

# 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, 2013

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

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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 28, 2013, 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 \$8,757,690, based on the closing price (last sale of the day) for the registrant's common stock on the OTCQB on June 28, 2013 of \$0.058 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, 2014, there were 172,592,292, 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 planned acquisition of a producing asset in Tajikistan and our plans to rehabilitate that asset;
- 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 498,005 (corporate USD 271,449, ventures USD 226,556) for our operating costs (approximately USD 685,000 if certain capital expenditures costs are included);
- 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 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;
- our need for, and our ability to obtain, regulatory and stock exchange approval for our proposed acquisition in Tajikistan;
- 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;
- other factors discussed under the section entitled “Risk Factors” beginning on page 4 of this annual report.

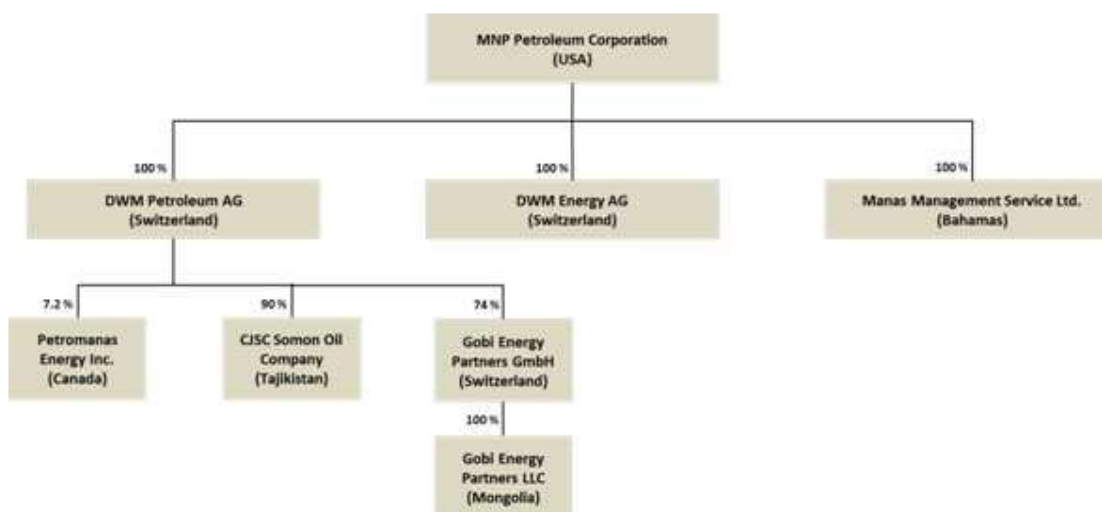
These risks, as well as risks that we cannot currently anticipate, could cause our company’s or our industry’s actual results, levels of activity or performance to be materially different from any future results, levels of activity or performance expressed or implied by these forward-looking statements.

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 these statements 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 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, and its 25% ownership interest in CJSC South Petroleum Company, a Kyrgyz company and its 7.2% ownership interest in Petromanas Energy Inc., a British Columbia company listed on the TSX Venture Exchange in Canada (TSXV: PMI), 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 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. We have not yet discovered any reserve on any of our properties.

We carry out our operations both directly and through participation in ventures with other oil and gas companies. We are actively involved in exploration projects in Mongolia and Tajikistan. In addition we have agreed to purchase a producing oilfield in Tajikistan, though this acquisition remains subject to closing conditions and regulatory approvals.

Finally, we own shares of Petromanas Energy Inc., which is involved in oil and gas activities in Albania, France, and Australia.

Our executive offices are located in Switzerland.

Through DWM Petroleum, we own:

- 74% of Gobi Energy Partners GmbH, a Swiss company that owns an oil and gas project located in Mongolia. This project is described in detail at page 6, under the heading “*Mongolia*” .
- 90% of CJSC Somon Oil Company, a closed joint stock company formed in Tajikistan. Somon Oil Company owns an oil and gas project located in Tajikistan. This project is described in detail on page 9, under the heading “*Tajikistan*” .
- 25% of CJSC South Petroleum Company, a closed joint stock company formed in the Kyrgyz Republic. Until recently, South Petroleum Company owned an oil and gas exploration project in Kyrgyz Republic. This project is described in detail on page 12, under the heading “*Kyrgyz Republic*” .
- approximately 7.2 % of the issued common shares of Petromanas Energy Inc. (TSXV: PMI). Through its subsidiary, Petromanas Albania GmbH, Petromanas Energy owns an oil and gas project located in Albania.

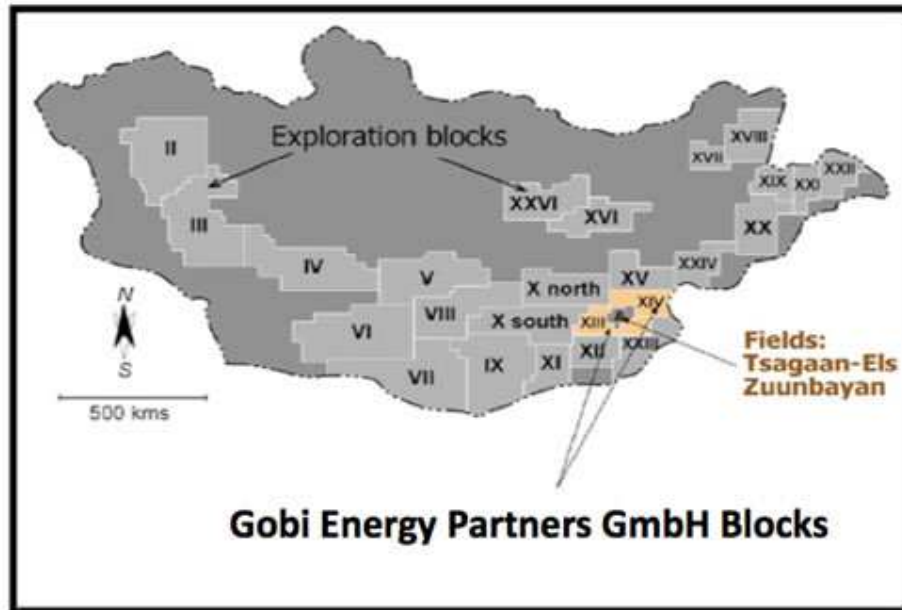
### ***Overview of Our Projects***

- 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 April 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 km<sup>2</sup> (2,863,951 acres) and Block XIV, also known as Zuunbayan, originally contained 8,731 km<sup>2</sup> (2,157,477 acres). In April 2012, Gobi Energy Partners GmbH relinquished 8,734 km<sup>2</sup> leaving 6,930 km<sup>2</sup> in Block XIII and 4,657 km<sup>2</sup> in Block XIV. In April 2013, Gobi Energy Partners GmbH relinquished 8,566 km<sup>2</sup>, leaving 1,030 km<sup>2</sup> in Block XIII and 1,911 km<sup>2</sup> in Block XIV.

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 (excluding PSC fees):

Period	Contract Year	THE WORK PLAN	Cost (USD)	Investment per year (USD)
<b>I</b>	1	Collection and processing of geological data	150,000	<b>625,000</b>
		Reconnaissance of work of the block, 4000 km	40,000	
		Geological mapping 500 km <sup>2</sup>	50,000	
		Geological mapping 100 km <sup>2</sup>	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	
<b>II</b>	2	Geological mapping 850 km <sup>2</sup>	85,000	<b>825,000</b>
		Geological mapping 400 km <sup>2</sup>	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	<b>1,740,000</b>
		Topographic geodesic works	50,000	
		Exploration seismology 2D, 200 km	1,600,000	
<b>III</b>	4	Exploration seismology 3D, 5 km	75,000	<b>4,360,000</b>
		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			
<b>IV</b>	5	Well drilling, 2 well	5,740,000	<b>6,900,000</b>
		Log survey, 1 well	600,000	
		Well test, 3 well	450,000	
		Preparation to drilling, well 2	60,000	
		Data processing	50,000	
		<b>TOTAL</b>		<b>14,450,000</b>

The following table shows the incurred and forecasted PSC fees:

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

\*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):

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

<sup>1</sup> actual figures, reported based on calendar year

<sup>2</sup> Moratorium ends May 2014.  
\*subject to audit by local authorities

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):

<b>Production Sharing Contract</b>	<b>2013**</b>
Block XIII	6,900,000
Block XIV	6,900,000

\*\*financial commitment for the fifth contract year (starting May 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.

#### 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, it conducted a passive seismic campaign using low-frequency spectroscopy to support the seismic. From June to August, 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.

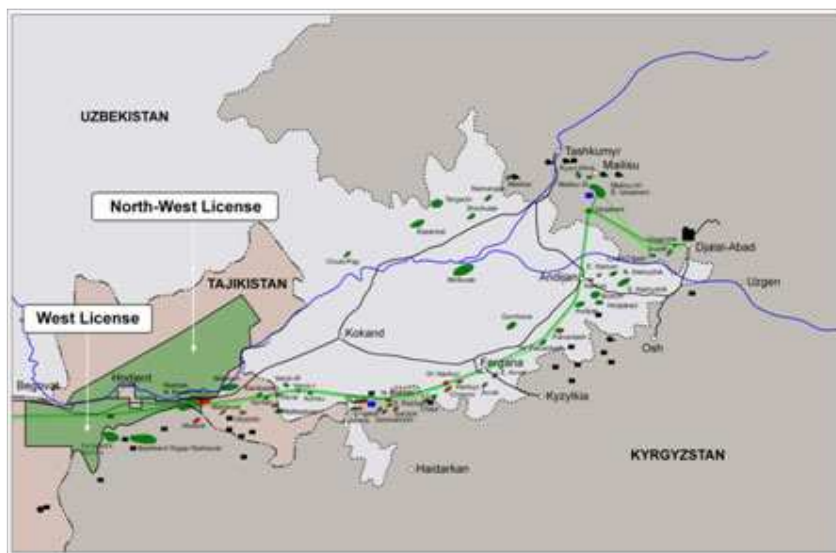
Gobi Energy had originally focused on six sub-basins in Mongolia; after drilling in the Ger Chuluu sub basin and conducting additional studies, Gobi Energy is now focusing on two sub basins, East and West Sainshand. In order to enlarge the area to define more prospects to drill the outstanding commitments, Gobi Energy signed a moratorium with the government of Mongolia for the duration of one year ending in May 2014. 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 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
West	625,261	465,818	Nil	1,830,159	519,962	1,814,367	705,626
North-West	Nil	Nil	Nil	1,747,517	4,333,961	5,315,649	597,569

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 <sup>1</sup>	4,500,000	2,500,000	to be agreed	to be agreed
North-West <sup>2</sup>	8,680,000	8,700,000	3,600,000	4,600,000

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

<sup>1</sup> granted on July 25, 2007, extension after July 25, 2014 and the related commitments to be agreed

<sup>2</sup> License granted on July 28, 2009

#### The West License

The West license, which expires on July 25, 2014, is located in the Fergana Basin and contains approximately 303,198 acres (approximately 1,227 km<sup>2</sup>). 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 before expiry of the license; 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 2,492 km<sup>2</sup> (615,784 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 km<sup>2</sup> 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.

Up to this 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 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 2012, Somon Oil finalized 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 2013, Somon Oil entered into a contract for the preparation of the first well location, Kayrakkum B, located in the West License:

Until recently, our interest in the Somon Oil project was fully carried by Santos International Ventures Pty Ltd pursuant to a 2007 Option Agreement but, on December 21, 2012, Santos International informed us that it had decided not to pursue its option. Santos International continued to fund Somon Oil's operations through January, 2013. During 2013 Santos transferred all data to DWM Petroleum and Somon Oil and reprocessing and reinterpretation of this data provided Somon Oil with the ability to reorder the drilling candidates. Based on its review of the data, Somon Oil continues to be confident in the project's high exploration potential and we are actively working on establishing a new consortium. The anticipated farm-in agreement, foresees that DWM is fully carried and there are no liquidated damages in case of failure. On January 16, 2014, Somon Oil entered into a contract with JSC Sugdnaftugaz for the construction of the drilling location and the access road for the Kayrakkum B exploration well. JSC Sugdnaftugaz, based in Neftebad, Tajikistan, is a reputable oil field contractor with over 50 years of experience in these operations in the area.

### Petroleum Sugd:

On December 31, 2012, DWM Petroleum entered into a Share Purchase Agreement with Kavsar General Trading FZE ("seller"), an unrelated third party, to purchase, for USD 21,000,000 in cash, 80% of the equity interest in TF Petroleum AG, a Swiss company, which, at the time of closing of the transaction described in the Share Purchase Agreement, would have owned Petroleum Sugd, a Tajik company which in turn would have owned 100% of the interest in certain producing oilfield assets located in Tajikistan. Energy Partners Austria GmbH, the seller's wholly-owned subsidiary of Kavsar General Trading, currently owns the majority of the equity in Petroleum Sugd.

DWM Petroleum has already advanced an aggregate of USD 10,111,656 as a deposit on account of the purchase price. If the seller satisfied certain conditions by March 31, 2013, DWM Petroleum would have been required to make an additional advance payment to Kavsar. DWM Petroleum would have been required to pay the remaining balance of the purchase price to the seller on the closing date being September 27, 2013.

