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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **June 30, 2012**

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**

MANAS PETROLEUM CORPORATION

(Exact name of registrant as specified in its charter)

Nevada	**91-1918324**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Bahnhofstrasse 9, 6341 Baar, Switzerland
(Address of principal executive offices) (Zip Code)

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

N/A
(Former name, former address and former fiscal year, if changed since last report)

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.
[X] Yes [ ] No

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

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

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:
172,592,292 shares of common stock as of August 14, 2012.

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PART I. — FINANCIAL INFORMATION

Item 1. Financial Statements

MANAS PETROLEUM CORPORATION
(AN EXPLORATION STAGE COMPANY)

CONSOLIDATED BALANCE SHEETS
UNAUDITED

	06.30.2012 USD	12.31.2011 USD
ASSETS		
Cash and cash equivalents	3,208,621	13,629,370
Restricted cash	101,536	102,735
Accounts receivable	113,188	45,699
Tax receivables	-	-
Transaction prepayment	5,000,000	-
Other prepaid expenses	512,185	356,252
Total current assets	**8,935,530**	**14,134,056**
Tangible fixed assets	126,510	80,829
Investment in associate	238,304	238,304
Oil and gas properties (unproved)	93,806	-
Investment in associate (Petromanas)	42,343,343	29,366,063
Total non-current assets	**42,801,963**	**29,685,196**
TOTAL ASSETS	**51,737,493**	**43,819,252**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	122,234	1,194,844
Accrued expenses exploration costs	400,121	237,657
Other accrued expenses	208,501	472,397
Refundable deposits	190,534	212,590
Total current liabilities	**921,390**	**2,117,488**
Pension liabilities	80,427	80,427
Total non-current liabilities	**80,427**	**80,427**
TOTAL LIABILITIES	**1,001,817**	**2,197,915**
Common stock (300,000,000 shares authorized, USD 0.001 par value, 172,592,292 and 172,467,292 shares, respectively, issued and outstanding)	172,592	172,467
Additional paid-in capital	77,317,550	76,702,841
Retained deficit accumulated during the exploration stage	(26,805,467)	(35,304,972)
Accumulated other comprehensive income	-	-
Currency translation adjustment	51,001	51,001
TOTAL SHAREHOLDERS' EQUITY	**50,735,676**	**41,621,337**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**51,737,493**	**43,819,252**

MANAS PETROLEUM CORPORATION
(AN EXPLORATION STAGE COMPANY)

CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME/(LOSS)
UNAUDITED

	For the three months end		For the six months end		Period from 05.25.2004 (Inception) to
	06.30.2012 USD	06.30.2011 USD	06.30.2012 USD	06.30.2011 USD	06.30.2012 USD
OPERATING REVENUES					
Other revenues	-	-	-	-	1,375,728
Total revenues	**-**	**-**	**-**	**-**	**1,375,728**
OPERATING EXPENSES					
Personnel costs	(638,542)	(335,570)	(1,333,957)	(702,572)	(29,139,203)
Exploration costs	(960,175)	(373,027)	(1,237,690)	(626,567)	(14,574,346)
Depreciation	(11,336)	(9,047)	(25,556)	(22,497)	(305,525)
Consulting fees	(611,258)	78,057	(1,025,054)	(194,351)	(12,159,900)
Administrative costs	(460,568)	(512,109)	(858,937)	(828,080)	(16,235,356)
Total operating expenses	**(2,681,879)**	**(1,151,696)**	**(4,481,194)**	**(2,374,067)**	**(72,414,330)**
Gain from sale of investment	-	-	-	-	3,864,197
Loss from sale of investment	-	-	-	-	(900)
			-		
Operating loss	**(2,681,879)**	**(1,151,696)**	**(4,481,194)**	**(2,374,067)**	**(67,175,305)**
			-		
NON-OPERATING INCOME / (EXPENSE)			-		
Exchange differences	(12,814)	(20,929)	16,798	(45,475)	159,533
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	(2,792,540)	(7,615,886)	12,977,280	(16,236,143)	(4,063,478)
Interest income	283	53	365	216	604,381
Interest expense	(6,150)	(8,641)	(14,361)	(19,297)	(2,621,485)
Loss on extinguishment of debt	-	-	-	-	(117,049)
Income/(Loss) before taxes and equity in net loss of associate	**(5,493,100)**	**(8,797,099)**	**8,498,888**	**(18,674,766)**	**(35,243,349)**
Income taxes	(312)	(407)	617	937	(10,315)
Equity in net loss of associate	-	-	-	-	(24,523)
Net income/(loss) from continuing operations	**(5,493,412)**	**(8,797,506)**	**8,499,505**	**(18,673,829)**	**(35,278,187)**
DISCONTINUED OPERATIONS					
Gain from divestiture	-	-	-	-	51,663
Operating expenses	-	-	-	-	(647,213)
Income/(Loss) from discontinued operations	**-**	**-**	**-**	**-**	**(595,550)**
			-		
Net income/(loss)	**(5,493,412)**	**(8,797,506)**	**8,499,505**	**(18,673,829)**	**(35,873,737)**
			-		-
Net loss attributable to non-controlling interest	-	-	-	-	(18,700)
Net income/(loss) attributable to Manas	**(5,493,412)**	**(8,797,506)**	**8,499,505**	**(18,673,829)**	**(35,892,437)**

			-		
Currency translation adjustment attributable to Manas	-	-	-	-	51,001
Net comprehensive income/(loss) attributable to Manas	**(5,493,412)**	**(8,797,506)**	**8,499,505**	**(18,673,829)**	**(35,841,436)**
Net comprehensive loss attributable to non-controlling interest	-	-	-	-	18,700
Net comprehensive income/(loss)	**(5,493,412)**	**(8,797,506)**	**8,499,505**	**(18,673,829)**	**(35,822,736)**
			-		
Weighted average number of outstanding shares (basic)	172,535,973	169,927,177	172,501,633	148,016,597	121,421,261
Weighted average number of outstanding shares (diluted)	172,535,973	169,927,177	172,834,966	148,016,597	120,921,261
			-		
Basic earnings/(loss) per share attributable to Manas	**(0.03)**	**(0.05)**	**-**	**(0.13)**	**(0.01)**
Basic earnings/(loss) per share - continuing operations	(0.03)	(0.05)	-	(0.13)	0.00
Basic earnings/(loss) per share - discontinuing operations	-	-	-	-	(0.00)
Diluted earnings/(loss) per share attributable to Manas	**(0.03)**	**(0.05)**	**-**	**(0.13)**	**(0.02)**
Diluted earnings/(loss) per share - continuing operations	(0.03)	(0.05)	-	(0.13)	0.00
Diluted earnings/(loss) per share - discontinuing operations	-	-	-	-	(0.00)

MANAS PETROLEUM CORPORATION
(AN EXPLORATION STAGE COMPANY)

