combined with life and disability insurance. The assets of the funded plan are held independently of our assets in a legally distinct and independent collective trust fund which serves various unrelated employers. The fund's benefit obligations are fully reinsured by AXA Winterthur Insurance Company. Except for our Swiss defined benefit plans for our employees, there is no plan that provides for the payment of retirement benefits, or benefits that will be paid primarily following retirement, including but not limited to tax-qualified defined benefit plans, supplemental executive retirement plans, tax-qualified defined contribution plans and nonqualified defined contribution plans.

The descriptions of the material terms of each contract, agreement, plan or arrangement, whether written or unwritten, that provides for payments to a named executive officer or director at the time of, following, or in connection with the resignation, retirement or other termination of a named executive officer or director, or a change in control of our company or a change in the named executive officer's or director's responsibilities following a change in control, with respect to each named executive officer or director are provided below.

Compensation for Dr. Werner Ladwein

As of September 16, 2010, we granted Dr. Ladwein stock options to purchase 500,000 shares of our common stock at an exercise price of USD 0.52 per share and 500,000 shares of our common stock at an exercise price of USD 0.65 per share until September 16, 2020. Effective as of February 1, 2013, we and Dr. Ladwein agreed to cancel these stock options.

On September 22, 2011, we granted Dr. Ladwein 2,000,000 shares of our common stock in part as remuneration for valuable services he has already provided to our company and in part as an incentive for him to continue to provide us with his services. On September 22, 2011 we also granted Dr. Ladwein stock options to purchase 1,000,000 shares of our common stock at an exercise price of USD 0.215 per share until September 22, 2021. The options vest in four equal installments over 24 months, with installments vesting on March 22, 2012, September 22, 2012, March 22, 2013 and September 22, 2013.

When Erik Herlyn resigned as our President and Chief Executive Officer in July of 2010, Peter-Mark Vogel agreed to take up the position of President. Mr. Vogel, who has an extensive background in finance and business administration, asked Dr. Ladwein, who joined our Board of Directors on September 16, 2010, to assist him with our oil and gas operations. Dr. Ladwein agreed and his generous contributions of time and effort to the evolution of our business over the year that followed resulted in the decision to formally reorganize our executive group to create two complementary executive offices that would, working together, lead our company forward - on November 1, 2011, Dr. Ladwein became our President, officially responsible for the conduct of our oil and gas operations, while Mr. Vogel continued in the role of Chief Executive Officer, responsible for finance and corporate administration. At the time, our Board of Directors authorized our company to pay to Dr. Ladwein the sum of USD 175,000. We paid this sum to Dr. Ladwein on March 28, 2012. In addition, in consideration for acting as our President, we provide Dr. Ladwein a monthly salary of approximately USD 19,204 (CHF 17,850) and granted an option to buy 3,000,000 shares of our common stock at an exercise price of USD 0.215. The options vest in four equal installments over 24 months, with installments vesting on May 1, 2012, November 1, 2012, May 1, 2013 and November 1, 2013. In addition, we provide Dr. Ladwein with housing and a car as long as he resides in Switzerland. On March 25, 2013, Mr. Vogel resigned from the office of Chief Executive Officer and Dr. Ladwein assumed the role of both President and Chief Executive Officer. On that same date, Mr. Vogel was appointed to the office of Corporate Secretary.

If we terminate Dr. Ladwein without cause or Dr. Ladwein resigns as a result of our breach of any provision of the employment agreement, or a material change in his duties, we must make certain payments in addition to the payment of all compensation accrued through the effective date of resignation and reimbursement for all expenses incurred before the termination. Under such circumstances, we must pay him in a lump sum equal to three months of his annual guaranteed salary in effect on the date of termination. In addition, all options granted to him would immediately vest and become exercisable upon the termination of Dr. Ladwein's employment as described above. Our stock option agreement also provides that all options granted to him would immediately vest and become exercisable upon the occurrence of a change in control.

Compensation for Peter-Mark Vogel

As of October 1, 2010, we entered into an employment and non-competition agreement with Peter-Mark Vogel, pursuant to which Mr. Vogel agreed to serve as our Chief Executive Officer. In consideration for the services that Mr. Vogel agreed to render pursuant to his employment agreement, we agreed to provide him guaranteed remuneration of USD 204,000 per annum, payable monthly.