If the transaction was not completed because Kavsar did not satisfy the conditions to the next advance, Kavsar must have refunded to DWM Petroleum the USD 10,111,656 deposit, subject to payment by DWM Petroleum of a termination fee in the amount of USD 2,000,000 intended to compensate the seller for expenses it has incurred in connection with the transaction. Effective June 27, 2013, Kavsar has fulfilled all conditions for the next advance. Effective June 27, 2013 pursuant to Amendment 4 to the Share Purchase Agreement, the date for next advance payment was extended to ninety days from the date the seller has satisfied the requisite conditions. If DWM Petroleum is required to make the next advance but fails to do so, Kavsar is required to refund to DWM Petroleum the USD 10,111,656 deposit previously paid by delivering to DWM Petroleum 65% shares of Energy Partners Austria GmbH. In that event, DWM Petroleum is also required to pay to Kavsar the sum of USD 2,000,000, which is intended to compensate Kavsar for its expenses.

DWM Petroleum did not make the next advance payment by September 27, 2013 and therefore pursuant to the Share Purchase Agreement DWM Petroleum is now entitled to receive 65% of the shares of Energy Partners Austria. DWM Petroleum is currently in discussion with Kavsar to continue the acquisition under a new share purchase agreement in lieu of receiving 65% of the shares of Energy Partners Austria.

- Kyrgyz Republic (South Petroleum Company)

Our wholly-owned subsidiary, DWM Petroleum AG, owns 25% of the issued shares of South Petroleum Company, a Kyrgyz company incorporated in 2004. Through its wholly-owned subsidiary, Santos International Holding Pty Ltd., Santos Limited owns 70% of South Petroleum and a Kyrgyz government entity, Kyrgyzneftegaz, owns the remaining five percent. Santos International Holding Pty Ltd. and DWM Petroleum AG are parties to a farm-in agreement dated October 4, 2006, as amended, and a majority shareholder agreement dated November 13, 2006.

South Petroleum Company originally owned five exploration licenses covering a total area of approximately 569,578 acres (or 2,305 km<sup>2</sup>). 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. In the meantime all licenses have expired. We wrote off our investment in associate (USD 238,304) during the third quarter of 2013 recorded under exploration costs.

### ***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 30 employees, including our directors. Of our 28 full-time employees (excluding two non-executive directors), seven 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*

*A significant portion of our assets consist of our equity in Petromanas Energy Inc. We do not control Petromanas Energy Inc. We may not be able to materially affect the value of this asset.*

We participate in an oil and gas exploration project in Albania through our ownership interest in Petromanas Energy Inc. We own approximately 1.2% of Petromanas Energy's issued and outstanding common shares. We cannot provide any assurance that Petromanas Energy Inc. will make decisions about its business that are reasonable, profitable or in our best interest.

*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. In addition, we own shares of Petromanas Energy Inc., which is involved in oil and gas activities in Albania, France and Australia. Our focus on a limited number of countries in Asia and South-eastern Europe presents the risk that we could be impacted more acutely by factors affecting these regions, and in particular factors in these regions 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. In addition, we own shares of Petromanas Energy Inc., which is involved in oil and gas activities in Albania, France and Australia. As such, our business is subject to governmental, political, economic, and other uncertainties in Mongolia, Tajikistan, Albania, France and Australia 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.

*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 development and exploitation 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.

*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 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 54.

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 from 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, Tajikistan and Albania have all undergone substantial political, economic and social change. As in any emerging market, Mongolia, Tajikistan and Albania 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, Tajikistan and Albania 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. While 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, 2014, 172,592,292 shares of our common stock were issued and outstanding. In addition, holders of warrants and options had, as of that date, the right to acquire up to an additional 56,550,500 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 27.4% 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 and warrants that would permit them to acquire, in the aggregate, up to an additional 5.5% 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 1A 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 4<sup>th</sup> 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

Except as disclosed below, 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 Tranquillo 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 has failed to properly serve the parties. The trial courts of Santiago have dismissed the case, but the verdict was open to appeal. Energy Focus took an appeal, and that too was dismissed by the Chilean courts. Energy Focus has now taken a second appeal. Our legal advisors are of the opinion that Energy Focus will not succeed in the second appeal. Our management believes that the ultimate liability, if any, arising from the Energy Focus litigation will not have a material adverse effect on the financial condition, the results of future operations or cash flows 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.

There were no new developments in this Chilean lawsuit in 2013.

**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 Inc., under the name "MNP Petroleum Corporation" and the symbol "MNAP".

On May 6, 2011, our common stock and 44,950,500 common share purchase warrants issued by our company on that date were listed on the TSX Venture Exchange in Canada.

Quotations of our common stock on all of these markets have been sporadic, and trading volume has been low. The trading symbol for our common stock on the OTCQB is "MNAP", while the trading symbol for our common stock on the TSX Venture Exchange is "MNP". The trading symbol for the warrants listed on the TSX Venture Exchange is "MNP.WT". The CUSIP number for our common stock is 55315B 109; the CUSIP number for our listed warrants is 5531B 117.

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, 2013 and 2012. 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, 2012	0.20	0.20	0.22	0.205
June 30, 2012	N/A	N/A	0.15	0.15
September 30, 2012	0.115	0.11	0.12	0.11
December 31, 2012	0.085	0.08	0.09	0.08
March 31, 2013	N/A	N/A	0.07	0.068
June 30, 2013	0.055	0.055	0.058	0.055
September 30, 2013	N/A	N/A	0.055	0.054
December 31, 2013	0.065	0.065	0.07	0.044

On March 28, 2014, the closing price for our common stock as reported by the OTCQB was USD 0.058 and the closing price of our common stock on the TSX Venture Exchange was CAD 0.065.

#### *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, and the transfer agent for our listed warrants, is Equity Financial Trust Company, 1185 West Georgia Street, Suite 1620, Vancouver B.C. V6E 4E6.

#### *Holder of Common Stock*

As of March 31, 2014, there were approximately 552 registered holders of record of our common stock. As of such date, 172,592,292 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 an 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.

#### 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 will now permit 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, 2013:

<b>Plan Category</b>	<b>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights</b>	<b>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights</b>	<b>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plan</b>
Equity compensation plans approved by security holders (2007 Revised Omnibus Stock Option Plan)	1,000,000	USD 0.74	-
Equity compensation plans approved by security holders (2011 Stock Option Plan)	11,100,000	USD 0.21	5,159,229 <sup>1</sup>
Equity compensation plans not approved by security holders	N/A	N/A	N/A
<b>Total</b>	<b>12,100,000</b>	<b>USD 0.25</b>	<b>5,159,229</b>

(1) This amount only takes into account the 2011 stock option plan including the 2007 revised omnibus stock option plan and does not take into account the amendment to the 2011 stock option plan that was approved by our stockholders on February 20, 2014.

#### ***Recent Sales of Unregistered Securities***

Since the beginning of our fiscal year ended December 31, 2013, 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***

None.

#### **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 33 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 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. We do not have any known reserves on any of our properties.

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. In addition, we own shares of Petromanas Energy Inc., which is involved in oil and gas activities in Albania France and Australia.

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, 2013, was USD 10,961,113 compared to a net loss of USD 11,778,750 for the same period in 2012. This decrease of USD 817,637 was mainly due to a reduction in exploration costs and the partially offset by changes in and loss from the sale of investment in associate.

#### Operating expenses

Operating expenses for the year ended December 31, 2013, decreased to USD 6,542,669 from USD 11,968,239 reported for the same period in 2012. This is a decrease of 45% in our total operating expenses, mainly due to lower exploration activity in the ventures in Tajikistan and Mongolia.

#### Personnel costs

For the year ended December 31, 2013, personnel costs decreased to USD 2,301,938 from USD 2,653,844 for the same period in 2012. This decrease of 13% is mainly attributable to lower expenses related to equity awards under the stock compensation and stock option plans as well as a wind down of activity in Mongolia.

#### Exploration costs

For the year ended December 31, 2013, we incurred exploration costs of USD 1,146,948 as compared to USD 5,784,277 for the same period in 2012. This is a decrease of 80% primarily related to decreased exploration activity at our project in Mongolia because of the moratorium entered into in April 2013 with the government agency PAM.

#### Consulting fees

For the year ended December 31, 2013, we incurred consulting fees of USD 1,838,909 as compared to consulting fees of USD 1,812,230 for the same period in 2012. This is an increase of 1% is due to higher expenses in investor relations.

For the year ended December 31, 2013, we incurred expenses of USD 30,540 related to equity-based awards to non-employees, as compared to USD 36,814 in the same period in 2012. For the year ended period ended December 31, 2013, we incurred expenses of USD 415,804 related to public and investor relations, as compared to USD 278,868 in the same period in 2012, representing an increase of 49%. For the year ended period ended December 31, 2013, we incurred expenses of USD 1,170,918 related to consulting costs, as compared to USD 1,174,864 in the same period in 2012. These costs are primarily related to both projects in Tajikistan.

#### Administrative costs

For the year ended period ended December 31, 2013, we recorded administrative costs of USD 1,201,888 compared to USD 1,665,045 for the same period in 2012. This decrease of 28% is attributable to a decrease of travel activity, a decrease in accounting fees and IT costs.

#### Non-operating income/expense

For the year ended period ended December 31, 2013, we recorded a non-operating loss of USD 4,283,426 compared to a non-operating gain of USD 189,092 for the same period in 2012. This decrease of USD 4,472,518 is mainly attributable to a change in the value of our investment in Petromanas.

For the year ended period ended December 31, 2013, we recorded a decrease in fair value of investment in associate (Petromanas) of USD 4,247,067 compared to an increase in fair value of investment in associate of USD 3,719,716 and a loss from sale of investment in associate of USD 3,507,397 for the same period in 2012.

#### Income tax penalties accrual

For the year ended December 31, 2013 the company recorded an accrual for the potential tax penalties relating to the years ended 2007, 2008 and 2009. The tax penalties in the amount of USD 134,785 (tax penalties USD 126,000 and accrued interest USD 8,785) were recorded in income tax expense.

#### *Liquidity and Capital Resources*

Our cash balance as of December 31, 2013 was USD 3,063,947. Shareholders' equity as of December 31, 2013 was USD 20,706,748. As of December 31, 2013, total current assets were USD 10,924,705 and total current liabilities were USD 1,092,571, resulting in net working capital of USD 9,832,134. Of our cash balance as of December 31, 2013, USD 3,063,947 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 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.

#### *Cash Flows (in USD)*

	<i>Year ended</i>	
	<b>Dec. 31, 2013</b>	<b>Dec. 31, 2012</b>
Net Cash used in Operating Activities	(5,124,010)	(12,372,875)
Net Cash provided by Investing Activities	5,695,733	1,418,902
Net Cash provided by (used in) Financing Activities	(377,125)	164,535
Change in Cash and Cash Equivalents during the Period	<b>194,597</b>	<b>(10,789,438)</b>

## Operating Activities

Net cash used in operating activities of USD 5,124,010 for the year ended December 31, 2013 changed from net cash used of USD 12,372,875 for the same period in 2012. This decrease in net cash used in operating activities of USD 7,248,865, is mainly due to lower exploration activity in the company's ventures, especially in Mongolia, and a net change in account payables of 1,388,014.

## Investing Activities

Net cash provided by investing activities of USD 5,695,733 for the year ended December 31, 2013 changed from net cash provided by investing activities of USD 1,418,902 for the same period in 2012. This increase of USD 4,276,831 in cash provided by investing activities is attributable to the divestment of investment (Petromanas) with proceeds of USD 5,655,492 and a net reduction in restricted cash of USD 95,569. Whereas for the year ended December 2012 investing activities was influenced by the use of cash through the transaction payment of USD 10,111,656, capitalized exploration expenditures in Mongolia of USD 460,855 and the source of cash through the divestment of investment (Petromanas) of USD 12,115,648 respectively.

## Financing Activities

Net cash used from financing activities of USD 377,125 for the year ended December 31, 2013 changed from net cash provided of USD 164,535 for the same period in 2012 due to the fluctuations in refundable deposits.

## *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	3,257,384 <sup>1</sup>
Kyrgyzstan	28,800 <sup>1</sup>
Mongolia	1,045,994 <sup>2</sup>
Tajikistan - Exploration	1,766,886 <sup>3</sup>
Tajikistan - Rehabilitation	2,000,000 <sup>4</sup>
Business Development	120,000
<b>Total</b>	<b>8,219,064</b>

- (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.
- (4) Payment to Kavsar in compensation for its expenses pursuant to section 3.4.2 of the Share Purchase Agreement, exhibit 10.24.

Our monthly burn rate (excluding exploration, drill-site preparation activities and the rehabilitation payment of USD 2,000,000) amounts to approximately USD 498,005 (corporate USD 271,449, ventures USD 226,556) and USD 685,000 if included. Considering our net working capital and our 50 million shares in Petromanas Energy Inc., we believe that we are able to fund our planned operations for the next twelve months.

## *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.

#### Equity investment in associate measured at fair value

For the period ended December 31, 2012 the company had initially elected for the fair value option for subsequent measurement. The shares of the investment in associate 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.