CONSOLIDATED CASH FLOW STATEMENT
UNAUDITED

	For the six months ended 06.30.2012 USD	06.30.2011 USD	Period from 05.25.2004 (Inception) to 06.30.2012 USD
OPERATING ACTIVITIES			
Net income/(loss)	**8,499,505**	**(18,673,829)**	**(35,873,737)**
			-
To reconcile net income/(loss) to net cash used in operating activities			-
Gain from sale of subsidiary	-	-	(57,850,918)
Gain from sale of investment	-	-	(3,864,197)
Loss from sale of investment	-	-	900
Gain from divestiture of discontinued operations	-	-	(72,000)
Change in fair value of investment in associate	(12,977,280)	16,236,143	4,063,478
Equity in net loss of associate	-	-	24,523
Depreciation	25,556	22,497	305,525
Amortization of debt issuance costs	-	-	349,910
Warrant issuance expense / (income)	-	-	19,880,864
Exchange differences	(16,798)	45,475	(159,533)
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	614,834	(103,371)	26,822,735
Decrease / (increase) in receivables and prepaid expenses	(223,422)	(118,395)	(621,808)
(Decrease) / increase in accounts payables	(1,072,609)	3,086	(387,134)
(Decrease) / increase in accrued expenses	(101,433)	(98,069)	534,412
Change in pension liability	-	-	80,427
Cash flow used in operating activities	**(5,251,647)**	**(2,686,463)**	**(45,878,936)**
			-
INVESTING ACTIVITIES			-
Transaction prepayment	(5,000,000)	-	(5,000,000)
Capitalized exploration expenditure	(93,806)	-	(93,806)
Purchase of tangible fixed assets and computer software	(75,340)	(1,819)	(551,525)
Sale of tangible fixed assets and computer software	4,103	-	83,429
Proceeds from sale of investment	-	-	14,837,810
Decrease / (increase) restricted cash	1,199	(5,513)	(101,536)
Acquisition of investment in associate	-	-	(67,747)
Cash flow from investing activities	**(5,163,844)**	**(7,332)**	**9,106,625**
FINANCING ACTIVITIES			
Contribution share capital founders	-	-	80,019
Issuance of units	-	22,225,250	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)	(2,348,250)
Payment of debt issuance costs	-	-	(279,910)
Increase / (decrease) in refundable deposits	(22,056)	-	190,534
Cash flow (used in) / from financing activities	**(22,056)**	**19,877,000**	**39,728,815**
			-
Net change in cash and cash equivalents	**(10,437,547)**	**17,183,205**	**2,956,504**
Cash and cash equivalents at the beginning of the period	13,629,370	1,736,570	-
Currency translation effect on cash and cash equivalents	16,798	(45,475)	252,117
Cash and cash equivalents at the end of the period	**3,208,621**	**18,874,300**	**3,208,621**
			-
Supplement schedule of non-cash investing and financing activities:			-
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	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	-	-	(3,449,704)

MANAS PETROLEUM CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY/(DEFICIT) - UNAUDITED

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)
Balance May 25, 2004	-	-	-	-	-	-
Contribution share capital from founders	80,000,000	80,000	19	-	-	**80,019**
Currency translation adjustment	-	-	-	-	(77,082)	(77,082)
Net loss for the period	-	-	-	(601,032)	-	(601,032)
Balance December 31, 2004	**80,000,000**	**80,000**	**19**	**(601,032)**	**(77,082)**	**(598,095)**
Balance January 1, 2005	**80,000,000**	**80,000**	**19**	**(601,032)**	**(77,082)**	**(598,095)**
Currency translation adjustment	-	-	-		218,699	218,699
Net loss for the year	-	-	-	(1,993,932)	-	(1,993,932)
Balance December 31, 2005	**80,000,000**	**80,000**	**19**	**(2,594,964)**	**141,617**	**(2,373,328)**
Balance January 1, 2006	**80,000,000**	**80,000**	**19**	**(2,594,964)**	**141,617**	**(2,373,328)**
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
Balance December 31, 2006	**80,000,000**	**80,000**	**1,466,071**	**(1,078,960)**	**53,464**	**520,575**
Balance January 1, 2007	**80,000,000**	**80,000**	**1,466,071**	**(1,078,960)**	**53,464**	**520,575**
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)
Balance December 31, 2007	**112,156,488**	**112,157**	**21,550,636**	**(13,904,456)**	**56,533**	**7,814,870**
Balance January 1, 2008	**112,156,488**	**112,157**	**21,550,636**	**(13,904,456)**	**56,533**	**7,814,870**
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)
Balance December 31, 2008	**119,051,733**	**119,052**	**43,852,378**	**(44,200,563)**	**43,322**	**(185,811)**
Balance January 1, 2009	**119,051,733**	**119,052**	**43,852,378**	**(44,200,563)**	**43,322**	**(185,811)**
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)
Balance December 31, 2009	**119,051,733**	**119,052**	**49,532,366**	**(56,731,606)**	**51,001**	**(7,029,187)**
Balance January 1, 2010	**119,051,733**	**119,052**	**49,532,366**	**(56,731,606)**	**51,001**	**(7,029,187)**
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 income for the period	-	-	-	74,442,353	-	74,442,353
Balance December 31, 2010	**124,987,393**	**124,987**	**53,836,749**	**17,710,747**	**51,001**	**71,723,484**
Balance January 1, 2011	**124,987,393**	**124,987**	**53,836,749**	**17,710,747**	**51,001**	**71,723,484**
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 income for the period	-	-	-	(53,015,719)	-	(53,015,719)
Balance December 31, 2011	**172,467,292**	**172,467**	**76,702,841**	**(35,304,972)**	**51,001**	**41,621,337**
Balance January 1, 2012	**172,467,292**	**172,467**	**76,702,841**	**(35,304,972)**	**51,001**	**41,621,337**
Stock-based compensation	125,000	125	614,709	-	-	614,834
TSX listing units, issued for cash	-	-	-	-	-	-
Exercise of options	-	-	-	-	-	-
Redeemable shares	-	-	-	-	-	-
Net income for the period	-	-	-	8,499,505	-	8,499,505
Balance June 30, 2012	**172,592,292**	**172,592**	**77,317,550**	**(26,805,467)**	**51,001**	**50,735,676**

1. BASIS OF PRESENTATION

The financial statements presented in this Form 10-Q comprise Manas Petroleum Corporation ("Manas" or the "Company") and its subsidiaries (collectively, the "Group"). The unaudited interim *Consolidated Financial Statements* included in this Form 10-Q have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and present our financial position, results of operations, cash flows and changes in stockholder's equity. These financial statements should be read in conjunction with the consolidated financial statements and the notes thereto, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

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 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, 1988.

On April 10, 2007, the Company completed the Exchange Transaction whereby it acquired its then sole subsidiary DWM Petroleum AG ("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 finder's fees at the closing price of $3.20.

The acquisition of DWM Petroleum has been 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 US GAAP 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 Group has a focused strategy on exploration and developing oil and gas resources in Central Asia (Tajikistan, Mongolia and Kyrgyz Republic). In the Balkan Region (Albania) the Company holds an investment in associate Petromanas Energy Inc.

2. ACCOUNTING POLICIES

The accompanying financial data as of June 30, 2012 and December 31, 2011 and for the three and six months periods ended June 30, 2012 and 2011 and for the period from inception, May 25, 2004, to June 30, 2012, has been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC).

The complete accounting policies followed by the Group are set forth in Note 2 to the audited consolidated financial statements contained in the Group's Annual Report on Form 10-K for the year ended December 31, 2011.

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.

In the opinion of management, all adjustments (which include normal recurring adjustments, except as disclosed herein) necessary to present a fair statement of financial position as of June 30, 2012 and December 31, 2011, results of operations for the three and six months periods ended June 30, 2012 and 2011 and for the period from inception, May 25, 2004, to June 30, 2012, cash flows for the six months periods ended June 30, 2012 and 2011 and for the period from inception, May 25, 2004, to June 30, 2012 and statement of shareholders' equity (deficit) for the period from inception, May 25, 2004, to June 30, 2012, as applicable, have been made. The result of operations for the three and six months periods ended June 30, 2012 is not necessarily indicative of the operating results for the full fiscal year or any future periods.