Effective June 1, 2011, our Board of Directors increased the annual compensation of Mr. Vogel from USD 204,000 to USD 214,200. Effective August 1, 2011, Mr. Vogel's compensation is to be paid in Swiss francs at a conversion rate of USD 1.00 equaling CHF 1.00.

Effective as of February 1, 2013, we and Mr. Vogel agreed to cancel the stock options to purchase 1,000,000 shares of our common stock at a price of USD 0.70 per share, which were granted on February 24, 2010.

If we terminate Mr. Vogel without cause or Mr. Vogel resigns as a result of our breach of any provision of the employment agreement, or a material change in his duties, we must make certain payments in addition to the payment of all compensation accrued through the effective date of resignation and reimbursement for all expenses incurred before the termination. Under such circumstances, we must pay him in a lump sum equal to two months of his annual guaranteed salary in effect on the date of termination.

Compensation for Heinz J. Scholz

Effective February 1, 2009, we and Mr. Scholz entered into a consulting agreement. On September 16, 2010, our Board of Directors increased the compensation for Heinz J. Scholz to USD 15,000 per month, effective October 1, 2010.

Effective June 1, 2011, our Board of Directors increased the annual compensation of Mr. Scholz from USD 180,000 to USD 189,000. Effective August 1, 2011, Mr. Scholz's compensation is to be paid in Swiss francs at a conversion rate of USD 1.00 equaling CHF 1.00.

Effective as of February 1, 2013, we and Mr. Scholz agreed to cancel the stock options to purchase 1,750,000 shares of our common stock at a price of USD 0.70 per share, which were granted on May 2, 2007.

Compensation for Michael J. Velletta

Effective February 1, 2009, we and Mr. Velletta entered into a consulting agreement. On September 16, 2010, our Board of Directors increased the compensation for Michael J. Velletta to USD 12,000 per month plus USD 2,000 per month for office expenses, effective October 1, 2010.

Effective June 1, 2011, our Board of Directors increased the annual compensation of Mr. Velletta from USD 144,000 to USD 151,200. In addition, Mr. Velletta annually receives USD 2,000 per month for office expenses. Effective August 1, 2011, Mr. Velletta's compensation is to be paid in Swiss francs at a conversion rate of USD 1.00 equaling CHF 1.00.

Effective as of February 1, 2013, we and Mr. Velletta agreed to cancel the stock options to purchase 1,100,000 shares of our common stock at a price of USD 0.70 per share, which were granted on May 2, 2007.

Compensation for Dr. Richard Schenz

On August 10, 2009 we entered into a consulting agreement with Dr. Richard Schenz. In return for acting as a member of our Board of Directors, we have agreed to pay Dr. Schenz a fee of USD 5,000 per quarter starting the first day of the second quarter, and to grant stock options to purchase 1,000,000 shares of our common stock, 500,000 at a price of USD 0.68 and 500,000 at a price of USD 0.79 per share, expiring on November 21, 2018.

Effective June 1, 2011, our Board of Directors increased the annual compensation of Dr. Schenz from USD 20,000 to USD 21,000. Effective August 1, 2011, Dr. Schenz's compensation is to be paid in Swiss francs at a conversion rate of USD 1.00 equaling CHF 1.00.

Effective September 22, 2011, our Board of Directors amended the compensation of Dr. Schenz to a quarterly retainer in the amount of CHF 3,750 (approximately USD 4,204) and a meeting fee of CHF 1,000 (USD 1,121) per meeting.

Compensation for Darcy Spady

On November 9, 2012 our Board of Directors decided to pay Darcy Spady, in return for acting as a member of our Board of Directors a fee of CHF 3,750 per quarter starting on November 9, 2012 (approximately USD 4,034) and a meeting fee of CHF 1,000 (approximately USD 1,076).

Effective as of February 1, 2013, we granted 1,000,000 stock options to Mr. Spady. Each stock option is exercisable at a price of CAD 0.15 per share for a period of 10 years and vesting in 2 years in quarterly installments. The grant is subject to the terms of the stock option agreement with Mr. Spady and the terms of our 2011 stock option plan.