For period ended December 31, 2013 we have reclassified our investment in associates from Level 2 to Level 1 and account for in accordance with ASC 320 Investments - *Debt and Equity Securities*. We have classified the investment in associates as trading securities and report it at fair value, with unrealized gains and losses included in earnings.

#### 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 capital surplus. 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 \(Deficit\)](#)
- [Notes to the Consolidated Financial Statements](#)



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## Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders  
MNP Petroleum Corporation (An Exploration Stage Company)

We have audited the accompanying consolidated balance sheets of MNP Petroleum Corporation (An Exploration Stage Company) as of December 31, 2013 and 2012 and the related consolidated statements of comprehensive loss, statements of shareholders' equity (deficit), and cash flow statements for the years ended December 31, 2013 and 2012 and the period from May 25, 2004 (date of inception) to December 31, 2013. 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 did not audit the financial statements of MNP Petroleum Corporation for the period from inception to December 31, 2008. Such statements are included in the cumulative inception to December 31, 2013 totals of the statements of comprehensive loss and cash flows and reflect total revenues and net losses of \$1,375,728 and \$44,204,915, respectively. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to amounts for the period from inception to December 31, 2008, included in the cumulative totals, is based solely on the report of the other auditors.

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 and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MNP Petroleum Corporation at December 31, 2013 and 2012, and the results of its operations and its cash flows for the years ended December 31, 2013 and 2012 and the period from May 25, 2004 (date of inception) to December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

Zurich, March 31, 2014

BDO Visura International AG

/s/ Christoph Tschumi  
Christoph Tschumi

/s/ Benjamin Patzen  
Benjamin Patzen

**MNP PETROLEUM CORPORATION**  
**(AN EXPLORATION STAGE COMPANY)**  
**CONSOLIDATED BALANCE SHEETS**

	<b>12.31.2013</b>	<b>12.31.2012</b>
	<b>USD</b>	<b>USD</b>
<b>ASSETS</b>		
Cash and cash equivalents	3,063,947	2,842,495
Restricted cash	46,738	122,521
Accounts receivable	32,508	73,309
Transaction prepayment		10,111,656
Investment in associate (Petromanas)	7,478,799	
Other prepaid expenses	302,713	304,504
<b>Total current assets</b>	<b>10,924,705</b>	<b>13,454,485</b>
Tangible fixed assets	132,374	132,435
Investment in associate	-	238,304
Oil and gas properties (unproved)	772,855	772,855
Investment in associate (Petromanas)		17,462,734
Transaction prepayment	10,111,656	
<b>Total non-current assets</b>	<b>11,016,885</b>	<b>18,606,328</b>
<b>TOTAL ASSETS</b>	<b>21,941,590</b>	<b>32,060,813</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Accounts payable	447,736	127,283
Accrued expenses exploration costs	312,000	312,000
Other accrued expenses	332,835	166,247
Refundable deposits	-	377,125
<b>Total current liabilities</b>	<b>1,092,571</b>	<b>982,655</b>
Pension liabilities	142,271	109,401
<b>Total non-current liabilities</b>	<b>142,271</b>	<b>109,401</b>
<b>TOTAL LIABILITIES</b>	<b>1,234,842</b>	<b>1,092,056</b>
Common Stock (600,000,000 shares authorized as of December 31, 2013 and 300,000,000 shares authorized as of December 31, 2012, USD 0.001 par value, 172,592,292 and 172,467,292 shares, respectively, issued and outstanding)	172,592	172,592
Additional paid-in capital	78,527,990	77,828,886
Retained deficit accumulated during the exploration stage	(58,044,835)	(47,083,722)
Currency translation adjustment	51,001	51,001
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>20,706,748</b>	<b>30,968,757</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>21,941,590</b>	<b>32,060,813</b>

**MNP PETROLEUM CORPORATION**  
**(AN EXPLORATION STAGE COMPANY)**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

	12.31.2013 USD	12.31.2012 USD	Period from 05.2004 (inception) to 12.31.2013
<b>OPERATING REVENUES</b>			
Other revenues	-	-	1,375,728
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>1,375,728</b>
<b>OPERATING EXPENSES</b>			
Personnel costs	(2,301,938)	(2,653,844)	(32,761,028)
Exploration costs	(1,146,948)	(5,784,277)	(20,267,881)
Depreciation	(52,986)	(52,843)	(385,798)
Consulting fees	(1,838,909)	(1,812,230)	(14,785,985)
Administrative costs	(1,201,888)	(1,665,045)	(18,243,352)
<b>Total operating expenses</b>	<b>(6,542,669)</b>	<b>(11,968,239)</b>	<b>(86,444,044)</b>
Gain from sale of investment	-	-	3,864,197
Loss from sale of investment	-	-	(900)
<b>Operating loss</b>	<b>(6,542,669)</b>	<b>(11,968,239)</b>	<b>(81,205,019)</b>
<b>NON-OPERATING INCOME / (EXPENSE)</b>			
Exchange differences	(37,137)	2,563	108,161
Changes in fair value of warrants	-	-	(10,441,089)
Warrants issuance expense	-	-	(9,439,775)
Gain from sale of subsidiary	-	-	57,850,918
Change in fair value of investment in associate	(4,247,067)	3,719,716	(17,568,109)
Interest income	1,391	3,794	609,201
Interest expense	(613)	(29,584)	(2,637,321)
Loss on extinguishment of debt	-	-	(117,049)
Loss from sale of investment in associate	-	(3,507,397)	(3,507,397)
<b>Income/(Loss) before taxes and equity in net loss of associate</b>	<b>(10,826,095)</b>	<b>(11,779,147)</b>	<b>(66,347,479)</b>
Income taxes	(135,018)	397	(145,553)
Equity in net loss of associate	-	-	(24,523)
<b>Net income/(loss) from continuing operations</b>	<b>(10,961,113)</b>	<b>(11,778,750)</b>	<b>(66,517,555)</b>
<b>DISCONTINUED OPERATIONS</b>			
Gain from divestiture	-	-	51,663
Operating expenses	-	-	(647,213)
<b>Income/(Loss) from discontinued operations</b>	<b>-</b>	<b>-</b>	<b>(595,550)</b>
<b>Net income/(loss)</b>	<b>(10,961,113)</b>	<b>(11,778,750)</b>	<b>(67,113,105)</b>
Net loss attributable to non-controlling interest	-	-	(18,700)
<b>Net income/(loss) attributable to Manas</b>	<b>(10,961,113)</b>	<b>(11,778,750)</b>	<b>(67,131,805)</b>
Currency translation adjustment attributable to Manas	-	-	51,001
<b>Net comprehensive income/(loss) attributable to Manas</b>	<b>(10,961,113)</b>	<b>(11,778,750)</b>	<b>(67,080,804)</b>
Net comprehensive loss attributable to non-controlling interest	-	-	18,700
<b>Net comprehensive income/(loss)</b>	<b>(10,961,113)</b>	<b>(11,778,750)</b>	<b>(67,062,104)</b>
Weighted average number of outstanding shares (basic)	172,592,292	172,547,210	128,102,529
Weighted average number of outstanding shares (diluted)	172,592,292	172,547,210	128,102,529
<b>Basic earnings/(loss) per share attributable to Manas</b>	<b>(0.06)</b>	<b>(0.07)</b>	<b>(0.52)</b>
Basic earnings/(loss) per share - continuing operations	(0.06)	(0.07)	(0.51)
Basic earnings/(loss) per share - discontinued operations	-	-	(0.01)
<b>Diluted earnings/(loss) per share attributable to Manas</b>	<b>(0.06)</b>	<b>(0.07)</b>	<b>(0.52)</b>
Diluted earnings/(loss) per share - continuing operations	(0.06)	(0.07)	(0.51)
Diluted earnings/(loss) per share - discontinued operations	-	-	(0.01)

**MNP PETROLEUM CORPORATION**  
**(AN EXPLORATION STAGE COMPANY)**  
**CONSOLIDATED CASH FLOW STATEMENT**

	12.31.2013 USD	12.31.2012 USD	Period from 05.2004 (inception) to 12.31.2013 USD
<b>OPERATING ACTIVITIES</b>			
<b>Net income/(loss)</b>	<b>(10,961,113)</b>	<b>(11,778,750)</b>	<b>(67,113,105)</b>
<b>To reconcile net income/(loss) to net cash used in operating activities</b>			
Gain from sale of subsidiary	-	-	(57,850,918)
Gain from sale of investment	-	-	(3,864,197)
Loss from sale of investment	-	3,507,397	3,508,297
Gain from divestiture of discontinued operations	-	-	(72,000)
Change in fair value of investment in associate	4,247,067	(3,719,716)	17,568,109
Equity in net loss of associate	238,305	-	262,828
Depreciation	52,986	52,843	385,798
Amortization of debt issuance costs	-	-	349,910
Warrant issuance expense / (income)	-	-	19,880,864
Exchange differences	37,137	(2,563)	(108,161)
Non cash adjustment to exploration costs	-	-	(204,753)
Non cash interest income	-	-	(25,619)
Interest expense on contingently convertible loan	-	-	236,798
Loss on extinguishment of contingently convertible loan	-	-	83,202
Interest expense on debentures	-	-	764,142
Loss on extinguishment of debentures	-	-	33,847
Stock-based compensation	699,105	1,126,170	28,033,176
Decrease / (increase) in receivables and prepaid expenses	42,592	24,138	(331,656)
(Decrease) / increase in accounts payables	320,453	(1,067,561)	(61,633)
(Decrease) / increase in accrued expenses	166,588	(543,807)	258,626
Change in pension liability	32,870	28,974	142,271
<b>Cash flow used in operating activities</b>	<b>(5,124,010)</b>	<b>(12,372,875)</b>	<b>(58,124,174)</b>
<b>INVESTING ACTIVITIES</b>			
Transaction prepayment	-	(10,111,656)	(10,111,656)
Capitalized exploration expenditure	-	(460,855)	(460,855)
Purchase of tangible fixed assets and computer software	(52,926)	(108,552)	(637,663)
Sale of tangible fixed assets and computer software	17,384	4,103	100,813
Proceeds from sale of investment	5,655,492	12,115,648	32,608,950
Decrease / (increase) restricted cash	75,783	(19,786)	(46,738)
Acquisition of investment in associate	-	-	(67,747)
<b>Cash flow from investing activities</b>	<b>5,695,733</b>	<b>1,418,902</b>	<b>21,385,104</b>
<b>FINANCING ACTIVITIES</b>			
Contribution share capital founders	-	-	80,019
Issuance of units	-	-	37,282,734
Issuance of contingently convertible loan	-	-	1,680,000
Issuance of debentures	-	-	3,760,000
Issuance of promissory notes to shareholders	-	-	540,646
Repayment of contingently convertible loan	-	-	(2,000,000)
Repayment of debentures	-	-	(4,000,000)
Repayment of promissory notes to shareholders	-	-	(540,646)
Proceeds from exercise of options	-	-	240,062
Issuance of warrants	-	-	670,571
Proceeds from exercise of warrants	-	-	2,260,959
Cash arising on recapitalization	-	-	6,510
Shareholder loan repaid	-	-	(3,385,832)
Shareholder loan raised	-	-	4,653,720
Repayment of bank loan	-	-	(2,520,000)
Increase in bank loan	-	-	2,520,000
Increase in short-term loan	-	-	917,698
Payment of unit issuance costs	-	-	(2,348,250)
Payment of debt issuance costs	-	-	(279,910)
Increase / (decrease) in refundable deposits	(377,125)	164,535	-
<b>Cash flow (used in) / from financing activities</b>	<b>(377,125)</b>	<b>164,535</b>	<b>39,538,281</b>
<b>Net change in cash and cash equivalents</b>	<b>194,597</b>	<b>(10,789,438)</b>	<b>2,799,210</b>
Cash and cash equivalents at the beginning of the period	2,842,495	13,629,370	-
Currency translation effect on cash and cash equivalents	26,855	2,563	264,737
<b>Cash and cash equivalents at the end of the period</b>	<b>3,063,947</b>	<b>2,842,495</b>	<b>3,063,947</b>
<b>Supplement schedule of non-cash investing and financing activities:</b>			

Capitalized exploration costs recorded as accruals	-	312,000	312,000
Forgiveness of debt by major shareholder	-	-	1,466,052
Deferred consideration for interest in CJSC South Petroleum Co.	-	-	193,003
Warrants issued to pay unit issuance costs	-	-	280,172
Warrants issued to pay placement commission expenses	-	-	2,689,910
Debenture interest paid in common shares	-	-	213,479
Forgiveness of advance payment from Petromanas Energy Inc.	-	-	917,698
Initial fair value of shares of investment in Petromanas	-	-	46,406,821
Forgiveness of receivable due from Manas Adriatic GmbH	-	-	<b>(3,449,704)</b>