Reclassification

The Company reclassified $200,020 from "Accrued Expenses Professional Fees" to "Other Accrued Expenses" as of December 31, 2011 in order to conform to the current period presentation.

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. The costs of oil and natural gas properties are periodically assessed for impairment.

3. RECENT ACCOUNTING PRONOUNCEMENTS

Recently adopted accounting pronouncements

In May 2011, the FASB released ASU 2011-5, *Comprehensive Income (Topic 220) - Presentation of Comprehensive Income* and then amended in December, to narrow the options that are available for reporting financial performance. While the rules for determining net income and earnings per share (EPS) remain unchanged, the items reported below net income that make up other comprehensive income (OCI), including pension adjustments and changes in the fair value of some marketable securities, may no longer be presented in a statement of changes in stockholders' equity. The amendments in ASU 2011-5 are effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2011. The adoption of this standard as of January 1, 2012 had no effect on our results of operation or our financial position.

In May 2011, the FASB released ASU 2011-4, *Fair Value Measurement (Topic 720) – Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in US GAAP and in IFRS* as part of its convergence efforts with the IASB to ensure that fair value has the same meaning in US GAAP and in IFRS and that their respective fair value measurement and disclosure requirements are the same, except for minor stylistic differences. Importantly, the ASU does not change when a fair value measurement is required under US GAAP. The amendments in ASU 2011-4 are effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2011. The adoption of this standard as of January 1, 2012 had no effect on our results of operation or our financial position. See Note 15 for additional information.

4. CASH AND CASH EQUIVALENTS

	USD (held in USD)	USD (held in EUR)	USD (held in CHF)	USD (held in other currencies)	USD Total June 30, 2012	USD total Dec 31, 2011
Cash and cash equivalents	3,156,744	13,601	23,970	14,307	3,208,621	13,629,370

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

During the second quarter of 2012, DWM Petroleum AG, a wholly-owned subsidiary of the Company, entered into an option agreement with an unrelated third party pursuant to which the third party has granted to DWM Petroleum an option to purchase 80% of the equity of a company that owns producing oilfield assets in Central Asia. Although DWM Petroleum has provided the third party with a cash deposit to be adjusted against the purchase price in case option is pursued by DWM Petroleum, the Option Agreement does not bind DWM Petroleum, except in respect of a requirement that the details of the agreement be kept in confidence, and the cash deposit is fully refundable. The Option Agreement is subject to the completion – to DWM Petroleum's satisfaction - of a due diligence review and the negotiation of a purchase price for the optioned equity in a subsequent definitive agreement. A due diligence investigation, including a financial audit, is currently ongoing. Once due diligence is completed, DWM Petroleum will have one month to decide whether to exercise the option. In case DWM Petroleum does not exercise the option, it shall be entitled to receive a refund of its cash deposit.

On May 8, 2012, DWM Petroleum wired an initial refundable cash deposit to the third party in the amount of US$5 million. This cash deposit has been recorded on the Company's balance sheet as a "Transaction Prepayment". On July 3, 2012, DWM Petroleum made a second refundable cash deposit in the amount of US$2 million. A third refundable cash deposit in the amount of US$3 million is due to be sent to the third party on or before August 24, 2012.

6. TANGIBLE FIXED ASSETS

2012	**Office equipment & furniture**	**Vehicles**	**Leasehold improvements**	**Total**
Cost at January 1	**151,303**	**101,340**	**47,375**	**300,018**
Additions	-	76,000	-	76,000
Disposals	(4,162)	(59,456)	-	(63,618)
Cost at June 30	147,140	117,884	47,376	312,400
Accumulated depreciation at January 1	**(95,691)**	**(85,103)**	**(38,545)**	**(219,339)**
Depreciation	(8,970)	(11,790)	(4,737)	(25,497)
Disposals	-	58,946	-	58,946
Accumulated depreciation at June 30	(104,661)	(37,947)	(43,283)	(185,891)
Net book value at June 30	**42,480**	**79,937**	**4,093**	**126,510**

Depreciation expense for the six months period ended June 30, 2012 and 2011 was $25,556 and $22,497, respectively. Depreciation expense for the three months period ended June 30, 2012 and 2011 was $11,336 and $9,047, respectively.

7. OIL AND GAS PROPERTIES

Oil and gas properties	**Three months period ended**		**Six months period ended**	
	June 30, 2012	**June 30, 2011**	**June 30, 2012**	**June 30, 2011**
Unproved, not subject to depletion	93,806	-	93,806	-
Proved subject to depletion	-	-	-	-
Accumulated depletion	-	-	-	-
Total Oil and gas properties (unproved)	**93,806**	**-**	**93,806**	**-**

All of the unproved properties are located in Mongolia.

8. STOCK COMPENSATION PROGRAM

2007 Omnibus Stock Option Plan

On May 1, 2007, the Board of Directors approved the granting of stock options according to a Nonqualified Stock Option Plan. This stock option plan has the purpose (a) to ensure the retention of the services of existing executive personnel, key employees, and Directors of the Company or its affiliates; (b) to attract and retain competent new executive personnel, key employees, consultants and Directors; (c) to provide incentive to all such personnel, employees, consultants and Directors to devote their utmost effort and skill to the advancement and betterment of the Company, by permitting them to participate in the ownership of the Company and thereby in the success and increased value of the Company; and (d) allowing vendors, service providers, consultants, business associates, strategic partners, and others, with or that the Board of Directors anticipates will have an important business relationship with the Company or its affiliates, the opportunity to participate in the ownership of the Company and thereby to have an interest in the success and increased value of the Company.

This plan constitutes a single “omnibus” plan, the Nonqualified Stock Option Plan (“NQSO Plan”) which provides grants of nonqualified stock options (“NQSOs”). The maximum number of shares of common stock that may be purchased under the plan is 20,000,000. This plan has been superseded by the 2011 Stock Option Plan; future grants of stock options will be made under the 2011 Stock Option Plan.

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 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).

If all or any portion of any stock option granted under the 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.

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

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.

During the six months periods ended June 31, 2012 and 2011, respectively, no options were granted.

The following table shows the Company's outstanding and exercisable stock options as of June 30, 2012:

Outstanding options	**Shares under option**	**Weighted-average exercise price**	**Weighted-average remaining contractual term (years)**	**Aggregate intrinsic value**
Outstanding at December 31, 2011	**18,350,000**	**0.37**	**7.04**	**-**
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited or expired	(2,400,000)	0.26	-	-
Outstanding at June 30, 2012	15,950,000	0.39	7.55	-
Exercisable at June 30, 2012	**7,882,960**	**0.53**	**6.40**	**-**

The following table depicts the Company's non-vested options as of June 30, 2012 and changes during the period:

Non-vested options	**Shares under option**	**Weighted-average grant date fair value**
Non-vested at December 31, 2011	11,520,250	0.18
Non-vested granted	-	-
Vested	(3,453,210)	0.18
Non-vested, forfeited or cancels	-	-
Non-vested at June 30, 2012	8,067,040	0.18

As of June 30, 2012, the expected total of unrecognized compensation costs related to unvested stock-option grants was $1,246,825. The Company expects to recognize this amount over a weighted average period of 1.32 years.

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.

On May 11, 2012, the Company issued 125,000 shares of common stocks to one of its employees. As per employment agreement, 100,000 shares were issued to the employee between May 1, 2011 and May 1, 2012. The employment agreement terminated effective July 31including a 90 days' notice period. Accordingly, the employee received another 25,000 shares for the 90 days' notice period. Since the employee did not provide service for the month of July, its monthly salary and issued shares were accrued as of June 30 2012, for the month of July in accordance to US GAAP.