Outstanding Equity Awards at Fiscal Year-End of Named Executive Officers

The following table sets forth for each named executive officer certain information concerning the outstanding equity awards as of December 31, 2014:

Name and Principal Position	Option awards				Stock awards			
	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested	Market Value of Shares or Units of Stock that Have Not Vested	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that Have Not Vested
Dr. Werner Ladwein <i>President, CEO and Director</i>	1,000,000	-	USD 0.215	Sep 22, 2021 ¹	Nil	Nil	Nil	Nil
	3,000,000	-	USD 0.215	Nov 1, 2021 ²				
Peter-Mark Vogel <i>CFO</i>	1,000,000	-	USD 0.215	Sep 22, 2021 ¹	Nil	Nil	Nil	Nil

- (1) These options vested in semiannual installments equal to one-quarter of the total number of shares, beginning with March 22, 2012. Last vesting date was September 22, 2013
- (2) These options vested in semiannual installments equal to one-quarter of the total number of shares, beginning with May 1, 2012. Last vesting date was November 1, 2013

Director Compensation

The following table sets forth for each director, other than a named executive officer, certain information concerning his compensation for the year ended December 31, 2014 (in USD):

Name and Principal Position	Fees Earned or Paid in Cash	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
Heinz Scholz <i>Chairman</i>	211,580	Nil	Nil	Nil	Nil	111,037 ¹	322,617
Michael Velletta <i>Director</i>	82,499	Nil	Nil	Nil	Nil	26,190 ²	108,689
Dr. Richard Schenz <i>Director</i>	22,591	Nil	Nil	Nil	Nil	Nil	22,591
Darcy Spady <i>Director</i>	29,543	Nil	Nil	Nil	Nil	Nil	29,543

- (1) Payments for a leased car, office rent and social security contributions 2009 -2014. Monthly income component corresponds to 0.8% of purchasing price in accordance with Swiss tax law
- (2) Allowance for office and administrative expenses

Outstanding Equity Awards at Fiscal Year-End of Directors

The following table sets forth for each director, other than a named executive officer, certain information concerning the outstanding equity awards as of December 31, 2014:

Name and Principal Position	Option awards				Stock awards			
	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested	Market Value of Shares or Units of Stock that Have Not Vested	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that Have Not Vested
Heinz Scholz Chairman	1,000,000	-	USD 0.215	Sep 22, 2021 ¹	Nil	Nil	Nil	Nil
Michael Velletta, Director	1,000,000	-	USD 0.215	Sep 22, 2021 ¹	Nil	Nil	Nil	Nil
Dr. Richard Schenz Director	500,000 500,000 1,000,000	-	USD 0.680 USD 0.790 USD 0.215	Nov 21, 2018 ² Nov 21, 2018 ³ Sep 22, 2021 ⁴	Nil	Nil	Nil	Nil
Darcy Spady Director	875,000	125,000	USD 0.13	Feb 01, 2023 ⁵	Nil	Nil	Nil	Nil

- (1) These options vested in half-yearly installments equal to one-quarter of the total number of shares, beginning with March 22, 2012. Last vesting date was September 22, 2013.
- (2) These options vested in quarterly installments equal to one-twelfth of the total number of shares, beginning with February 10, 2010. Last vesting date was August 10, 2012.
- (3) These options vested in quarterly installments equal to one-twelfth of the total number of shares, beginning with March 16, 2011. Last vesting date was August 10, 2012.
- (4) These options vested in half-yearly installments equal to one-quarter of the total number of shares, beginning with March 22, 2012. Last vesting date was September 22, 2013.
- (5) These options vested in quarterly installments equal to one-eighth of the total number of shares, beginning with May 1, 2013. Last vesting date was February 1, 2015.
- (6) The exercise price is denominated in CAD 0.15, the exchange rate used was the rate disclosed on December 31, 2014 on oanda.com, USD/CAD: 0.86.

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

The following table sets forth, as of March 31, 2015, certain information with respect to the beneficial ownership of our common stock by each stockholder known by us to be the beneficial owner of more than 5% of our common stock and by each of our directors and executive officers and by our directors and executive officers as a group. We have determined the number and percentage of shares beneficially owned by such person in accordance with Rule 13d-3 under the *Securities Exchange Act of 1934*. This information does not necessarily indicate beneficial ownership for any other purpose.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership ¹		Percent of Class ¹
Common Stock	Heinz Scholz Seegartenstrasse 45 Horgen 8810 Switzerland,	17,847,637 ²	Direct	10.3%
Common Stock	AES Capital Partners, LP 9334 Amber Wood Drive Kirtland, OH 44094 United States of America	15,118,728 ³	Direct/ Indirect	8.8%
Common Stock	Peter-Mark Vogel Haabweg 2 Baech 8806 Switzerland	11,620,212 ⁴	Direct	6.7%



Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership ¹		Percent of Class ¹
Common Stock	Werner Ladwein Etzelblick-Strasse 1 8834 Schindellegi Switzerland	11,500,000 ⁵	Direct	6.7%
Common Stock	Michael J. Velletta 4th Floor, 931 Fort Street Victoria, British Columbia V8V 3K3 Canada	3,750,000 ⁶	Direct/ Indirect	2.2%
Common Stock	Richard Schenz Hauptstrasse 70 A-2372 Giesshuebl Austria	2,000,000 ⁷	Direct	1.2%
Common Stock	Darcy W. Spady Suite 577 – 717, 7 th Ave. S.W. Calgary, Alberta T2P 0Z3 Canada	1,000,000 ⁸	Direct	*
Common Stock	Directors and Executive Officers as a group (6 persons)	47,717,849 ⁹		27.7%

* Less than 1%

- (1) Percentage of ownership is based on 166,112,792 shares of our common stock issued and outstanding as of March 31, 2015. Except as otherwise indicated, we believe that the beneficial owners of the common stock listed above, based on information furnished by such owners, have sole investment and voting power with respect to such shares, subject to community property laws where applicable. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of common stock subject to stock options or warrants currently exercisable or exercisable within 60 days, are deemed outstanding for purposes of computing the percentage ownership of the person holding such stock option or warrants, but are not deemed outstanding for purposes of computing the percentage ownership of any other person.
- (2) Consists of 16,847,637 shares of our common stock and 1,000,000 stock options exercisable within 60 days.
- (3) Based solely on the information contained in the Form SC 13G filed with the Securities and Exchange Commission on January 24, 2014. Represents 11,356,728 shares of our common stock held in the account of AES Capital Partners LP, 32,000 shares in the account of Santelli Partners, 2,970,000 shares in the account of Anthony Santelli II and 760,000 shares in the account of Anthony E. Santelli Irrevocable Children's Trust.
- (4) Consists of 10,620,212 shares of our common stock and 1,000,000 stock options exercisable within 60 days.
- (5) Consists of 7,500,000 shares of our common stock and 4,000,000 stock options exercisable within 60 days.
- (6) Consists of 2,750,000 shares of our common stock held by Velletta Resources & Technology Corp., of which Mr. Velletta holds voting and dispositive control and 1,000,000 stock options exercisable within 60 days.
- (7) Consists of 2,000,000 stock options exercisable within 60 days.
- (8) Consists of 1,000,000 stock options exercisable within 60 days.
- (9) Consists of 37,717,849 shares of our common stock and 10,000,000 stock options exercisable within 60 days.

Changes in Control

We are unaware of any contract or other arrangement the operation of which may at a subsequent date result in a change in control of our company.

ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Transactions with related persons

Other than as disclosed below, there has been no transaction, since January 1, 2013, or currently proposed transaction, in which our company was or is to be a participant and the amount involved exceeds the lesser of USD 120,000 or one percent of the average of our total assets at year end for the last two completed fiscal years (USD 186,400), and in which any of the following persons had or will have a direct or indirect material interest:

- 1) Any director or executive officer of our company;
- 2) Any beneficial owner of shares carrying more than 5% of the voting rights attached to our outstanding shares of common stock;
- 3) Any person who acquired control of our company when it was a shell company or any person that is part of a group, consisting of two or more persons that agreed to act together for the purpose of acquiring, holding, voting or disposing of our common stock, that acquired control of MNP Petroleum Corporation when it was a shell company; and



- 4) Any immediate family member (including spouse, parents, children, siblings and in-laws) of any of the foregoing persons.

On April 10, 2007, we completed the transactions contemplated under a share exchange agreement that we entered into with DWM Petroleum AG, a Swiss company, and the shareholders of DWM Petroleum AG on November 23, 2006. Under this share exchange agreement, the shareholders of DWM Petroleum AG received 80,000,000 shares of our common stock, equal to 79.9% of our outstanding common stock at the time, in exchange for 100% of the shares of DWM Petroleum AG. The following table shows the number of shares of our common stock received by our current or former officers, directors, and beneficial holders of more than 5% of our common stock, or entities affiliated with them in exchange for the shares of DWM Petroleum AG owned by them.