**MNP PETROLEUM CORPORATION**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY/(DEFICIT)**

SHAREHOLDERS' EQUITY/(DEFICIT)	Number of shares	Share capital	Additional paid-in capital	Deficit accumulated during the development stage	Accumulated Other Comprehensive Income/ (Loss)	Total shareholders' equity/(deficit)
<b>Balance May 25, 2004</b>	-	-	-	-	-	-
Contribution share capital from founders	80,000,000	80,000	19	-	-	<b>80,019</b>
Currency translation adjustment	-	-	-	-	(77,082)	(77,082)
Net loss for the period	-	-	-	(601,032)	-	(601,032)
<b>Balance December 31, 2004</b>	<b>80,000,000</b>	<b>80,000</b>	<b>19</b>	<b>(601,032)</b>	<b>(77,082)</b>	<b>(598,095)</b>
<b>Balance January 1, 2005</b>	<b>80,000,000</b>	<b>80,000</b>	<b>19</b>	<b>(601,032)</b>	<b>(77,082)</b>	<b>(598,095)</b>
Currency translation adjustment	-	-	-	-	218,699	218,699
Net loss for the year	-	-	-	(1,993,932)	-	(1,993,932)
<b>Balance December 31, 2005</b>	<b>80,000,000</b>	<b>80,000</b>	<b>19</b>	<b>(2,594,964)</b>	<b>141,617</b>	<b>(2,373,328)</b>
<b>Balance January 1, 2006</b>	<b>80,000,000</b>	<b>80,000</b>	<b>19</b>	<b>(2,594,964)</b>	<b>141,617</b>	<b>(2,373,328)</b>
Forgiveness of debt by major shareholder	-	-	1,466,052	-	-	1,466,052
Currency translation adjustment	-	-	-	-	(88,153)	(88,153)
Net income for the year	-	-	-	1,516,004	-	1,516,004
<b>Balance December 31, 2006</b>	<b>80,000,000</b>	<b>80,000</b>	<b>1,466,071</b>	<b>(1,078,960)</b>	<b>53,464</b>	<b>520,575</b>
<b>Balance January 1, 2007</b>	<b>80,000,000</b>	<b>80,000</b>	<b>1,466,071</b>	<b>(1,078,960)</b>	<b>53,464</b>	<b>520,575</b>
Recapitalization transaction	20,110,400	20,111	(356,732)	-	-	(336,621)
Stock-based compensation	880,000	880	7,244,409	-	-	7,245,289
Private placement of units, issued for cash	10,330,152	10,330	9,675,667	-	-	9,685,997
Private placement of units	10,709	11	(11)	-	-	-
Private placement of units, issued for cash	825,227	825	3,521,232	-	-	3,522,057
Currency translation adjustment	-	-	-	-	3,069	3,069
Net loss for the year	-	-	-	(12,825,496)	-	(12,825,496)
<b>Balance December 31, 2007</b>	<b>112,156,488</b>	<b>112,157</b>	<b>21,550,636</b>	<b>(13,904,456)</b>	<b>56,533</b>	<b>7,814,870</b>
<b>Balance January 1, 2008</b>	<b>112,156,488</b>	<b>112,157</b>	<b>21,550,636</b>	<b>(13,904,456)</b>	<b>56,533</b>	<b>7,814,870</b>
Stock-based compensation	2,895,245	2,895	9,787,978	-	-	9,790,873
Private placement of units, issued for cash	4,000,000	4,000	1,845,429	-	-	1,849,429
Issuance of warrants	-	-	10,110,346	-	-	10,110,346
Beneficial conversion feature	-	-	557,989	-	-	557,989
Currency translation adjustment	-	-	-	-	(13,212)	(13,212)
Net loss for the period	-	-	-	(30,296,106)	-	(30,296,106)
<b>Balance December 31, 2008</b>	<b>119,051,733</b>	<b>119,052</b>	<b>43,852,378</b>	<b>(44,200,563)</b>	<b>43,322</b>	<b>(185,811)</b>
<b>Balance January 1, 2009</b>	<b>119,051,733</b>	<b>119,052</b>	<b>43,852,378</b>	<b>(44,200,563)</b>	<b>43,322</b>	<b>(185,811)</b>
Adoption of ASC 815-40	-	-	(9,679,776)	9,086,972	-	(592,804)
Reclassification warrants	-	-	10,883,811	-	-	10,883,811
Stock-based compensation	-	-	4,475,953	-	-	4,475,953
Currency translation adjustment	-	-	-	-	7,679	7,679
Net loss for the year	-	-	-	(21,618,015)	-	(21,618,015)
<b>Balance December 31, 2009</b>	<b>119,051,733</b>	<b>119,052</b>	<b>49,532,366</b>	<b>(56,731,606)</b>	<b>51,001</b>	<b>(7,029,187)</b>
<b>Balance January 1, 2010</b>	<b>119,051,733</b>	<b>119,052</b>	<b>49,532,366</b>	<b>(56,731,606)</b>	<b>51,001</b>	<b>(7,029,187)</b>
Exercise of warrants	3,832,133	3,832	2,257,127	-	-	2,260,959
FV adjustment of exercised warrants	-	-	72,644	-	-	72,644
Reclassification warrants	-	-	77,439	-	-	77,439
Stock-based compensation	2,103,527	2,103	4,174,558	-	-	4,176,661
Shares to be issued	-	-	240,062	-	-	240,062
Redeemable shares	-	-	(2,517,447)	-	-	(2,517,447)
Net loss for the year	-	-	-	74,442,353	-	74,442,353
<b>Balance December 31, 2010</b>	<b>124,987,393</b>	<b>124,987</b>	<b>53,836,749</b>	<b>17,710,747</b>	<b>51,001</b>	<b>71,723,484</b>
<b>Balance January 1, 2011</b>	<b>124,987,393</b>	<b>124,987</b>	<b>53,836,749</b>	<b>17,710,747</b>	<b>51,001</b>	<b>71,723,484</b>
Stock-based compensation	2,106,082	2,106	797,190	-	-	799,296
TSX listing units, issued for cash	44,450,500	44,451	19,552,378	-	-	19,596,829
Exercise of options	923,317	923	(923)	-	-	-
Redeemable shares	-	-	2,517,447	-	-	2,517,447
Net loss for the year	-	-	-	(53,015,719)	-	(53,015,719)
<b>Balance December 31, 2011</b>	<b>172,467,292</b>	<b>172,467</b>	<b>76,702,841</b>	<b>(35,304,972)</b>	<b>51,001</b>	<b>41,621,337</b>
<b>Balance January 1, 2012</b>	<b>172,467,292</b>	<b>172,467</b>	<b>76,702,841</b>	<b>(35,304,972)</b>	<b>51,001</b>	<b>41,621,337</b>
Stock-based compensation	125,000	125	1,126,045	-	-	1,126,170
Net loss for the year	-	-	-	(11,778,750)	-	(11,778,750)
<b>Balance December 31, 2012</b>	<b>172,592,292</b>	<b>172,592</b>	<b>77,828,886</b>	<b>(47,083,722)</b>	<b>51,001</b>	<b>30,968,757</b>
<b>Balance January 1, 2013</b>	<b>172,592,292</b>	<b>172,592</b>	<b>77,828,886</b>	<b>(47,083,722)</b>	<b>51,001</b>	<b>30,968,757</b>
Stock-based compensation	-	-	699,104	-	-	699,104
Net loss for the year	-	-	-	(10,961,113)	-	(10,961,113)
<b>Balance December 31, 2013</b>	<b>172,592,292</b>	<b>172,592</b>	<b>78,527,990</b>	<b>(58,044,835)</b>	<b>51,001</b>	<b>20,706,748</b>



## 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, 2013 and 2012 and the period from May 25, 2004 (inception) to December 31, 2013.

In terms of the oil and gas industry lifecycle, the Company considers itself to be an exploration stage company. Since it has not realized any revenues from its planned principal operations, the Company presents its financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP) that apply in establishing operating enterprises, i.e. development stage companies. As an exploration stage enterprise, the Company discloses the deficit accumulated during the exploration stage and the cumulative statements of operations and cash flows from inception to the current balance sheet date.

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). In the Balkan Region (Albania), France and Australia the Company holds an investment in associate (Petromanas Energy Inc.).

## 2. 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.

Non-controlling interests in the net assets of consolidated subsidiaries are reported as equity. The amount of net income attributable to the non-controlling interest is identified in the consolidated statements of operations and comprehensive loss.

### **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 the period ended December 31, 2012 the company had initially elected for the fair value option for subsequent measurement. 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.

For period ended December 31, 2013 we have reclassified our investment in associates from Level 2 to Level 1 and account for it in accordance with ASC 320 *Investments - Debt and Equity Securities* . We have 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	4 years
Vehicles	5 - 6 years
Furniture	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 or 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's revenue during the year 2008 consists of consulting fees from contracts with fees based on time and materials which are recognized as the services are performed and amounts are earned and options premiums received for the farm-out of the Group's exploration interests. The Group did not earn revenue during the years 2013 and 2012.

**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.

## 3. NEW ACCOUNTING STANDARDS

For the period ended December 31, 2013 the Company was not impacted by any new accounting standards.

## 4. CASH AND CASH EQUIVALENTS

	Held in USD	Held in EUR	Held in CHF	Held in other currencies	Total Dec 31, 2013	Total Dec 31, 2012
Cash and cash equivalents (in USD)	374,069	3,521	2,686,293	64	3,063,947	2,842,495

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.

## 5. PLAN FOR ACQUISITION

On December 31, 2012, DWM Petroleum AG, our wholly-owned Swiss subsidiary, entered into a Share Purchase Agreement with an unrelated third party, a small, private company known only in Tajikistan, to purchase, for USD 21,000,000 in cash, 80% of the equity interest in a Swiss company which, at the time of closing of the transaction described in the Share Purchase Agreement, will own a Tajik company ("target company") which in turn will own 100% of the interest in certain producing oilfield assets located in Tajikistan. The seller's ("Kavsar") wholly-owned subsidiary, a small, private company known only in Tajikistan, currently owns the majority of the equity in the target company.

As previously disclosed, DWM Petroleum has already advanced an aggregate of USD 10,111,656 as a deposit on account of the purchase price. If the seller satisfies certain conditions ("Conditions for the next Advance"), DWM Petroleum will be required to make an additional advance of USD 7,000,000 to the seller. DWM Petroleum will be required to pay the remaining balance (USD 3,888,344) of the purchase price to the seller on the closing date, no later than the seventh Business Day after the closing conditions are satisfied.

If the transaction is not completed because the seller does not satisfy the conditions to the next advance, the seller must refund to DWM Petroleum the USD 10,111,656 deposit, subject to payment by DWM Petroleum of a termination fee in the amount of USD 2,000,000 intended to compensate the seller for expenses it has incurred in connection with the transaction. The conditions for the next advance were originally required to be fulfilled on or before March 31, 2013. Effective December 31, 2012, this date was extended to May 30, 2013 pursuant to Amendment 1 to the Share Purchase Agreement. Effective April 30, 2013, this date was further extended to June 30, 2013 pursuant to Amendment 3 to the Share Purchase Agreement. Effective June 27, 2013, seller has fulfilled all conditions for the next payment. Effective June 27, 2013 pursuant to Amendment 4, the date for next advance payment is ninety days of the date the seller has satisfied the requisite conditions.

If DWM Petroleum is required to make the next advance but fails to do so, the seller will be required to refund to DWM Petroleum the USD 10,111,656 deposit previously paid by delivering to DWM Petroleum 65% shares of the company that is the majority owner of the producing oilfield assets being purchased. In that event, DWM Petroleum will also be required to pay to the seller the sum of USD 2,000,000, which is intended to compensate the seller for its expenses.

Completion of the purchase is subject to conditions and the completion of certain ancillary transactions by the seller in respect of the assets to be owned at closing by the target company ("the closing conditions"). These conditions were originally required to be fulfilled or waived on or before April 30, 2013. Effective December 31, 2012, this date was extended to June 27, 2013 pursuant to Amendment 1 to the Share Purchase Agreement. Effective April 30, 2013, this date was further extended to September 27, 2013 pursuant to Amendment 3 to the Share Purchase Agreement.

Effective April 30, 2013, pursuant to Amendment 2 to the Share Purchase Agreement, a condition for the next advance that requires the target company to enter into a certain contract with the Tajik government was changed to the extent that the seller is only required to confirm to DWM Petroleum that the target company has agreed with the responsible government authority, the terms for the aforementioned contract – and not actually signed such contract.

Effective June 27, 2013, the seller has met all conditions and completed certain ancillary transactions required for the next advance payment. Pursuant to the SPA and the amendments mentioned above, the payment of USD 7,000,000 is due by September 27, 2013.

DWM did not make the next advance payment by September 27, 2013. Accordingly pursuant to the SPA effective September 27, 2013 DWM has opted to take a 65% interest in the company that owns the majority of shares in the Tajik operating company holding the oilfield assets subject to that the target company is debt free as well as government approvals. After the closing of the transaction pursuant to the SPA, DWM has agreed to compensate Seller for its expenses capped at USD 2,000,000.