With the termination, all of the issued shares became eligible for resale, subject to regulatory restrictions imposed by the SEC and/or TSX Venture Exchange.

The following table summarizes the Company's activity with respect to share grants for the six months period ended June 30, 2012:

Non-vested shares	**Shares**	**Weighted-average grant date fair value**
Non-vested at December 31, 2011	500,000	0.47
Granted	-	-
Vested	(125,000)	0.47
Non-vested, forfeited or canceled	(375,000)	0.47
Non-vested at June 30, 2012	-	-

As of June 30, 2012, 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:

Stock based compensation expenses	Three months period ended		Six months period ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Option grants	255,926	(241,552)	579,130	(133,213)
Share grants	20,449	15,146	35,704	29,842
Total	**276,375**	**(226,406)**	**614,834**	**(103,371)**
Recorded under "Personnel"	289,727	99,422	577,951	197,812
Recorded under "Consulting fees"	(13,352)	(325,828)	36,883	(301,183)

9. PUBLIC OFFERING – UNIT FINANCING

On May 6, 2011, the Company completed a public offering of units pursuant to a long form prospectus filed in all of the Provinces of Canada except Quebec and a registration statement filed with the Securities and Exchange Commission on Form S-1 in the United States. In the Offering, the Company sold a total of 44,450,500 units at a price of $0.50 per unit for aggregate gross proceeds of $22,225,250. Each unit consisted of one share of common stock in the capital of the Company and one common share purchase warrant ("Unit Warrants"). Each Unit Warrant entitles the purchaser to purchase one additional common share until May 6, 2014 at a purchase price of $0.70.

Raymond James Ltd. acted as agent in the Offering. As consideration for its assistance, the Company paid to Raymond James a cash commission equal to 6.75% of the gross proceeds of the offering (i.e. $ 1,500,204) and reimbursed Raymond James for expenses. In addition, the Company issued to Raymond James agents' warrants ("Agent Warrants") that entitle Raymond James to purchase 1,333,515 shares of the Company's common stock at a purchase price of $0.60 until May 6, 2013. The fair value of the Agent Warrants was determined using the Black-Scholes option pricing model. The inputs for the variables used in the Black-Scholes formula per May 6, 2011 are shown in the following table:

Stock price	0.46
Expected dividend yield	0%
Expected volatility	99%
Risk-free rate	0.57%
Expected term (in years)	2

The fair value per Agent Warrant was $0.2101. The total costs associated with all Agent Warrants amounted to $280,171. This amount was directly charged against equity and had no impact on the Company's statement of operations.

The following table summarizes the payments of issuance costs:

Agent commission	1,552,093
Legal	448,857
Audit	128,876
Other	218,424
Total issuance costs (cash)	2,348,250

Net cash proceeds from the public offering amounted to $19,877,000 and were recorded in shareholders' equity, net of non-cash issuance costs associated with the Agent Warrants, i.e. $19,596,829. Refer to Note 10 for the discussion of the warrants.

10. WARRANTS

Warrants outstanding

The following table summarizes information about the Company's warrants outstanding as of June 30, 2012:

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

The Company has enough shares of common stock authorized in the event these warrants are exercised.

Warrant activity

The following table summarizes the Company's warrant activity for the six months period ended June 30, 2012:

Warrants	Number of warrants	Weighted average exercise price
Outstanding at December 31, 2011	45,934,015	0.70
Granted	-	-
Exercised	-	-
Forfeit or expired	-	-
Outstanding at March	-	-
Outstanding at June 30, 2012	**45,934,015**	**0.70**

11. INVESTMENT IN PETROMANAS

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

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

At June 30, 2012, DWM Petroleum owned and controlled 200,000,000 common shares of Petromanas and it had the right to acquire a further 50,000,000 common shares (referred to as "Performance Shares") upon the occurrence of certain conditions. The 200,000,000 common shares represented approximately 31.7% of the issued and outstanding common shares of Petromanas. On July 6, 2012, DWM Petroleum sold 10,000,000 of these shares to one unrelated party. 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 unrelated parties, together with the right to receive 22.5% of the Performance Shares if and when any Performance Shares are issued by Petromanas.

Since the shares were subject to a hold period of thirteen months, 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 applies an annual discount rate of 12% on the quoted market price based on the time before the shares become freely tradable. The discount rate is an estimate of the cost of capital, based on previous long-term debt the Company has issued.

The quoted market price for one common share of Petromanas on June 30, 2012 was CAD $0.22 (approximately USD $0.22) .

In order to calculate the fair value of the Company's investment in Petromanas the Company has discounted the market price of the shares based on the escrow release schedule. The effective discount applied on the quoted market price of the shares is 1.35% .

During the six month period ended June 30, 2012 and 2011, respectively, the Company recorded $12,977,280 unrealized loss/gain on investment in Petromanas and $(16,236,143) unrealized loss on investment, respectively.

During the three month periods ended June 30, 2012 and 2011, respectively, the Company recorded $(2,792,540) unrealized loss/gain on investment in Petromanas and $(7,615,886) unrealized loss on investment, respectively.

When a company chooses the fair value option, pursuant to ASC 323 further disclosures regarding the investee are required in cases where the Company has the ability to exercise significant influence over the investee's operating and financial policies.

As of today, there is no managerial interchange and there are no material intercompany transactions. In addition, technological dependencies do not exist. The majority ownership of the investee is concentrated among a small group of shareholders who operate the investee without regard to the views of the Company. The Company made an effort to obtain from Petromanas financial information that would be needed in order for the for the Company to include that information in its own financial disclosure, but Petromanas, which is a reporting company in Canada and subject to the Canadian regulatory requirements in respect of selective disclosure, has refused to provide this information in advance of it being made available to the general public in its own periodic disclosure filings. This information would be necessary if the Company were to disclose selected financial data of Petromanas in accordance with US GAAP in timely manner.

The Company has previously requested that Petromanas provide detailed financial records in order to enable the Company to reconcile between Canadian GAAP and US GAAP but Petromanas has refused, stating that Petromanas is a public company and required to comply with securities legislation and TSX Venture Exchange rules and it cannot provide selective disclosure to any shareholder, nor can it permit its results to be publicly disclosed through any document published by a third party until after it has publicly disseminated the information.

Based on the foregoing, the Company has concluded that it does not have the ability to exercise significant influence over Petromanas' (the investee's) operating and financial policies. In addition, the sale of 100,000,000 Petromanas shares subsequent to June 30, 2012, may have further diminished any influence the Company may have had prior to the date of that sale.

12. RELATED PARTY DISCLOSURE

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

Company	Country	Equity share June 30, 2012	Equity share Dec 31, 2011
DWM Petroleum AG, Baar (1)	Switzerland	**100%**	**100%**
DWM Energy AG Baar (2)	Switzerland	**100%**	**100%**
Petromanas Energy Inc., Vancouver (3)	Canada	**31.7%**	**31.7%**
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	**100%**	**100%**
Gobi Energy Partners GmbH (9)	Switzerland	**100%**	**100%**

(1) Included Branch in Albania that was sold in February 2010
(2) Founded in 2007 (formerly Manas Petroleum AG).
(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
(6) Founded in 2008, the company was dormant and did not have assets or liabilities. In order to prevent the cost of winding up, the shares were transferred to a member of the board at no cost.
(7) Founded in 2008
(8) Manas Chile Energia Limitada was founded by Manas Management Services Ltd.; founded in 2008
(9) 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.
(10) Gobi Energy Partners GmbH was founded in 2010. DWM Petroleum AG holds record title to 100% of Gobi Energy Partners GmbH,of which 26% is held in trust for others. The Company determined that no value needs to be ascribed to the non-controlling interest.