Name	Number of Shares of Our Common Stock Received	Number of Shares of DWM Petroleum AG Exchanged
Alexander Becker	17,929,943	237,634
Heinz J. Scholz	22,736,616	301,267
Peter-Mark Vogel	17,748,599	227,136
Velletta Resources & Technology Corp. ⁽¹⁾	2,000,000	25,000
Neil Maedel	800,000	10,000
Yaroslav Bandurak	1,600,000	20,000
Rahul Sen Gupta	114,996	1,036

⁽¹⁾ Velletta Resources & Technology is a company owned by Michael J. Velletta.

The share exchange agreement also requires us to issue an aggregate of up to an additional 500,000 shares of our common stock over time to the former shareholders of DWM Petroleum AG for every 50 million barrels of P50 oil reserves net to us from exploration in the Kyrgyz Republic, Albania and Tajikistan up to a maximum of 2.5 billion barrels of P50 oil reserves. At our option, this obligation can be extended to additional properties that are acquired through the actions of the shareholders of DWM Petroleum AG. The following table shows the number of shares of our common stock to be received by our current or former officers, directors, and beneficial holders of more than 5% of our common stock, or entities affiliated with them.

Name	Number of Shares of Our Common Stock to be Received
Alexander Becker	118,817
Heinz J. Scholz	150,634
Peter-Mark Vogel	113,550
Michael J. Velletta	12,500
Neil Maedel	5,000
Yaroslav Bandurak	10,000
Rahul Sen Gupta	518

In 2014, the Company paid consulting fees of USD 299,572 to its Chairman as described above under compensation for Heinz J. Scholz.

Named Executive Officers and Current Directors

For information regarding compensation for our named executive officers and current directors, see “Executive Compensation” beginning on page 69.

Director Independence

Our common stock is quoted on the OTCQB, the over-the-counter market operated by OTC Markets Group, which does not impose any director independence requirements. We are also listed on the TSX Venture Exchange which imposes director independence requirements. Under NASDAQ rule 5605(a)(2), a director is not independent if he or she is also an executive officer or employee of the corporation. Using this definition of independent director, we have two independent directors, Dr. Richard Schenz and Darcy Spady.

ITEM 14 PRINCIPAL ACCOUNTING FEES AND SERVICES

Audit Fees

The following table sets forth the fees billed to our company for professional services rendered by BDO Visura International AG, our independent registered public accounting firm, for the years ended December 31, 2014 and 2013:

BDO Fees (in USD)	2014	2013
Audit fees	286,772	204,992
Audit-related fees	-	-
Tax fees	44,612	42,547
Other fees	-	-
Total fees	331,384	247,539

Pre-Approval Policies and Procedures with respect to Services Performed by Independent Registered Public Accounting Firms

Before BDO Visura International AG was engaged by us to render any auditing or permitted non-audit related service, our Board of Directors approved the engagement.

Our Board of Directors has considered the nature and amount of fees billed by BDO Visura International AG and believe that the provision of services for activities unrelated to the audit was compatible with maintaining BDO Visura International AG's independence.

PART IV

ITEM 15 EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Number	Description
(3)	Articles of Incorporation and Bylaws
3.1	Articles of Incorporation (incorporated by reference to an exhibit to our Registration Statement on Form SB-2 filed on July 14, 2003)
3.2	Certificate of Amendment to Articles of Incorporation of Express Systems Corporation filed on April 2, 2007 (changing name to Manas Petroleum Corporation) (incorporated by reference to an exhibit to our Current Report on Form 8-K filed on April 17, 2007)
3.3	Certificate of Amendment to Articles of Incorporation filed on April 22, 2013 (incorporated by reference to an exhibit to our Quarterly Report on Form 10-Q filed on May 20, 2013)
3.4	Certificate of Amendment dated effective January 20, 2014 (incorporated by reference to an exhibit to our Current Report on Form 8-K filed on January 14, 2014)
3.5	Amended and Restated Bylaws (incorporated by reference to an exhibit to our Current Report on Form 8-K filed on November 1, 2011)
(4)	Instruments Defining the Rights of Security Holders, including Indentures
4.1	Warrant Indenture dated May 6, 2011 with Equity Financial Trust Company (incorporated by reference to an exhibit to our Current Report on Form 8-K filed on May 9, 2011)
(10)	Material Contracts
10.1	Share Exchange Agreement, dated November 23, 2006 (incorporated by reference to an exhibit to our Current Report on Form 8-K filed on April 17, 2007)
10.2	Farm-In Agreement, dated October 4, 2006 (incorporated by reference to an exhibit to our Current Report on Form 8-K filed on April 17, 2007)
10.3	Letter Agreement – Phase 2 Work Period with Santos International Operations Pty. Ltd, dated July 28, 2008 (incorporated by reference to an exhibit to our Annual Report on Form 10-K filed on April 15, 2009)
10.4	Side Letter Agreement – Phase 1 Completion and Cash Instead of Shares with Santos International Holdings Pty Ltd., dated November 24, 2008 (incorporated by reference to an exhibit to our Annual Report on Form 10-K filed on April 15, 2009)