On March 31, 2014 DWM Petroleum and Kavsar signed a Supplement Agreement which is effective September 27, 2013 (Exhibit 10.31) to the Share Purchase Agreement. The Supplement Agreement outlines pursuant to Article 3.4.2 of the Share Purchase Agreement that DWM Petroleum is entitled to receive from Kavsar 65% of the participation certificates in Energy Partners Austria, the beneficial owner of 57.42% shares in Petroleum Sugd, a joint venture with limited liability incorporated under the laws of Tajikistan and operator of the oil fields in Tajikistan, subject to the payment of USD 2 million by DWM Petroleum. Furthermore, the Supplement Agreement outlines that Kavsar shall transfer all shares from TF Petroleum AG, a company incorporated under the Laws of Switzerland, including the assets for zero consideration to DWM Petroleum.



In return DWM Petroleum shall waive USD 100,000.00 from the prepayment. Starting January 1, 2014 DWM Petroleum will be eligible to future profits and dividends from Energy Partners Austria. The closing of the transaction is subject to the capital restructuring requirement of Energy Partners Austria by Kavsar, the notary act and regulatory approval. After the finalization of the Supplement Agreement the Share Purchase Agreement is concluded.

Management currently takes the position that no amendments are required to the line item "Transaction Prepayment" for the period ended December 31, 2013.

## 6. TANGIBLE FIXED ASSETS

Year 2013 (in USD)	Office equipment & furniture	Vehicles	Leasehold improvements	Computer software	Total
<b>Cost at Jan 1, 2013</b>	<b>147,141</b>	<b>117,884</b>	<b>47,375</b>	<b>33,212</b>	<b>345,613</b>
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
<b>Accumulated depreciation at Jan 1, 2013</b>	<b>(112,608)</b>	<b>(50,146)</b>	<b>(47,375)</b>	<b>(3,048)</b>	<b>(213,178)</b>
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)
<b>Net book value at Dec 31, 2013</b>	<b>33,353</b>	<b>84,799</b>	<b>-</b>	<b>14,223</b>	<b>132,374</b>

Year 2012 (in USD)	Office equipment & furniture	Vehicles	Leasehold improvements	Computer software	Total
<b>Cost at Jan 1, 2012</b>	<b>151,303</b>	<b>101,340</b>	<b>47,375</b>	<b>-</b>	<b>300,018</b>
Additions	-	76,000	-	33,212	109,212
Disposals	(4,162)	(59,456)	-	-	(63,618)
Cost at Dec 31, 2012	147,141	117,884	47,375	33,212	345,612
<b>Accumulated depreciation at Jan 1, 2012</b>	<b>(95,691)</b>	<b>(85,103)</b>	<b>(38,545)</b>	<b>-</b>	<b>(219,339)</b>
Depreciation	(16,917)	(24,048)	(8,300)	(3,048)	(52,843)
Disposals	-	59,005	-	-	59,005
Accumulated depreciation at Dec 31, 2012	(112,608)	(50,146)	(47,375)	(3,048)	(213,177)
<b>Net book value at Dec 31, 2012</b>	<b>34,533</b>	<b>67,738</b>	<b>-</b>	<b>30,164</b>	<b>132,435</b>

Depreciation expense for the year ended December 31, 2013 and 2012 was USD 52,986 and USD 52,843, respectively.

## 7. OIL AND GAS PROPERTIES

Capitalized exploration costs (in USD)	Year ended Dec. 31, 2013	Year ended Dec. 31, 2012
Unproved, not subject to depletion	772,855	772,855
Proved subject to depletion	-	-
Accumulated depletion	-	-
<b>Total capitalized exploration costs</b>	<b>772,855</b>	<b>772,855</b>

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 relates to specific costs for wells still to be drilled including capitalized costs recorded as accruals for USD 312,000. These costs have not been paid due to the current moratorium in place.

If the third well is found to be a dry hole, all remaining capitalized costs related to the campaign will de facto be expensed, with the exception of the tangible equipment, which will continue to have a salvage value (it will be either sold or written off). If the well is found to have proven reserves, the capitalized drilling costs will be reclassified as part of the cost of the well. No exploration costs were capitalized during the year ended December 31, 2013.

As of June 27, 2013, we 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 we 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 our outstanding PSC commitments. Drilling activities will commence once the full evaluation of the new area is completed and drillable economic structures are available to fulfill our outstanding commitments, which is currently four wells.

## **8. 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 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 2013 3,500,000 stocks were granted of which 1,000,000 to one of our directors expired unexercised on September 30, 2013.

### **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**

#### **- 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 CDN\$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.

- **2012**

No options were granted during the year 2012.

**8.1. 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 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, 2013 and 2012:

No options were granted in 2012.

<b>Assumption used</b>	<b>2013</b>	<b>2012</b>
Expected dividend yield	0%	N/A
Expected volatility	107%	N/A
Risk-free interest rate	0.97%	N/A
Expected term (in years)	5.34	N/A
Expected dividend yield	0%	N/A

During the year ended December 31, 2013, the weighted average fair value of options granted was USD 0.05 at the grant date, respectively.

The following table illustrates the development of the Company's non-vested options during the year ended December 31, 2013:

<b>Non-vested options</b>	<b>Shares under option</b>	<b>Weighted-average grant date fair value</b>
Non-vested at December 31, 2012	5,254,909	0.17
Non-vested granted	3,500,000	0.05
Vested	(5,872,917)	0.13
Non-vested, forfeited or canceled	(1,413,242)	0.15
Non-vested at December 31, 2013	1,468,750	0.05

As of December 31, 2013, there was USD 58,277 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 1.02 years.

The following tables summarize the Company's stock option activity for the years ended December 31, 2013 and 2012:

Outstanding options 2013	Shares under option	Weighted-average exercise price	Weighted-average remaining contractual term (years)	Aggregate intrinsic value
<b>Outstanding at December 31, 2012</b>	<b>15,950,000</b>	<b>USD 0.39</b>	<b>7.07</b>	-
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	-
<b>Exercisable at December 31, 2013</b>	<b>10,631,250</b>	<b>USD 0.26</b>	<b>7.17</b>	-

Outstanding options 2012	Shares under option	Weighted-average exercise price	Weighted-average remaining contractual term (years)	Aggregate intrinsic value
<b>Outstanding at December 31, 2011</b>	<b>18,350,000</b>	<b>USD 0.37</b>	<b>7.04</b>	-
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited or expired	(2,400,000)	USD 0.26	-	-
Outstanding at December 31, 2012	15,950,000	USD 0.39	7.04	-
<b>Exercisable at December 31, 2012</b>	<b>10,695,091</b>	<b>USD 0.46</b>	<b>6.45</b>	-

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

Exercise Price in USD	Options Outstanding		Options Exercisable	
	Number of Options	WA Remaining Contractual Term	Number of Options	WA Remaining Contractual Term
0.15	1,000,000	4.19	406,250	4.21
0.2	500,000	2.89	500,000	2.89
0.215	8,100,000	7.77	8,100,000	7.77
0.3	250,000	4.48	125,000	4.48
0.45	250,000	4.48	125,000	4.48
0.68	500,000	5.61	500,000	5.61
0.79	500,000	5.61	500,000	5.61
<b>Total</b>	<b>12,100,000</b>	<b>5.35</b>	<b>10,631,250</b>	<b>5.34</b>

Exercise Price in CDN\$	Options Outstanding		Options Exercisable	
	Number of Options	WA Remaining Contractual Term	Number of Options	WA Remaining Contractual Term
0.15	1,000,000	9.09	375,000	9.09

As of December 31, 2013 all options were out-of-the-money and, therefore, they had no intrinsic value.

## 8.2. 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.

The following table summarizes the Company's activity with respect to share grants for the year ended December 31, 2012:

<b>Non-vested shares 2012</b>	<b>Shares</b>	<b>Weighted-average grant date fair value</b>
Non-vested at December 31, 2011	500,000	USD 0.47
Granted	-	-
Vested	(125,000)	USD 0.47
Non-vested, forfeited or canceled	(375,000)	USD 0.47
Non-vested at December 31, 2012	-	-

No share grants were granted in 2013.

As of December 31, 2013, there were no unrecognized compensation costs related to unvested share grants.

### 8.3. Summary of Stock-based Compensation Expenses

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

<b>Stock based compensation expenses (in USD)</b>	<i>Year ended</i>	
	<b>Dec 31, 2013</b>	<b>Dec 31, 2012</b>
Option grants	699,104	1,047,699
Share grants	-	35,702
<b>Total</b>	<b>699,104</b>	<b>1,083,401</b>
Recorded under "Personnel"	668,564	1,046,587
Recorded under "Consulting fees"	30,540	36,814

## 9. 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.

### 9.1. Warrant activity

The following tables summarize the Company's warrant activities for the years ended December 31, 2013 and 2012:

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

<b>Warrants 2012</b>	<b>Number of warrants</b>	<b>Weighted average exercise price</b>
Outstanding at December 31, 2011	45,934,015	USD 0.70
Granted	-	-
Exercised	-	-
Forfeit or expired	-	-
Outstanding at March	-	-
<b>Outstanding at December 31, 2012</b>	<b>45,934,015</b>	<b>USD 0.70</b>

### 9.2. Warrants Outstanding

As of December 31, 2013, the Company had 44,450,500 warrants outstanding to purchase common stock and as of December 31, 2012 45,934,015, respectively. Each warrant entitles the holder to purchase one share of the Company's common stock. The Company has enough shares of common stock authorized in the event that these warrants are exercised.

The following table summarizes information about the Company's warrants outstanding as of December 31, 2013 and 2012:

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

<b>Warrant series 2012</b>	<b>Number of warrants</b>	<b>Strike price</b>	<b>Grant date</b>	<b>Expiry date</b>
Grant	150,000	USD 0.80	June 2, 2010	June 2, 2013
Unit warrants	44,450,500	USD 0.70	May 6, 2011	May 6, 2014
Agent warrants	1,333,515	USD 0.60	May 6, 2011	May 6, 2013
<b>Total warrants outstanding</b>	<b>45,934,015</b>			

## 10. 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:

<b>Release dates</b>	<b>Number of shares released from escrow</b>
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
<b>Total</b>	<b>200,000,000</b>

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.

On December 31, 2012, DWM Petroleum owned and controlled 100,000,000 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 100,000,000 common shares represent approximately 14.4% of the issued and outstanding common shares of Petromanas.

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 represent approximately 7.2% of the issued and outstanding common shares of Petromanas.

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 August 14, 2013 all Petromanas shares held by the Company, are 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.

The quoted market price for one common share of Petromanas on December 31, 2012 and December 31, 2013 was CAD 0.175 (USD 0.176) and CAD 0.16 (USD 0.15), respectively.

During the year ended December 31, 2013 and 2012, respectively, the Company recorded USD 4,247,067 unrealized loss on investment in Petromanas and USD 3,719,716 unrealized gain on investment, respectively.

## 11. RELATED PARTY DISCLOSURE

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

<b>Company</b>	<b>Country</b>	<b>Equity share Dec. 31, 2013</b>	<b>Equity share Dec. 31, 2012</b>
DWM Petroleum AG, Baar (1)	Switzerland	100%	100%
DWM Energy AG Baar (2)	Switzerland	100%	100%
Petromanas Energy Inc., Calgary (3)	Canada	7.2%	14.4%
CJSC South Petroleum Company, Jalalabat (4)	Kyrgyz Republic	25%	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%

- (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.
- (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.

- **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 (USD 238,304) during the third quarter of 2013 and which was recorded under exploration costs.

- **CJSC Somon Oil (Tajikistan)**

On December 10, 2007 DWM Petroleum (100% subsidiary of MNP Petroleum) & Santos entered into an Option Agreement under which Santos has 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 we anticipate the financial commitment amounts to change. To date no liquidated damages have occurred.

- **Related parties**

Due to the sale of 150,000,000 shares of Petromanas Energy, ownership and voting right percentages of MNP Petroleum Corporation has diminished as the amount of shares owned have decreased from 14.4% at December 31, 2012 to 7.2% at December 31, 2013.