Except as disclosed above in respect of the sale of 100,000,000 shares of Petromanas Energy, ownership and voting right percentages in the subsidiaries stated above are identical to the equity share at June 30, 2012 and December 31, 2011.

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

	Three months ended		*Six months ended*	
	June 30, 2012	June 30. 2011	June 30, 2012	June 30. 2011
Affiliates				
Management services performed to Petromanas*	4,194	(24,558)	(11,118)	8,123
Board of directors				
Payments to directors for office rent	6,387	12,000	12,935	6,000
Payments to related companies controlled by directors for rendered consulting services	90,540	183,850	183,357	92,850

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

13. 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 the Kyrgyz Republic, Republic of Tajikistan, Mongolia 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 the Kyrgyz Republic, Republic of Tajikistan, Mongolia and Chile.

Chile

During the initial phase of applying for our Chilean Exploration license, a joint bidding group was formed with Manas, IPR and Energy Focus. Each had a one-third interest. Of its own accord, Energy Focus left the bidding group. Energy Focus prepared a side letter, which was signed by Manas and IPR. By the terms of this side letter, Energy Focus was granted the option to rejoin the consortium under certain conditions.

Even though Energy Focus has been asked many times to join the group by contributing its prorated share of capital, they have failed to do so. Despite this, Energy Focus claims that they are entitled to participate in the consortium at any future time, not just under certain conditions. IPR and Manas disagree with this interpretation.

Energy Focus commenced litigation for specific performance and damages in an unspecified amount in Santiago de Chile, claiming interest in the Tranquilo Block from the Company and IPR, and their subsidiaries. The Company, IPR and their respective legal counsel are of the view that the Energy Focus claim is without merit and is brought in the wrong jurisdiction and that Energy Focus has failed to properly serve the parties. The courts of Santiago have dismissed the case, but Energy Focus made an appeal just before the appeal period expired.

At June 30, 2012, 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, Mongolia and Chile. 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, Mongolia and Chile.

14. PERSONNEL COSTS AND EMPLOYEE BENEFIT PLANS

Defined benefit plan

We maintain Swiss defined benefit plans for seven of our employees. 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 the Company's 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. The plan is 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.

	Three months ended		*Six months ended*	
Pension expense	**June 30, 2012**	**June 30, 2011**	**June 30, 2012**	**June 30, 2011**
Net service cost	5,327	5,311	10,654	10,622
Interest cost	5,944	5,254	11,888	10,507
Expected return on assets	(4,976)	(4,517)	9,952	9,035
Amortization of net gain	2,654	2,525	5,308	5,050
Net periodic pension cost	8,949	8,573	17,898	17,145

During the six months period ended June 30, 2012 and 2011, respectively, the Company made cash contributions of $71,197 and $63,368, respectively, to its defined benefit pension plan. The Company does not expect to make any additional cash contributions to its defined benefit pension plans during the remainder of 2012.

15. FAIR VALUE MEASUREMENT

15.1. Fair Value Measurements

The guidance on fair value measurements defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants under current market conditions. This guidance also specifies a fair value hierarchy based upon the observability of inputs used in valuation techniques to measure fair value.

Observable inputs (highest level) reflect market data obtained from independent sources, while unobservable inputs (lowest level) reflect internally developed market assumptions. In accordance with this guidance, fair value measurements are classified under the following hierarchy:

•**Level 1** — Quoted prices for identical instruments in active markets.

•**Level 2** — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs or significant value drivers are observable in active markets.

•**Level 3** — Prices and valuation techniques in which one or more significant inputs or significant value-drivers are unobservable.

When available, we use quoted market prices to determine fair value, and we classify such measurements within Level 1. In some cases where market prices are not available, we make use of observable market based inputs to calculate fair value, in which case the measurements are classified within Level 2. If quoted or observable market prices are not available, fair value is based upon internally developed models that use, where possible, current market-based parameters such as interest rates, yield curves and currency rates. These measurements are classified within Level 3.

Fair value measurements are classified according to the lowest level input or value-driver that is significant to the valuation. A measurement may therefore be classified within Level 3 even though there may be significant inputs that are readily observable.

Fair value measurement includes the consideration of nonperformance risk. Nonperformance risk refers to the risk that an obligation (either by a counterpart or by us) will not be fulfilled. For financial assets traded in an active market (Level 1), the nonperformance risk is included in the market price. For certain other financial assets and liabilities (Level 2 and 3), our fair value calculations have been adjusted accordingly.

Financial assets measured on a recurring basis at fair value included in our Consolidated Financial Statements as of June 30, 2012 are classified in one of the three categories as follows:

Assets	Level 1	Level 2	Level 3	Total
Investment in associate (Petromanas)	-	42,343,343	-	42,343,343
Total assets	-	42,343,343	-	42,343,343

The following table summarizes the changes in the fair value of the Company’s level 2 financial assets for the period ending June 30, 2012:

Balance at January 1, 2012	**29,366,063**
Total gains (losses) realized and unrealized:	-
Included in earnings	12,980,280 (1)
Included in other comprehensive income	-
Purchase, sale, or settlement	-
Net transfer in / (out) of level 2	-
Balance at June 30, 2012	**42,343,343**

(1) Recorded in change in fair value of investment in associate (Petromanas)

15.2. 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** – fair value was calculated based on quoted market prices and a discount factor derived from the Company's estimated cost of capital.
- **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:

	June 30, 2012		*December 31, 2012*			
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**	***Fair Value Levels***	***Reference***
Cash and cash equivalents	3,208,621	3,208,621	13,629,370	13,629,370	1	Note 4
Restricted cash	101,536	101,536	102,735	102,735	1	
Transaction prepayment	5,000,000	5,000,000	-	-	1	Note 5
Accounts receivable	113,188	113,188	45,699	45,699	1	
Investment in Petromanas	42,343,343	42,343,343	45,135,883	45,135,883	2	Note 11
Accounts Payable	122,234	122,234	280,000	280,000	1	
Refundable Deposits	190,534	190,534	212,590	212,590	1	

16. 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:

	Three months period ended		*Six months period ended*	
	June 30, 2012	**June 30, 2011**	**June 30, 2012**	**June 30, 2011**
Company posted	Net loss	Net loss	Net Income	Net loss
Basic weighted average shares outstanding	172,535,973	169,927,177	172,501,633	148,016,597
Dilutive effect of common stock equivalents:				
- stock options and non-vested stock under employee compensation plans	-	-	333,333	-
Diluted weighted average shares outstanding	**172,535,973**	**169,927,177**	**172,834,966**	**148,016,597**

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

Stock equivalent	Three months ended		Six months ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Options	15,950,000	8,250,000	15,950,000	8,250,000
Warrants	45,934,015	45,934,015	45,934,015	45,934,015
Non-vested shares	166,667	500,000	-	500,000
Total	**62,050,682**	**54,684,015**	**61,884,015**	**54,684,015**

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 $72,000. The cash payment for the transfer of the Company's interest in the Chilean project of $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:

	Three months ended		*Six months ended*		*Period from May 05, 2004*
	June 30, 2012	**June 30, 2011**	**June 30, 2012**	**June 30, 2011**	***(inception) to Sep 30, 2011***
OPERATING REVENUES					
Gain from divestiture	-	(7,611)	-	(20,337)	51,663
Total revenues	**-**	**(7,611)**	**-**	**(20,337)**	**51.663**
OPERATING EXPENSES					
Personnel costs	-	-	-	-	(211,228)
Exploration costs	-	-	-	-	(420,985)
Depreciation	-	-	-	-	-
Consulting fees	-	-	-	-	-
Administrative costs	-	-	-	-	(15,000)
Total operating expenses	**-**	**-**	**-**	**-**	**(647,213)**
OPERATING INCOME	**-**	**(7,611)**		**(20,337)**	**(595,550)**

18. SUBSEQUENT EVENT(S)

On July 6, 2012, the Company sold 10,000,000 common shares of Petromanas at a price of $0.17 per common share for gross proceeds of $1,700,000.