Number	Description
10.5	2007 Revised Omnibus Plan (incorporated by reference to an exhibit to our Annual Report on Form 10-K filed on April 15, 2009)
10.6	Production Sharing Contract for Contract Area Tsagaan Els-13 between the Petroleum Authority of Mongolia and DWM Petroleum (incorporated by reference to an exhibit to our Quarterly Report on Form 10-Q/A filed on July 24, 2009)
10.7	Production Sharing Contract for Contract Area Zuunbayan-14 between the Mineral Resources and Petroleum Authority of Mongolia and DWM Petroleum (incorporated by reference to an exhibit to our Quarterly Report on Form 10-Q/A filed on July 24, 2009)
10.8	Letter from AKBN regarding Production Sharing Contracts for Blocks A-B and D-E dated May 5, 2009 (incorporated by reference to an exhibit to our Quarterly Report on Form 10-Q/A filed on July 24, 2009)
10.9	Employment Agreement between Ari Muljana and MNP Petroleum Corporation dated April 1, 2009 (incorporated by reference to an exhibit to our Registration Statement on Form S-1 filed on July 30, 2009)
10.10	Consultancy Agreement dated November 21, 2008 with Dr. Richard Schenz (incorporated by reference to an exhibit to our Current Report on Form 8-K filed on August 13, 2009)
10.11	Share Purchase Agreement dated February 12, 2010 between Petromanas Energy Inc. (formerly WWI Resources Ltd.), DWM Petroleum AG and Petromanas Albania GmbH (formerly Manas Adriatic GmbH) (incorporated by reference to an exhibit to our Current Report on Form 8-K filed on February 25, 2010)
10.12	Form of Stock Option Agreement (Investor Relations) (incorporated by reference to an exhibit to our Annual Report on Form 10-K filed on March 18, 2010)
10.13	Form of Stock Option Agreement (Non-Investor Relations) (incorporated by reference to an exhibit to our Annual Report on Form 10-K filed on March 18, 2010)
10.14	Agreement dated January 29, 2010 relating to the assignment of the interest in the Chilean project (incorporated by reference to an exhibit to our Annual Report on Form 10-K filed on March 18, 2010)
10.15	Agreement between Gobi Energy Partners LLC and DQE International Tamsag (Mongol) LLC (incorporated by reference to an exhibit to our Current Report on Form 8-K filed on September 7, 2010)
10.16	Appointment as Director dated September 16, 2010 by Dr. Werner Ladwein (incorporated by reference to an exhibit to our Quarterly Report on Form 10-Q filed on November 15, 2010)
10.17	Employment and Non-Competition Agreement dated October 1, 2010 with Peter-Mark Vogel (incorporated by reference to an exhibit to our Quarterly Report on Form 10-Q filed on November 15, 2010)
10.18	Cooperation Agreement dated November 5, 2010 with Shunkhlai Group LLC (incorporated by reference to an exhibit to our Current Report on Form 8-K filed on December 2, 2010)
10.19	Form of Lock-Up Agreement with Raymond James Ltd. and executive officers and directors (incorporated by reference to an exhibit to our Registration Statement on Form S-1/A filed on April 28, 2011)
10.20	Escrow Agreement dated May 3, 2011 with Equity Financial Trust Company and our officers and directors (incorporated by reference to an exhibit to our Current Report on Form 8-K filed on May 9, 2011)
10.21	Share Purchase Agreement dated December 31, 2012 (incorporated by reference to an exhibit to our Current Report on Form 8-K filed on January 15, 2015)
10.22	Amendment 1 to Share Purchase Agreement effective December 31, 2012 (incorporated by reference to an exhibit to our Current Report on Form 8-K filed on January 15, 2015)
10.23	Amendment 2 to Share Purchase Agreement effective April 30, 2013 (incorporated by reference to an exhibit to our Current Report on Form 8-K filed on January 15, 2015)
10.24	Amendment 3 to Share Purchase Agreement effective April 30, 2013 (incorporated by reference to an exhibit to our Current Report on Form 8-K filed on January 15, 2015)
10.25	Form of Amendment to IR Consulting Agreement dated February 1, 2013 with General Research GmbH (incorporated by reference to an exhibit to our Current Report on Form 8-K filed on February 28, 2013)
10.26	Form of Stock Option Agreement (incorporated by reference to an exhibit to our Current Report on Form 8-K filed on February 28, 2013)
10.27	Form of Stock Option Cancellation Agreement (incorporated by reference to an exhibit to our Current Report on Form 8-K filed on February 28, 2013)