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

<b>Related parties’ transactions</b>	<i>Year ended</i>	
	<b>Dec 31, 2013</b>	<b>Dec 31, 2012</b>
<b>Affiliates</b>		
Management services performed to Petromanas*	(13,052)	(15,461)
<b>Board of directors</b>		
Payments to directors for office rent	37,344	25,605
Payments to related companies controlled by directors for rendered consulting services	379,057	362,948

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



## 12. INCOME TAXES

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

<b>Income taxes (in USD)</b>	<i>Year ended</i>	
	<b>Dec 31,2013</b>	<b>Dec 31, 2012</b>
Domestic	(1,410,271)	(1,354,527)
Foreign	(9,415,824)	(10,424,620)
<b>Income/(loss) from operations before income tax</b>	<b>(10,826,095)</b>	<b>(11,779,147)</b>

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

<b>Income taxes for continuing operations (in USD)</b>	<i>Year ended</i>	
	<b>Dec 31,2013</b>	<b>Dec 31, 2012</b>
<i>Current income taxes</i>		
US Federal, state and local	-	-
Foreign	233	(397)
<i>Deferred income taxes</i>		
US Federal, state and local	134,785	-
Foreign	-	-
<b>Income tax expense/(recovery)</b>	<b>135,018</b>	<b>(397)</b>

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

<b>Income taxes at the US statutory rate (in USD)</b>	<i>Year ended</i>	
	<b>Dec 31,2013</b>	<b>Dec 31, 2012</b>
<b>Net income/(loss) before income tax</b>	<b>(10,826,095)</b>	<b>(11,779,147)</b>
Statutory tax rate	35%	35%
<b>Expected income tax expense/(recovery)</b>	<b>(3,789,133)</b>	<b>(4,122,701)</b>
<b>Impact on income tax expense/(recovery) of the following:</b>		
Permanent differences: Sale of PMI shares	4,591,691	6,143,698
Change in valuation of warrants and liabilities	12,168	11,242
Expiring losses	-	2,982,203
True-up of available losses	1,161,033	-
Stock compensation cancelled	2,318,379	-
Section 956 inclusion	209,642	-
Intercompany interest	169,786	-
Change in valuation allowance	(6,729,279)	(4,344,780)
Impact of tax rate changes and differences	(2,212,608)	(516,406)
US tax penalties	134,785	-
Other	(156,662)	(153,653)
<b>Income tax expense/(recovery)</b>	<b>135,018</b>	<b>(397)</b>

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 ASC740, 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:

<b>Deferred tax assets and liabilities (in USD)</b>	<i>Year ended</i>	
	<b>Dec 31,2013</b>	<b>Dec 31, 2012</b>
<i>Deferred tax assets</i>		
Stock based compensation	588,094	2,661,787
Tax loss carry-forwards	8,616,459	11,356,905
Other	31,536	8,192
Investment in Petromanas	(51,963)	1,886,521
Valuation allowance	(9,184,126)	(15,913,405)
<b>Deferred tax assets/(liabilities)</b>	<b>-</b>	<b>-</b>

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, 2013</i>				
	<b>United States</b>	<b>Switzerland</b>	<b>Mongolia</b>	<b>Tajikistan</b>	<b>Total</b>
2014	-	-	6,740,485	577,355	7,317,840
2015	-	72,470	909,772	929,872	1,912,114
2016	-	75,463	-	220,326	295,789
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	-	-	-	71,637
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	22,089	-	-	-	22,089
<b>Total operating loss carry-forwards</b>	<b>19,801,443</b>	<b>476,315</b>	<b>7,650,257</b>	<b>3,113,121</b>	<b>31,041,136</b>

Included in the operating loss carry-forwards in the US expiring in 2032 is a windfall tax benefit on stock option exercise of USD 82,744. When the benefit of this deduction is realized to reduce current income taxes payable in a future year, it will be recorded as a credit to additional paid-in capital. Under current income tax law in Mongolia, our 74% owned subsidiary Gobi Energy Partners LLC is exempted from income tax.

In prior years, the Company was advised by the Internal Revenue Services (IRS) of aggregate penalties amounting to USD 126,000. These penalties concern failures to file certain tax returns for the year ended 2007, 2008 and 2009. In order not to accrue further interest the Company took the decision to pay the penalties in Q1 2014 and therefore created an accrual in the amount of USD 134,785 (penalties USD 126,000 and accrued interest USD 8,785) recorded in income tax expense. The Company continues to appeal the IRS decision.

The following tax years remain subject to examination:

Significant Jurisdictions	Open Years
US Federal	2010 – 2013
Switzerland	2011 – 2013
Mongolia	2013
Tajikistan	2013

As of December 31, 2013 and 2012, there were no known uncertain tax positions with the exception of the above mentioned potential tax penalties. 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.

### 13. ISSUED CAPITAL AND RESERVES

<b>Shares MNP Petroleum Corporation</b>	<i>Year ended</i>	
	<b>Dec 31,2013</b>	<b>Dec 31, 2012</b>
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
<b>Total share capital (in USD)</b>	<b>172,592</b>	<b>172,592</b>

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

### 14. COMMITMENTS & CONTINGENT LIABILITIES

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

In the ordinary course of business, members of the Group doing business in Mongolia, Republic of Tajikistan, the Kyrgyz Republic, and Chile 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, Republic of Tajikistan, the Kyrgyz Republic and 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 has failed to properly serve the parties. The trial courts of Santiago have dismissed the case, but the verdict was open to appeal. Energy Focus took an Appeal, and that too was dismissed by the Chilean courts. Energy Focus has now taken a second Appeal. Our legal advisors are of the opinion that Energy Focus will not succeed in the second appeal. Our management believes that the ultimate liability, if any, arising from the Energy Focus litigation will not have a material adverse effect on the financial condition, the results of future operations or cash flows of our company.

At December 31, 2013, there had been no legal actions against any member of the Group in the Kyrgyz Republic, Republic of Tajikistan and Mongolia.

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

Management believes that the ultimate liability, if any, arising from any of the above will not have a material adverse effect on the financial condition or the results of future operations and on cash flows of the Group in the Kyrgyz Republic, Republic of Tajikistan, and Mongolia.

#### **- 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):

<b>Production Sharing Contract</b>	<b>2013**</b>
Block XIII	6,900,000
Block XIV	6,900,000

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

In June, 2013, Gobi Energy signed a moratorium with the government of Mongolia for the duration of one year, during which we expect the government to award us with relinquished areas from bordering blocks. The base for the Moratorium is the lack of drillable economic structures to fulfill our outstanding PSC commitments.

#### **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):

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

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

<sup>1</sup> granted on July 25, 2007, extension after July 25, 2014 and the related commitments to be agreed.

<sup>2</sup> License granted on July 28, 2009

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 set-up a new consortium for this acreage. The anticipated farm-in agreement, foresees that DWM is fully carried and there are no liquidated damages in case of failure.

#### **Operating leases**

The Company has entered into a lease contract over five years for offices beginning on October 1, 2010 and ending on September 30, 2015. The annual rate of the lease amounts to CHF 124,500 and is tied to Swiss CPI, adjustable on a yearly basis. The office lease contract can be terminated at any time, if the Company finds a subsequent tenant. The lease contract has been terminated effective September 30, 2013.

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

For the years ended December 31, 2013 and 2012 we had expenses for these items of USD 120,765 and USD 182,689, respectively.

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

<b>Year</b>	<b>Lease payments</b>
2014	27,563
2015	21,930
2016	-
2017	-
Thereafter	-
<b>Total</b>	<b>49,493</b>

## 15. PERSONNEL COSTS AND EMPLOYEE BENEFIT PLANS

<b>Personnel Costs (in USD)</b>	<b>2013</b>	<b>2012</b>
Wages and salaries	2,064,955	2,400,660
Social security contributions	143,525	156,412
Pension fund contribution	60,587	67,798
Pension (surplus)/underfunding	32,870	28,974
<b>Total Personnel Costs</b>	<b>2,301,938</b>	<b>2,653,844</b>

### Defined Benefit Plan

We maintain Swiss defined benefit plans for six 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, 2013. The amounts recognized in the consolidated balance sheets, shown in other non-current liabilities, as at December 31, 2013 and as at December 31, 2012 respectively, were determined to be as follows:

<b>Amounts recognized (in USD)</b>	<b>2013</b>	<b>2012</b>
<b>ABO End of Year</b>	685,041	674,340
<b>Change in PBO During Year</b>		
PBO at Beginning of Period	827,379	994,828
Service Cost	47,545	35,466
Interest Cost	19,029	22,341
Employee Contributions	82,481	81,620
Plan Amendments	-	-
Liability (Gain)/Loss	13,905	37,558
Actuarial (Gain)/Loss due to Changes in Assumptions	-	63,775
Benefit Payments	(88,938)	(427,741)
currency translation adjustment	22,200	19,533
<b>PBO at End of Year (in USD)</b>	<b>923,602</b>	<b>827,379</b>
<b>Change in Assets During Year</b>		
Fair Value of Assets at Beginning of period	690,234	874,971
Actual Return on Assets	11,491	(3,181)
Company Contributions	82,481	81,620
Employee Contributions	82,481	81,620
Benefit Payments	(79,517)	(365,500)
Currency translation adjustment	(5,842)	20,706
Fair Value of Assets at End of Year	781,331	690,234
<b>Net assets/(liabilities) in balance sheet</b>	<b>(142,271)</b>	<b>(109,401)</b>

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

<b>Assumptions at year-end</b>	<b>Dec 31, 2013</b>	<b>Dec 31, 2012</b>
Discount rate	2.25%	2.25%
Expected rate of return on plan assets	2.00%	2.00%
Salary increases	1.00%	1.00%

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:

<b>Pension expense (in USD)</b>	<b>Dec 31, 2013</b>	<b>Dec 31, 2012</b>
Net service cost	47,545	35,466
Interest cost	19,029	22,341
Expected return on assets	(17,223)	(9,409)
Amortization of net (gain)/loss	20,243	13,006
<b>Net periodic pension cost</b>	<b>69,595</b>	<b>61,404</b>

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, 2014 are USD 74,286.

Future projected benefit payments in the next ten 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.

## 16. 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, 2013:

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

Financial assets and liabilities carried at fair value as of December 31, 2012:

<b>Financial assets 2012 (in USD)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Investment in associate (Petromanas)	-	17,462,734	-
<b>Total</b>	<b>-</b>	<b>17,462,734</b>	<b>-</b>

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):

<b>Balance at Jan 1, 2013</b>	<b>17,462,734</b>
Total gains (losses) realized and unrealized:	
<i>Included in earnings - unrealized</i>	(7,148,060)
<i>Included in earnings - realized</i>	-
<i>Included in other comprehensive income</i>	-
Proceeds from sale of investment in associate	-
Net transfer in/(out) of level 2	(10,314,674)
<b>Balance at Dec 31, 2013</b>	<b>-</b>

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, 2012 (in USD):

<b>Balance at Jan 1, 2012</b>	<b>29,366,063</b>
Total gains (losses) realized and unrealized:	
<i>Included in earnings - unrealized</i>	3,719,716
<i>Included in earnings - realized</i>	(3,507,397)
<i>Included in other comprehensive income</i>	-
Proceeds from sale of investment in associate	(12,115,648)
Net transfer in/(out) of level 2	-
<b>Balance at Dec 31, 2012</b>	<b>17,462,734</b>

### *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** – For the period ended December 31, 2013 the fair value was calculated based on quoted market prices and for the period ended December 31, 2012 the fair value was calculated based on the quoted market prices and a discount factor derived from the Company's estimated cost of capital, respectively.
- **Accounts Payable** – carrying amount approximated fair value.
- **Refundable deposits** – carrying amount approximated fair value.

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

	<i>December 31, 2013</i>		<i>December 31, 2012</i>		<i>Fair Value Levels</i>	<i>Reference</i>
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>		
Cash and cash equivalents	3,063,947	3,063,947	2,842,495	2,842,495	1	Note 4
Restricted cash	46,738	46,738	122,521	122,521	1	
Transaction prepayment	10,111,656	10,111,656	10,111,656	10,111,656	1	Note 5
Accounts receivable	32,508	32,508	73,309	73,309	1	
Investment in Petromanas	7,478,799	7,478,799	17,462,734	17,462,734	1/2	Note 11
Accounts Payable	447,736	447,736	127,283	127,283	1	
Refundable Deposits	-	-	377,125	377,125	1	

### **17. DISCONTINUED OPERATIONS – DISPOSAL OF THE CHILEAN PROJECT**

On January 29, 2010, the Company signed an agreement to assign its interest in the Chilean project in exchange for a return of the money it had invested in the joint venture and relief from all current and future obligations in respect of the project. On April 14, 2011, the Company transferred all its rights, interests and obligations in the project to Methanex and Wintershall. The Chilean Minister of Energy authorized this transfer on April 28, 2011.

According to an external audit report dated July 31, 2011 all previous cash contributions made by the partners in the Chilean project have been reconciled. The report confirmed the Company's cash contribution of USD 72,000. 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.

With the disposal of the Company's interest in the Chilean project, there are no continuing cash flows to be generated and there is no continuing involvement in the operations remaining. In accordance with ASC 205-20-45 the Company classified the disposed component as a discontinued operation.

The following table summarizes the Company's financial results from the Chilean project since inception to date:

<b>Chilean project (in USD)</b>	<i>Year ended</i>		<i>Period from May 05, 2004 (inception) to Dec 31, 2013</i>
	<b>Dec 31, 2013</b>	<b>Dec 31, 2012</b>	
<b>OPERATING REVENUES</b>			
Proceeds from divestiture	-	-	72,000
<b>Total revenues</b>	-	-	<b>72,000</b>
<b>OPERATING EXPENSES</b>			
Personnel costs	-	-	(211,228)
Exploration costs	-	-	(420,985)
Depreciation	-	-	-
Consulting fees	-	-	(20,337)
Administrative costs	-	-	(15,000)
<b>Total operating expenses</b>	-	-	<b>(667,550)</b>
<b>OPERATING INCOME</b>			<b>(595,550)</b>

## 18. 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 a 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:

<b>EPS</b>	<i>Year ended</i>	
	<b>Dec 31, 2013</b>	<b>Dec 31, 2012</b>
<b>Company posted</b>	Net loss	Net loss
Basic weighted average shares outstanding	172,592,292	172,547,210
Dilutive effect of common stock equivalents:		
- stock options under employee compensation plans and warrants	-	-
<b>Diluted weighted average shares outstanding</b>	<b>172,592,292</b>	<b>172,547,210</b>

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:

<b>Stock equivalent</b>	<i>Year ended</i>	
	<b>Dec 31, 2013</b>	<b>Dec 31, 2012</b>
Options	12,100,000	15,950,000
Warrants	44,450,500	45,934,015
<b>Total</b>	<b>56,550,500</b>	<b>61,884,015</b>

## 19. SEGMENT INFORMATION

The chief operating decision maker ("CODM") is the Group CEO and Group CFO. Nor 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:

<b>Tangible fixed assets (in USD)</b>	<b>Dec 31, 2013</b>	<b>Dec 31, 2012</b>
United States	-	-
Switzerland	14,223	32,446
Mongolia	62,070	88,195
Tajikistan	56,081	11,794
<b>Total tangible fixed assets</b>	<b>132,374</b>	<b>132,435</b>

## 20. SUBSEQUENT EVENTS

The Amended 2011 Stock Option Plan, which was approved at 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 20% of the number of issued and outstanding shares of the Company's common stock (it is the type of stock option plan referred to as a "fixed" stock option plan).