On August 17, 2012, the Company sold 90,000,000 shares of Petromanas at a price of CAD $0.115 (approximately USD $0.115) per share pursuant to written agreements with twelve unrelated parties dated August 13, 2012.

On August 6, 2012, Santos International Ventures Pty Ltd, has exercised its option under an Agreement dated December 10, 2007, under which an affiliate of Santos and a third party intend to acquire an aggregate 70% shareholding in Somon Oil. The exercise of the option is subject to the negotiation and execution of definitive agreements, including a farm-in agreement and a shareholder agreement, by September 6, 2012.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Forward-Looking Statements

This quarterly 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 quarterly report. Examples of forward-looking statements made in this quarterly report include statements pertaining to, among other things:

- management's assessment that our company is a going concern;
- 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 $384,000 for our operating costs (excluding exploration expenses);
- our ability to obtain any necessary financing on acceptable terms;
- timing and amount of capital expenditures;
- our ability to obtain necessary drilling and related equipment in a timely and cost-effective manner to carry out exploration activities;
- our venture partners' successful and timely performance of their obligations with respect to the exploration programs in which we are involved;
- retention of skilled personnel;
- the timely receipt of required regulatory approvals;
- continuation of current tax and regulatory regimes;
- current exchange rates and interest rates; and
- general economic and financial market conditions.

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

- our ability to establish or find resources or reserves;
- our need for, and our ability to raise, capital;
- volatility in market prices for natural gas and crude oil;
- liabilities inherent in natural gas and crude oil operations;
- uncertainties associated with estimating natural gas and crude oil resources or reserves;
- competition for, among other things, capital, resources, undeveloped lands and skilled personnel;
- political instability or changes of law in the countries we operate and the risk of terrorist attacks;
- incorrect assessments of the value of acquisitions;
- geological, technical, drilling and processing problems; and
- other factors discussed under the section entitled “Risk Factors” in our annual report on Form 10-K filed on March 30, 2012.

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 quarterly report, the terms “we”, “us”, and “our” refer to Manas Petroleum Corporation, its wholly-owned subsidiaries DWM Petroleum AG, a Swiss company, DWM Energy AG (formerly Manas Petroleum AG), a Swiss company, Manas Energia Chile Limitada, a Chilean company, Manas Petroleum of Chile Corporation, a Canadian company, and 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 15.8% 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.

The following discussion and analysis provides a narrative about our financial performance and condition that should be read in conjunction with the unaudited consolidated financial statements and related notes thereto included in this quarterly report.

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, and shares of CJSC South Petroleum Company, which is involved in a project in the Kyrgyz Republic.

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

The six month period ended June 30, 2012 compared to the six months period ended June 30, 2011

Net income/net loss

Net income for the six month period ended June 30, 2012, was $8,499,505 compared to net loss of $18,673,829 for the same period in 2011. This increase of $27,173,334 was primarily due to the change in fair value of our investment in Petromanas.

Operating expenses

Operating expenses for the six month period ended June 30, 2012, increased to $4,481,194 from $2,374,067 reported for the same period in 2011. This is an increase of 89% in our total operating expenses, mainly due to increased exploration activity at our project in Mongolia.

Personnel costs

For the six month period ended June 30, 2012, personnel costs increased to $1,333,957 from $702,572 for the same period in 2011. This increase of 90% is attributable to increased exploration activity at our project in Mongolia and higher expenses related to equity awards under the stock compensation and stock option plans.

Exploration costs

For the six month period ended June 30, 2012, we incurred exploration costs of $1,237,690 as compared to $626,567 for the same period in 2011. This is an increase of 97% and is due to increased exploration activity at our project in Mongolia.

Consulting fees

For the six month period ended June 30, 2012, we incurred consulting fees of $1,025,054 as compared to consulting fees of $194,351 for the same period in 2011. This is an increase of 427% and is due primarily to higher expenses in the first half of 2012 related to increased exploration activity at our projects in Mongolia and Tajikistan and increased investor relations activities, and also due to negative expense in consulting fees related to the remeasurement of equity-based awards to non-employees in 2011.

For the six month period ended June 30, 2012, we incurred expenses of $36,881 related to equity-based awards to non-employees, as compared to negative expense of $(281,672) in the same period in 2011. For the six month period ended June 30, 2012, we incurred expenses of $154,014 related to public and investor relations, as compared to $63,810 in the same period in 2011. For the six month period ended June 30, 2012, we incurred expenses of $208,453 related to consulting costs, as compared to $92,222 in the same period in 2011. These increases are due to increased exploration activity at our projects in Mongolia and Tajikistan

Administrative costs

For the six month period ended June 30, 2012, we recorded administrative costs of $858,937 compared to $828,080 for the same period in 2011. This increase of 4% is attributable to increased travel activity related to our projects in Mongolia and Tajikistan.

Non-operating income/expense

For the six month period ended June 30, 2012, we recorded a non-operating income of $12,980,082 compared to a non-operating expense of $16,300,699 for the same period in 2011. This increase of $29,280,781 is mainly attributable to a change in the value of our investment in Petromanas.

For the six month period ended June 30, 2012, we recorded an increase in fair value of investment in associate (Petromanas) of $12,977,280 compared to a decrease in fair value of investment in associate of $16,236,143 for the same period in 2011.

The three months period ended June 30, 2012 compared to the three months period ended June 30, 2011

Net income/net loss

Net loss for the three month period ended June 30, 2012, was $5,493,412 compared to net loss of $8,797,506 for the same period in 2011. This increase of $3,304,094 was primarily due to a change in fair value of our investment in Petromanas.

Operating expenses

Operating expenses for the three month period ended June 30, 2012, increased to $2,681,879 from $1,151,696 reported for the same period in 2011. This is an increase of 133% in our total operating expenses, mainly due to increased exploration activity at our project in Mongolia.

Personnel costs

For the three month period ended June 30, 2012, personnel costs increased to $638,542 from $335,570 for the same period in 2011. This increase of 90% is attributable to increased exploration activity at our project in Mongolia and higher charges related to equity awards under the stock compensation and stock option plans.

Exploration costs

For the three month period ended June 30, 2012, we incurred exploration costs of $960,175 as compared to $373,027 for the same period in 2011. This is an increase of 157% and is due to increased exploration activity at our project in Mongolia.

Consulting fees

For the three month period ended June 30, 2012, we incurred consulting fees of $611,258 as compared to consulting fees of $(78,057) for the same period in 2011. This is an increase of 883% primarily attributable to negative expense in consulting fee related to the re-measurement of equity-based awards to non-employees in 2011, and consulting costs for our Mongolian and Tajik project.