Number	Description
10.28	Consulting agreement dated June 18, 2013 with Undiscovered Equities Inc. (incorporated by reference to an exhibit to our Current Report on Form 8-K filed on July 11, 2013)
10.29	Form of Stock Option Agreement (incorporated by reference to an exhibit to our Current Report on Form 8-K filed on July 11, 2013)
10.30	Loan Agreement dated August 8, 2013 between DWM Petroleum AG and Tulip Fund NV (incorporated by reference to an exhibit to our Quarterly Report on Form 10-Q filed on August 19, 2013)
10.31	Supplement Agreement to Share Purchase Agreement effective September 27, 2013 (incorporated by reference to an exhibit to our Annual Report on Form 10-K filed on March 31, 2014)
10.32	Private Placement Agreement dated November 29, 2014 with Stichting VB Vagobel (incorporated by reference to an exhibit to our Current Report on Form 8-K filed on December 1, 2014)
10.33	Broker Agreement dated September 26, 2014 with Sidewinder Investment AG (incorporated by reference to an exhibit to our Current Report on Form 8-K filed on December 1, 2014)
(14)	Code of Ethics
14.1	Code of Ethics, adopted May 1, 2007 (incorporated by reference to an exhibit to our Registration Statement on Form SB-2 filed on November 21, 2007)
(21)	Subsidiaries
21.1*	Subsidiaries of MNP Petroleum Corporation
(23)	Consents of Experts and Counsel
23.1*	Consent of BDO Visura International AG
(31)	Rule 13a-14 Certifications
31.1*	Section 302 Certification of Chief Executive Officer
31.2*	Section 302 Certification of Chief Financial Officer
(32)	Section 1350 Certifications
32.1*	Section 906 Certification of Chief Executive Officer
32.2*	Section 906 Certification of Chief Financial Officer
(99)	Additional Exhibits
99.1	Audit Committee Charter (incorporated by reference to an exhibit to our Registration Statement on Form S-1 filed on February 2, 2011)
(101)	XBRL
101.INS*	XBRL INSTANCE DOCUMENT
101.SCH*	XBRL TAXONOMY EXTENSION SCHEMA
101.CAL*	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE
101.DEF*	XBRL TAXONOMY EXTENSION DEFINITION LINKBASE
101.LAB*	XBRL TAXONOMY EXTENSION LABEL LINKBASE
101.PRE*	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE

*Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

MNP PETROLEUM CORPORATION

By: /s/ Dr. Werner Ladwein

Dr. Werner Ladwein
Chief Executive Officer, President and Director
(Principal Executive Officer)
Date: March 31, 2015

Pursuant to the requirements of 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.