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 306,602). 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 31, 2014 DWM Petroleum and Kavsar signed a Supplement Agreement which is effective September 27, 2013 (Exhibit 10.31) to the Share Purchase Agreement. The Supplement Agreement outlines pursuant to Article 3.4.2 of the Share Purchase Agreement that DWM Petroleum is entitled to receive from Kavsar 65% of the participation certificates in Energy Partners Austria, the beneficial owner of 57.42% shares in Petroleum Sugd, a joint venture with limited liability incorporated under the laws of Tajikistan and operator of the oil fields in Tajikistan, subject to the payment of USD 2 million by DWM Petroleum. Furthermore, the Supplement Agreement outlines that Kavsar shall transfer all shares from TF Petroleum AG, a company incorporated under the Laws of Switzerland, including the assets for zero consideration to DWM Petroleum. In return DWM Petroleum shall waive USD 100,000.00 from the prepayment. Starting January 1, 2014 DWM Petroleum will be eligible to future profits and dividends from Energy Partners Austria. The closing of the transaction is subject to the capital restructuring requirement of Energy Partners Austria by Kavsar, the notary act and regulatory approval. After the finalization of the Supplement Agreement the Share Purchase Agreement is concluded.

## 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, 2013. 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, 2013 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.

There were no changes in our internal control over financial reporting during the fiscal quarter ended December 31, 2013 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 or 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:

<b>Name</b>	<b>Position Held</b>	<b>Age</b>	<b>Date First Elected or Appointed</b>
Heinz J. Scholz <sup>2</sup>	Executive Director and Chairman of the Board	71	April 10, 2007
Michael J. Velletta <sup>1,2</sup>	Executive Director	57	April 10, 2007
Dr. Richard Schenz <sup>1</sup>	Director	73	November 21, 2008
Dr. Werner Ladwein <sup>3</sup>	Director, President and Chief Executive Officer	64	September 16, 2010
Darcy Spady <sup>1,2,3</sup>	Director	51	November 8, 2012
Peter-Mark Vogel	Chief Financial Officer, Treasurer and Secretary	49	March 25, 2013

Notes:

- (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, University for Technology (Bremen).

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 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 OMV AG Pakistan; He restructured the company and built 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; and 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 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, spanning over 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 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 performed 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 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. Vellella, Dr. Richard Schenz, and Darcy Spady. Michael J. Vellella 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](http://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, 2013 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:

<b>Name</b>	<b>Number of Late Reports</b>	<b>Number of Transactions Not Reported on a Timely Basis</b>	<b>Failure to File Requested Forms</b>
Heinz J. Scholz	3	2	Nil
Michael J. Velletta	1	1	Nil
Dr. Werner Ladwein	2	1	Nil
Murray Rodgers <sup>(1)</sup>	2	1	Nil
Peter-Mark Vogel	3	4	Nil
Libra Fund, L.P.	1	1	Nil
Libra Advisors LLC <sup>(2)</sup>	1	1	Nil

(1) Mr. Rogers resigned as a director effective July 2, 2013.

(2) Libra Advisors LLC filed a late Form 4 jointly with Ranjan Tandon, LLC, Libra Fund, L.P. and Tandon Ranjan.



## 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, 2013;
- 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, 2013 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, 2013,

who we will collectively refer to as the named executive officers, for the years ended December 31, 2013 and 2012, 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 Officer<sup>1</sup> and Director</i>	2013	243,465	Nil	Nil	Nil	88,573 <sup>4</sup>	332,038
	2012	229,539	Nil	Nil	Nil	68,003 <sup>4</sup>	297,539
Peter-Mark Vogel <i>Chief Executive Officer<sup>2</sup> and Chief Financial Officer<sup>3</sup></i>	2013	230,990	Nil	Nil	Nil	Nil	230,990
	2012	228,517	Nil	Nil	Nil	Nil	228,517

- (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.

### 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, 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 also 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 upon approval by the annual and special meeting and accepted by the TSX Venture Exchange 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.

### Compensation for Murray Rodgers

On November 9, 2012 our board of directors decided to pay Murray Rodgers, 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).

Mr. Rodgers resigned from our Board of Directors on July 2, 2013. Effective as of February 1, 2013, we granted 1,000,000 stock options to Mr. Rodgers. As a result of Mr. Rodgers' resignation from our board of directors on July 2, 2013 these stock options expired unexercised on September 30, 2013.

### 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, 2013:

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 3,000,000		- USD 0.215 - USD 0.215	September 22, 2021 <sup>1</sup> November 1, 2021 <sup>2</sup>	Nil	Nil	Nil	Nil
Peter-Mark Vogel <i>CFO</i>	1,000,000		- USD 0.215	September 22, 2021 <sup>1</sup>	Nil	Nil	Nil	Nil

- (1) These options vest in half-yearly installments equal to one-quarter of the total number of shares, beginning with March 22, 2012. Last vesting date is September 22, 2013.
- (2) These options vest in half-yearly installments equal to one-quarter of the total number of shares, beginning with May 1, 2012. Last vesting date is 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, 2013 (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>	202,688	Nil	Nil	Nil	Nil	22,743 <sup>1</sup>	225,431
Michael Velletta <i>Director</i>	176,151	Nil	Nil	Nil	Nil	25,738 <sup>2</sup>	201,889
Dr. Richard Schenz <i>Director</i>	24,839	Nil	Nil	Nil	Nil	Nil	24,839
Darcy Spady <i>Director</i>	27,024	Nil	22,211	Nil	Nil	Nil	49,235
Murray Rodgers <i>Director</i> <sup>3</sup>	10,090	Nil	8,375	Nil	Nil	Nil	18,465

- (1) Payments for a leased car. Monthly income component corresponds to 0.8% of purchasing price in accordance with Swiss Tax law.
- (2) Allowance for office and administrative expenses.
- (3) Mr. Rodgers resigned effective July 2, 2013 and his stock options expired unexercised on September 30, 2013.
- (4) These amounts represent the fair value of these options at the date of grant. The fair value of all of the options was determined using the Black-Scholes option pricing model, using a 6.2-year expected life of the option, a volatility factor of 135% and 108%, a risk-free rate of 2.08% and no assumed dividend rate for the grant in 2013. Please see note 8.1 to our financial statements contained in this annual report.

### 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, 2013:

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 <i>Chairman</i>	1,000,000	-	USD 0.215	Sep. 22, 2021 <sup>1</sup>	Nil	Nil	Nil	Nil
Michael Velletta, <i>Director</i>	1,000,000	-	USD 0.215	Sep. 22, 2021 <sup>1</sup>	Nil	Nil	Nil	Nil
Dr. Richard Schenz <i>Director</i>	500,000 500,000 1,000,000	- - -	USD 0.680 USD 0.790 USD 0.215	Nov. 21, 2018 <sup>2</sup> Nov. 21, 2018 <sup>3</sup> Sep. 22, 2021 <sup>4</sup>	Nil	Nil	Nil	Nil
Darcy Spady <i>Director</i>	375,000	625,000	USD 0.14 <sup>6</sup>	Feb. 01, 2023 <sup>5</sup>	Nil	Nil	Nil	Nil

- (1) These options vest in half-yearly installments equal to one-quarter of the total number of shares, beginning with March 22, 2012. Last vesting date is September 22, 2013.
- (2) These options vest in quarterly installments equal to one-twelfth of the total number of shares, beginning with February 10, 2010. Last vesting date is August 10, 2012.
- (3) These options vest in quarterly installments equal to one-twelfth of the total number of shares, beginning with March 16, 2011. Last vesting date is August 10, 2012.
- (4) These options vest in half-yearly installments equal to one-quarter of the total number of shares, beginning with March 22, 2012. Last vesting date is September 22, 2013.
- (5) These options vest in quarterly installments equal to one-eighth of the total number of shares, beginning with May 1, 2013. Last vesting date is February 1, 2015.
- (6) The exercise price is denominated in CDN\$ 0.15, the exchange rate used was the rate disclosed on December 31, 2013 on oanda.com, USD/CAD: 0.9349.

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

The following table sets forth, as of March 31, 2014, 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.

<b>Title of Class</b>	<b>Name and Address of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership <sup>(1)</sup></b>		<b>Percent of Class <sup>(1)</sup></b>
Common Stock	Heinz Scholz Seergartenstrasse 45 Horgen 8810 Switzerland,	17,847,637 <sup>2</sup>	Direct	10.3%
Common Stock	AES Capital Partners, LP 9334 Amber Wood Drive Kirtland, OH 44094 United States of America	15,118,728 <sup>3</sup>	Direct/ Indirect	8.8%
Common Stock	Peter-Mark Vogel Haabweg 2 Baech 8806 Switzerland	11,620,212 <sup>4</sup>	Direct	6.7%
Common Stock	Werner Ladwein Etzelblick-Strasse 1 8834 Schindellegi Switzerland	11,500,000 <sup>5</sup>	Direct	6.7%
Common Stock	Michael J. Velletta 4th Floor, 931 Fort Street Victoria, British Columbia V8V 3K3 Canada	3,750,000 <sup>6</sup>	Direct/ Indirect	2.2%
Common Stock	Richard Schenz Hauptstrasse 70 A-2372 Giesshuebl Austria	2,000,000 <sup>7</sup>	Direct	1.2%
Common Stock	Darcy W. Spady Suite 577 – 717, 7 <sup>th</sup> Ave. S.W. Calgary, Alberta T2P 0Z3 Canada	500,000 <sup>8</sup>	Direct	*
Common Stock	Directors and Executive Officers as a group (6 persons)	47,217,849 <sup>9</sup>		27.4%

\* Less than 1%.

- 1) Percentage of ownership is based on 172,592,292 shares of our common stock issued and outstanding as of March 31, 2014. 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 500,000 stock options exercisable within 60 days.
- 9) Consists of 37,717,849 shares of our common stock and 9,500,000 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, 2012, 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 379,400), 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. <sup>(1)</sup>	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

<sup>(1)</sup> 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

#### Compensation for Ari Muljana

On April 1, 2009, we entered into an employment and non-competition agreement with Ari Muljana, our former Chief Financial Officer. However, effective April 1, 2010, we informally entered into a new compensatory arrangement with respect to Mr. Muljana. Effective April 1, 2010, we have agreed to pay Mr. Muljana an annual salary of CHF 160,000 (approximately USD 172,137). We have agreed with Petromanas Energy Inc. that, for services provided to Petromanas Energy Inc., we will invoice Petromanas Energy Inc. a portion of this salary (we agreed upon an annual amount of CAD 100,000, or approximately USD 97,659).



Effective June 1, 2011, our board of directors increased the annual compensation of Mr. Muljana from CHF 160,000 (approximately USD 172,137) to CHF 168,000 (approximately USD 180,744).

Mr. Muljana resigned as our Chief Financial Officer effective August 1, 2013.

### ***Named Executive Officers and Current Directors***

For information regarding compensation for our named executive officers and current directors, see “Executive Compensation.” Beginning on page 66.