For the three months period ended June 30, 2012, we incurred expenses of $13,352 related to equity-based awards to non-employees, as compared to negative expense of $(306,842) in the same period in 2011. For the three months period ended June 30, 2012, we incurred expenses of $154,014 related to public and investor relations, as compared to $46,425 in the same period in 2011. For the three months period ended June 30, 2012, we incurred expenses of $208,453 related to consulting costs, as compared to $72,205 in the same period in 2011. These increases are due to increased exploration activity at our projects in Mongolia and Tajikistan

Administrative costs

For the three month period ended June 30, 2012, we recorded administrative costs of $460,568 compared to $512,109 for the same period in 2011. This decrease of 10% is mainly attributable to a slight decrease in travel activity.

Non-operating income/expense

For the three month period ended June 30, 2012, we recorded a non-operating loss of $2,811,221 compared to a non-operating loss of $7,645,403 for the same period in 2011. This is an increase of $4,834,182 and mainly attributable to a change in the value of our investment in Petromanas.

For the three month period ended June 30, 2012, we recorded a decrease in fair value of investment in associate (Petromanas) of $2,792,540 compared to a decrease in fair value of investment in associate of $7,615,886 for the same period in 2011.

Liquidity and Capital Resources

Our cash balance as of June 30, 2012 was $3,208,621. Shareholders' equity as of June 30, 2012 was $50,735,676. Total current assets as of June 30, 2012 were $8,935,530 and our total current liabilities were $921,390 resulting in net working capital of $8,014,140. On July 6, 2012, we sold 10,000,000 common shares of Petromanas at a price of $0.17 per common share for gross proceeds of $1,700,000. On August 17, 2012, we sold an additional 90 million shares of Petromanas at a price of CAD $0.115 (approximately USD $0.115) per share for gross proceeds of CAD $10,350,000 (approximately USD $10,350,000).

Of the 200,000,000 common shares of Petromanas held by us, at June 30, 2012, 140,000,000 were eligible for immediate resale without restriction. Also, as of that date, the market value of these shares was approximately $30,000,000. Since June 30, 2012, we have sold 100,000,000 of these shares and we have agreed not to resell any of the balance until August 14, 2013 unless, before that date, the market price per share should equal or exceed CAD $0.60 (approximately USD $0.60) for five business days.

Cash Flows

	Six months ended	
	June 30, 2012	**June 31, 2011**
Net Cash used in Operating Activities	(5,251,647)	(2,686,463)
Net Cash used in Investing Activities	(5,163,844)	(7,332)
Net Cash provided by (used in) Financing Activities	(22,056)	19,877,000
Change in Cash and Cash Equivalents during the Period	**(10,437,547)**	**17,183,205**

Operating Activities

Net cash used in operating activities of $(5,251,647) for the six month period ended June 30, 2012 changed from net cash used of $(2,686,463) for the same period in 2011. This increase in net cash used in operating activities of $2,565,184 is mainly due to increased exploration activity, a reduction in accounts payable and an increase in prepaid expenses and receivables.

Investing Activities

Net cash used in investing activities of $(5,163,844) for the six months period ended June 30, 2012 changed from net cash used in investing activities of $(7,332) for the same period in 2011. This increase of $5,156,512 in cash

used in investing activities is mainly attributable to a transaction prepayment of $5,000,000. This transaction is discussed in more detail below, in the Recent Developments section of this quarterly report on Form 10-Q

Financing Activities

Net cash provided by financing activities of $(22,056) for the six months period ended June 30, 2012 changed from net cash used of $19,877,000 for the same period in 2011. This decrease is due to the issuance of units for net proceeds of $19,877,000 in 2011.

Cash Requirements

The following table outlines the estimated cash requirements for our operations for the next 12 months:

Expense	**Amount**
Exploration	9,350,000
General & Administrative	3,900,000
Legal	180,000
Audit & Tax	210,000
Marketing	270,000
Total Expenses planned for next 12 months	**13,910,000**

Our monthly burn rate (excluding Exploration) amounts to approximately $384,000. Considering our net working capital, our shares eligible for resale in Petromanas and a potential farm-out, we believe that we are able to fund our planned operations for the next 12 months.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Recent Developments

Since the end of our most recent fiscal year, the following developments have affected our operations or operations of the companies in which we participate.

Plan for Acquisition

During the second quarter of 2012, DWM Petroleum AG, a wholly-owned subsidiary of the Company, entered into an option agreement with an unrelated third party pursuant to which the third party has granted to DWM Petroleum an option to purchase 80% of the equity of a company that owns producing oilfield assets in Central Asia. Although DWM Petroleum has provided the third party with a cash deposit to be adjusted against the purchase price in case option is pursued by DWM Petroleum, the Option Agreement does not bind DWM Petroleum, except in respect of a requirement that the details of the agreement be kept in confidence, and the cash deposit is fully refundable. The Option Agreement is subject to the completion – to DWM Petroleum's satisfaction - of a due diligence review and the negotiation of a purchase price for the optioned equity in a subsequent definitive agreement. A due diligence investigation, including a financial audit, is currently ongoing. Once due diligence is completed, DWM Petroleum will have one month to decide whether to exercise the option. In case DWM Petroleum does not exercise the option, it shall be entitled to receive a refund of its cash deposit.

On May 8, 2012, DWM Petroleum wired an initial refundable cash deposit to the third party in the amount of US$5 million. This cash deposit has been recorded on the Company's balance sheet as a "Transaction Prepayment". On July 3, 2012, DWM Petroleum made a second refundable cash deposit in the amount of US$2 million. A third refundable cash deposit in the amount of US$3 million is due to be sent to the third party on or before August 24, 2012.

Mongolia

During the second quarter of 2012, our Mongolian subsidiary, Gobi Energy Partners LLC, concluded a passive seismic campaign. The integration and interpretation of the 2D seismic data acquired in 2011 was finalized, which, along with the results of the passive seismic, allowed us to complete the ranking of the prospects. Three prospects were selected as potential drilling locations and two are planned to be drilled in 2012. Spudding of the first well, Ger Chuluu A1, is planned for after the 2D seismic campaign, the week starting August 20, 2012, and is expected to be of approximately 1,200 meters depth.

Also during the second quarter of 2012, Gobi has conducted preparations for an additional 2D seismic campaign over 335km, which started in July.

Tajikistan

During the second quarter of 2012, our Tajik subsidiary, CJSC Somon Oil, has finalized the acquisition of a total of 871km 2D seismic. Seismic processing and interpretation, and preparations for the drilling of the first two wells are still ongoing

On May 7, 2012, the Government of the Republic of Tajikistan ratified the Production Sharing Agreement with our subsidiary, Closed Joint Stock Company Somon Oil. Under the terms of the Production Sharing Agreement, Somon is granted the exclusive right and authority to carry out all petroleum exploration, development and production activities in the contract area for a term of 30 years (with the right, under specified circumstances, to renew for up to two additional five year periods). The agreement provides for a framework within which exploration, development and production activities will be planned, conducted and paid for and it determines how funds invested by Somon will be recovered and how profit oil will be shared between the government and Somon. The agreement provides for the establishment of a Board of Directors (with six directors, three to be selected by Somon and three to be selected by the Government of Tajikistan) obligates the Government of Tajikistan to assist Somon in its exploration, development and production activities.

Pursuant to a deed dated August 6, 2012, Santos International Ventures Pty Ltd ("Santos") exercised its option to acquire 70% of the equity of Somon Oil. As provided in the deed, the exercise of the option, which was originally granted to Santos under an Option Agreement dated December 10, 2007, is subject to the negotiation and execution of definitive agreements, including a farm-in agreement and a shareholder agreement, by September 6, 2012. As provided in the deed and after settlement of the definitive agreements, Santos Netherlands B.V., an affiliate of Santos, together with a third party, intends to farm-in to 70% of the equity interest in Somon. The remaining 30% will be owned by DWM Petroleum AG ("DWM"), a wholly-owned subsidiary of Manas (as to 20%) and Anavak Limited Liability Company (as to 10%).