/s/ Dr. Werner Ladwein

Dr. Werner Ladwein
Chief Executive Officer, President and Director
(Principal Executive Officer)
Date: March 31, 2015

/ s/ Peter-Mark Vogel

Peter-Mark Vogel
Chief Financial Officer, Treasurer and Secretary
(Principal Financial Officer and Principal Accounting Officer)
Date: March 31, 2015

/s/ Heinz J. Scholz

Heinz J. Scholz
Chairman and Executive Director
Date: March 31, 2015

/s/ Michael J. Velletta

Michael J. Velletta
Executive Director
Date: March 31, 2015

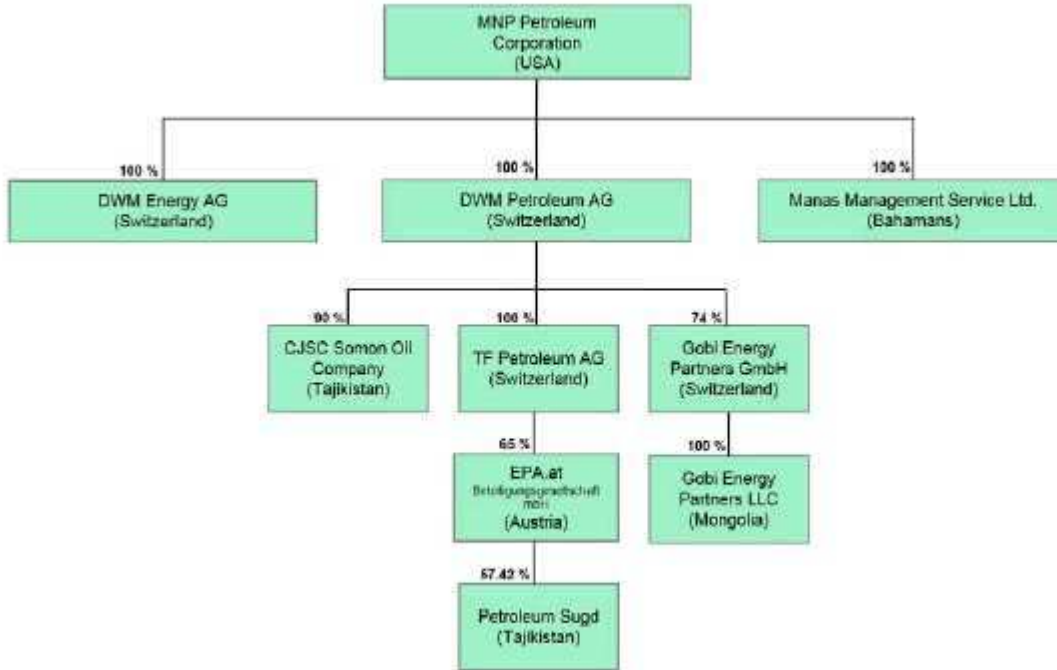
/s/ Richard Schenz

Richard Schenz
Director
Date: March 31, 2015

/s/ Darcy Spady

Darcy Spady
Director
Date: March 31, 2015

Exhibit 21.1



Consent of Independent Registered Public Accounting Firm

MNP Petroleum Corporation
Las Vegas, Nevada

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-167390) of MNP Petroleum Corporation of our report dated March 31, 2015, relating to the consolidated financial statements, which appears in this Form 10-K.

Zurich, March 31, 2015

BDO Visura International AG

/s/ Christoph Tschumi
Christoph Tschumi

/s/ Julian Snow
ppa. Julian Snow

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Dr. Werner Ladwein, certify that:

1. I have reviewed this annual report on Form 10-K of MNP Petroleum Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 31, 2015

/s/ Dr. Werner Ladwein

Dr. Werner Ladwein
Chief Executive Officer, President and Director
(Principal Executive Officer)

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Peter-Mark Vogel, certify that:

1. I have reviewed this annual report on Form 10-K of MNP Petroleum Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 31, 2015

/s/ Peter-Mark Vogel

Peter-Mark Vogel
Chief Financial Officer, Treasurer and Secretary
(Principal Financial Officer and Principal Accounting Officer)

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, Dr. Werner Ladwein, hereby certifies, pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* , that:

- (a) the annual report on Form 10-K of MNP Petroleum Corporation for the year ended December 31, 2014 fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of MNP Petroleum Corporation.

Date: March 31, 2015

/s/ Dr. Werner Ladwein

Dr. Werner Ladwein
Chief Executive Officer, President and Director
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, Peter-Mark Vogel, hereby certifies, pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* , that:

- (a) the annual report on Form 10-K of MNP Petroleum Corporation for the year ended December 31, 2014 fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of MNP Petroleum Corporation.

Date: March 31, 2015

/s/ Peter-Mark Vogel

Peter-Mark Vogel

Chief Financial Officer, Treasurer and Secretary

(Principal Financial Officer and Principal Accounting Officer)