### ***Director Independence***

Our common stock is quoted on the OTCQB, the over-the-counter market operated by OTC Markets Inc., 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, 2013 and 2012:

<b><i>BDO Fees (in USD)</i></b>	<b><i>2013</i></b>	<b><i>2012</i></b>
Audit fees	204,992	184,449
Audit-related fees	-	-
Tax fees	42,547	70,621
Other fees	-	-
<b>Total fees</b>	<b>247,539</b>	<b>255,070</b>

### ***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**

<b>Number</b>	<b>Description</b>
<b>(3)</b>	<b>Articles of Incorporation and Bylaws</b>
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)

<b>Number</b>	<b>Description</b>
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)
<b>(4)</b>	<b>Instruments Defining the Rights of Security Holders, including Indentures</b>
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)
<b>(10)</b>	<b>Material Contracts</b>
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)
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)

<b>Number</b>	<b>Description</b>
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 ( <i>portions of the exhibit have been omitted pursuant to a request for confidential treatment</i> ) (incorporated by reference to an exhibit to our Current Report on Form 8-K filed on January 4, 2013)
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/A filed on June 28, 2013) ( <i>portions of the exhibit have been omitted pursuant to a request for confidential treatment</i> )
10.23	Amendment 2 to Share Purchase Agreement effective December 31, 2012 (incorporated by reference to an exhibit to our Current Report on Form 8-K/A filed on June 28, 2013) ( <i>portions of the exhibit have been omitted pursuant to a request for confidential treatment</i> )
10.24	Amendment 3 to Share Purchase Agreement effective December 31, 2012 (incorporated by reference to an exhibit to our Current Report on Form 8-K/A filed on June 28, 2013) ( <i>portions of the exhibit have been omitted pursuant to a request for confidential treatment</i> )
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)
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*	<a href="#">Supplement Agreement to Share Purchase Agreement effective September 27, 2013</a>
<b>(14)</b>	<b>Code of Ethics</b>
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)
<b>(21)</b>	<b>Subsidiaries</b>
21.1*	<a href="#">Subsidiaries of MNP Petroleum Corporation</a>
<b>(23)</b>	<b>Consents of Experts and Counsel</b>
23.1*	<a href="#">Consent of BDO Visura International AG</a>
<b>(31)</b>	<b>Rule 13a-14 Certifications</b>
31.1*	<a href="#">Section 302 Certification of Chief Executive Officer</a>
31.2*	<a href="#">Section 302 Certification of Chief Financial Officer</a>
<b>(32)</b>	<b>Section 1350 Certifications</b>
32.1*	<a href="#">Section 906 Certification of Chief Executive Officer</a>
32.2*	<a href="#">Section 906 Certification of Chief Financial Officer</a>
<b>(99)</b>	<b>Additional Exhibits</b>
99.1	Audit Committee Charter (incorporated by reference to an exhibit to our Registration Statement on Form S-1 filed on February 2, 2011)
<b>(101)</b>	<b>XBRL</b>
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

<b>Number</b>	<b>Description</b>
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, 2014

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, 2014

/s/ Peter-Mark Vogel

Peter-Mark Vogel

Chief Financial Officer, Treasurer and Secretary

(Principal Financial Officer and Principal Accounting Officer)

Date: March 31, 2014

/s/ Heinz J. Scholz

Heinz J. Scholz

Chairman and Executive Director

Date: March 31, 2014

/s/ Michael J. Velletta

Michael J. Velletta

Executive Director

Date: March 31, 2014

/s/ Richard Schenz

Richard Schenz

Director

Date: March 31, 2014

/s/ Darcy Spady

Darcy Spady

Director

Date: March 31, 2014



Effective September 27, 2013

**SUPPLEMENTAL AGREEMENT  
TO THE AGREEMENT**

**BETWEEN**

**KAVSAR GENERAL TRADING FZE**

**and**

**DWM PETROLEUM AG**

**Relating to the sale and purchase of  
65% of the issued share capital  
of Energy Partners Austria**







**THIS SUPPLEMENTAL AGREEMENT ("Agreement")** is made effective as of September 27, 2013

**BETWEEN:**

- (1) **KAVSAR GENERAL TRADING FZE** a company organised under the laws of The UAE whose registered office is at Hamriyah Free Zone, P.O. Box No 51393, Sharjah, UAE (hereinafter referred to as "**Kavsar**"); and
- (2) **DWM PETROLEUM AG**, a company registered in Switzerland, having its registered office at Bahnhofstrasse 9, Baar, Switzerland (hereinafter referred to as "**DWM**").

**BACKGROUND:**

A. Energy Partners Austria GmbH, a company registered in Austria ( hereinafter "EPA") is the legal and beneficial owner of 57.42% shares in Petroleum Sugd, a joint venture with limited liability incorporated under the laws of Tajikistan (hereinafter "PS"), and the remaining 42.58% shares in PS are held by Sugdneftugas, state oil company of Tajikistan (hereinafter "SNG").

B. PS is legal owner of rights in licences and geological allotments for the fields identified in the Schedule A hereof.

C. Parties are parties to a Share Purchase Agreement dated December 31, 2012 (hereinafter "SPA"), pursuant to which DWM had agreed to purchase 80% shares in TF Petroleum AG, a Swiss company (hereinafter "TF") after Kavsar would have first purchased the remaining 42.58% shares in PS from SNG and then transferred 100% shares of PS in TF.

D. As of September 27, 2013, DWM had paid an amount of US\$ 10.1 million as part of the purchase price under the SPA. However, when DWM did not pay the remaining purchase price under the SPA as of September 27, 2013, the SPA was automatically reduced in scope to the extent of its Article 3.4.2 which entails that Kavsar is only required to transfer 65% shares of EPA to DWM, subject to a payment of US\$ 2 million by DWM.

**NOW THEREFORE, KAVSAR AND DWM AGREE** as follows:

1. Kavsar and DWM shall take following actions pursuing the intent of Article 3.4.2:
  - a. Kavsar shall transfer all shares of TF Petroleum including the assets for zero consideration to DWM within 10 business days. DWM will waive US\$ 100,000 (one hundred thousand) from the prepayment, as mentioned in Recital (D) above.



- b. Both parties shall enter into a notary act with the notary governing the transaction which entails the transfer of 65% of the shares of EPA to TF by Kavsar, on the conditions described below.

Within ten (10) days of entering into the notary act, TF shall pay USD 2 million to the notary via bank transfer in notary's bank account.

After the notary has received certification that EPA is free of liabilities from BDO pursuant to sub clause (d) below, the notary shall complete the notary act by implementing the registration of new ownership of EPA (TF 65% and Kavsar 35%) and releasing USD 2 million to Kavsar. If required, Tajik Government approval for the registration of the new ownership of EPA (TF 65%; and Kavsar 35%) shall be obtained. EPA has obtained a legal opinion from an independent lawyer (attached as Schedule B hereof), which concludes that such approval is not necessary.

- c. Kavsar shall undertake the capital restructuring of EPA as soon as the regulatory approval required under the SPA for the transaction envisaged by this Agreement has been obtained. DWM shall grant a loan of Euro 50,000 to EPA, as soon as the aforementioned regulatory approval (TSX and SEC) is obtained. The terms of the loan agreement will be outlined in a separate agreement between EPA and TF.
- d. After the capital restructuring of EPA is completed, Kavsar shall have BDO, an independent reputable accounting firm, certify that EPA is free of liabilities, debt or any other obligations of legal or financial nature, within 60 days of receiving 2013 financial statements of EPA as well as the pro-forma Quarter 1 2014 financial statement. Costs for obtaining this certification shall be borne by DWM.
- e. In case, BDO does not provide the certification as mentioned above, US\$ 2 million shall be returned by notary to TF immediately thereafter.
- f. In case, TF fails to pay USD 2 million to the notary within ten (10) days of entering into the notary act or BDO does not provide the certification as required by this Agreement, then the transaction envisaged by this Agreement shall not be pursued and instead Kavsar shall refund within ninety (90) days including interest since inception after BDO has given its statement to DWM, US\$ 8 million, being the amount DWM has already paid less the US\$ 2 million penalty for the Seller's expenses, to satisfy its obligations under Article 3.4 of the SPA.
2. Effective January 1, 2014, Kavsar and DWM shall be eligible to profits and dividends in accordance to their equity share in EPA.
3. This Agreement shall be governed by the laws of Austria, and any dispute if not resolved amicably shall be resolved via international arbitration under the Rules of International Chamber of Commerce. Venue of arbitration shall be Vienna, Austria.





IN WITNESS WHEREOF this Agreement has been signed by the parties (or their duly authorised representatives) effective as of September 27, 2013.

March 31, 2014

KAVSAR GENERAL TRADING FZE

/s/ Khurshed Nozimov  
Name: Khurshed Nozimov  
Title: General Manager



DWM PETROLEUM AG

/s/ Dr. Werner Ladwein  
Name: Dr. Werner Ladwein  
Title: Director



/s/ Peter-Mark Vogel  
Name: Peter-Mark Vogel  
Title: Director





## SCHEDULE A

### Interests of EPA and PS

- A. EPA currently holds 57.42% interests in Petroleum Sugd ("PS"), a joint venture company incorporated under the laws of Tajikistan.
- B. PS owns 100% interests in several producing oilfields and acreage under application onshore Tajikistan and related assets, including following existing oil fields:
- Airitan Field
  - Kanibadam and North Kanibadam Fields
  - Niazbek and North Karachicum Field
  - Obi Shifo and North Karatau Fields
  - Ravat Field
  - SeiRoho Field
  - Mahram Field
  - Madaniyat Field
- C. On 17 July 2012, Ministry of Energy and Industry of the Republic of Tajikistan has issued following new licences to PS in respect of above listed oil and gas fields, essentially re-issuing Licences (i.e. LICENSING AGREEMENTS) and also valid until 20 December 2022:

Licence No 0003804 for Prospection and Exploration of oil and gas.

Licence No 0003805 for Operation of oil and gas fields.

Licence No 0003807 for Production (extraction) of oil and gas.

- D. On May 29, 2013, Head department of geology under the Government of the Republic of Tajikistan has issued to PS, following Geological Allotments on the basis of the License series BЭC № 0003804 dated July 17, 2012, also in respect of the above listed oil and gas fields:
- a. Geological allotment for survey and exploration of energy resources (gas, oil) on the oil and gas deposit Mahram located in Konibodom district with total area of 47,22 sq. km.;
  - b. Geological allotment for survey and exploration of energy resources (gas, oil) on the oil and gas deposit Madaniyat, Northern Karatau, Obi-Shifo, Sei-Roho and Airitan located in Isfara city and Konibodom district with total area of 90,87 sq. km.;
  - c. Geological allotment for survey and exploration of energy resources (gas, oil) on the oil and gas deposit Niyozbek located in Konibodom district with total area of 51,66 sq. km.;
  - d. Geological allotment for survey and exploration of energy resources (gas, oil) on the oil and gas deposit Ravat, Konibodom and Northern Konibodom located in Isfara city and Konibodom district with total area of 59,80 sq. km.







**SCHEDULE B**

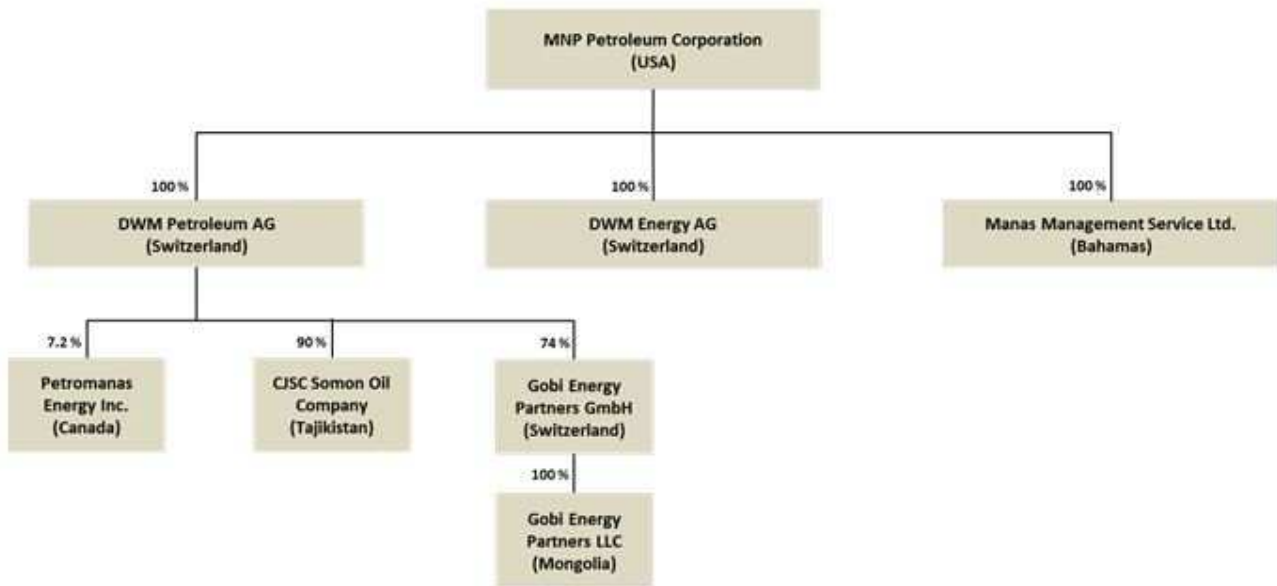
**Independent Legal Opinion Obtained By EPA**

*ed*

*4*



**Exhibit 21.1**





Consent of Independent Registered Public Accounting Firm

MNP Petroleum Corporation (An Exploration Stage Company)  
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, 2014, relating to the consolidated financial statements, which appears in this Form 10-K.

Zurich, March 31, 2014

BDO Visura International AG

/s/ Christoph Tschumi  
Christoph Tschumi

/s/ Benjamin Patzen  
Benjamin Patzen



**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, 2014

/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, 2014

/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 period ended December 31, 2013 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, 2014

/s/ Dr. Werner Ladwein

Dr. Werner Ladwein

Chief Executive Officer, President and Director

(Principal Executive Officer)

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**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 period ended December 31, 2013 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, 2014

/s/ Peter-Mark Vogel

Peter-Mark Vogel

Chief Financial Officer, Treasurer and Secretary

(Principal Financial Officer and Principal Accounting Officer)