Kyrgyzstan

During the second quarter of 2012, South Petroleum Company, in which we own a 25% minority equity interest, continued to provide support for drilling planning and seismic operations in Tajikistan. Finalization of the reports in Kyrgyzstan is ongoing.

Information provided pertaining to the exploration project in the Kyrgyz Republic owned by South Petroleum Company has been provided to our company by the operator of that project, with which we deal at arm's length, and is included in this report in an effort to share that information with the public. Although we have no reason to doubt the accuracy of this information, we expressly disclaim responsibility there for and make no representation or warranty that it is complete or correct.

Albania *(15.8% equity investment in Petromanas Energy Inc.)*

Beginning of 2012, Petromanas farmed out 50% of its interest in Block 2-3 in Albania to a wholly owned subsidiary of Shell. The KCA Deutag rig, which will be used for the drilling operations, arrived in Albania in early May already. The first well, Shpirag-2, was spud subsequent to June 30, 2012 and is currently on track. Since June 30, 2012, we have sold 100,000,000 shares of Petromanas stock and we have agreed not to resell any of the balance until August 14, 2013 unless, before that date, the market price per share equals or exceeds CAD $0.60 (approximately USD $0.60) for five business days. In addition, we have agreed to transfer to the purchasers of 90,000,000 of those Petromanas shares an aggregate of 22.5% of any Performance Shares that we might receive from Petromanas, if any, pursuant to our share purchase agreement with Petromanas dated February 12, 2010.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Not applicable.

Item 4. 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. 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 quarterly report. Based on this evaluation, our principal executive officer and our principal financial officer concluded that as of the end of the period covered by this quarterly report, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the fiscal quarter ended June 30, 2012, that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

PART II. —OTHER INFORMATION

Item 1. 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

Factual Allegations

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. 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 has been asked many times to join the group by contributing its prorated share of capital, it has 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 courts of Santiago have dismissed the case, but Energy Focus made an 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 or the results of future operations of our company.

Item 1A. Risk Factors

Information regarding risk factors appears in Item 1A of the Company’s Annual Report on Form 10-K for the year ended December 31, 2011. There have been no material changes for the quarter ended March 31, 2012 from the risk factors disclosed in the 2011 Annual Report on Form 10-K.

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

On May 11, 2012, we issued to one of our employees 125,000 shares of our common stock pursuant to an employment agreement dated May 1, 2010. The employment agreement was terminated effective July 31, 2012. We issued these shares to one non-U.S. person (as that term is defined in Regulation S of the Securities Act of 1933) in an offshore transaction in which we relied on the registration exemption provided for in Regulation S and/or Section 4(2) of the Securities Act of 1933.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description
(1)	**Underwriting Agreement**
1.1	Agency Agreement dated May 2, 2011 with Raymond James Ltd. (incorporated by reference to an exhibit to our Current Report on Form 8-K filed on May 9, 2011)
(3)	**Articles of Incorporation and Bylaws**
3.1	Articles of Incorporation (incorporated by reference to an exhibit to our Registration Statement on Form SB-2 filed on July 14, 2003)
3.2	Certificate of Amendment to Articles of Incorporation of Express Systems Corporation filed on April 2, 2007 (changing name to Manas Petroleum Corporation) (incorporated by reference to an exhibit to our Current Report on Form 8-K filed on April 17, 2007)
3.3	Amended and Restated Bylaws (incorporated by reference to an exhibit to our Current Report on Form 8-K filed on November 1, 2011)
(4)	**Instruments Defining the Rights of Security Holders, including Indentures**
4.1	Form of Debenture (incorporated by reference to an exhibit to our Current Report on Form 8-K filed on May 16, 2008)
4.2	Form of Loan Agreement (incorporated by reference to an exhibit to our Current Report on Form 8-K filed on August 25, 2008)
4.3	Warrant Indenture dated May 6, 2011 with Equity Financial Trust Company (incorporated by reference to an exhibit to our Current Report on Form 8-K filed on May 9, 2011)
(10)	**Material Contracts**
10.1	Share Exchange Agreement, dated November 23, 2006 (incorporated by reference to an exhibit to our Current Report on Form 8-K filed on April 17, 2007)
10.2	Farm-In Agreement, dated October 4, 2006 (incorporated by reference to an exhibit to our Current Report on Form 8-K filed on April 17, 2007)
10.3	Letter Agreement – Phase 2 Work Period with Santos International Operations Pty. Ltd, dated July 28, 2008 (incorporated by reference to an exhibit to our Annual Report on Form 10-K filed on April 15, 2009)
10.4	Side Letter Agreement – Phase 1 Completion and Cash Instead of Shares with Santos International Holdings Pty Ltd., dated November 24, 2008 (incorporated by reference to an exhibit to our Annual Report on Form 10-K filed on April 15, 2009)
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-XIII 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-XIV 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 Manas 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	Letter of Intent with Petromanas Energy Inc. (formerly WWI Resources Ltd.) dated November 19, 2009 (incorporated by reference to an exhibit to our Quarterly Report on Form 10-Q filed on November 23, 2009)
10.12	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)

Exhibit Number	Description
10.13	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)
10.14	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)
10.15	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)
10.16	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)
10.17	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)
10.18	Share Placement/Purchase Agreement dated September 26, 2010 with Alexander Becker (incorporated by reference to an exhibit to our Quarterly Report on Form 10-Q filed on November 15, 2010)
10.19	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)
10.20	Cooperation Agreement dated November 5, 2010 with Shunkhlai Group LLC (incorporated by reference to an exhibit to our Current Report on Form 8-K filed on December 2, 2010)
10.21	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)
10.22	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)
10.23	Consulting Agreement dated effective September 1, 2011 with Brisco Capital Partners Corporation (incorporated by reference to an exhibit to our Current Report on Form 8-K filed on September 12, 2011)
(14)	**Code of Ethics**
14.1	Code of Ethics, adopted May 1, 2007 (incorporated by reference to an exhibit to our Registration Statement on Form SB-2 filed on November 21, 2007)
(31)	**Rule 13a-14 Certifications**
31.1*	Section 302 Certification of Chief Executive Officer
31.2*	Section 302 Certification of Chief Financial Officer
(32)	**Section 1350 Certifications**
32.1*	Section 906 Certification of Chief Executive Officer
32.2*	Section 906 Certification of Chief Financial Officer
(99)	**Additional Exhibits**
99.1	Audit Committee Charter (incorporated by reference to an exhibit to our Registration Statement on Form S-1 filed on February 2, 2011)
(101)	**XBRL**
101.INS*	XBRL INSTANCE DOCUMENT
101.SCH*	XBRL TAXONOMY EXTENSION SCHEMA
101.CAL*	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE
101.DEF*	XBRL TAXONOMY EXTENSION DEFINITION LINKBASE
101.LAB*	XBRL TAXONOMY EXTENSION LABEL LINKBASE
101.PRE*	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE

PART III. —SIGNATURE

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

MANAS PETROLEUM CORPORATION
By
/s/ Peter-Mark Vogel
Peter-Mark Vogel
Chief Executive Officer
(Principal Executive Officer)
Date: August 20, 2012

By
/s/ Ari Muljana
Ari Muljana
Chief Financial Officer and Treasurer
(Principal Financial Officer and Principal Accounting Officer)
Date: August 20, 2012