MANAS PETROLEUM CORP

FORM 10-Q
(Quarterly Report)

Filed 05/16/11 for the Period Ending 03/31/11

Telephone	41 44 718 10 32
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Symbol	MNAP
SIC Code	1311 - Crude Petroleum and Natural Gas
Industry	Oil & Gas Operations
Sector	Energy
Fiscal Year	12/31

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 **March 31, 2011**

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).
[ ] 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: 170,367,292 shares of common stock as of May 13, 2011 .

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MANAS PETROLEUM CORPORATION
(AN EXPLORATION STAGE COMPANY)
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UNAUDITED

CONDENSED CONSOLIDATED BALANCE SHEETS

	03.31.2011 USD	12.31.2010 USD
ASSETS		
Cash and cash equivalents	399'931	1'736'571
Restricted cash	86'958	87'063
Accounts receivable	30'930	31'090
Prepaid expenses	256'881	337'124
Total current assets	**774'699**	**2'191'848**
Prepaid issuance costs	428'365	-
Tangible fixed assets	72'581	85'420
Investment in associate	238'304	238'304
Investment in associate (Petromanas)	63'637'625	72'257'882
Total non-current assets	**64'376'875**	**72'581'606**
TOTAL ASSETS	**65'151'574**	**74'773'454**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	197'562	103'129
Accrued expenses Professional fees	350'312	277'762
Other accrued expenses	60'535	96'110
Total current liabilities	**608'409**	**477'001**
Pension liabilities	55'522	55'522
Total non-current liabilities	**55'522**	**55'522**
TOTAL LIABILITIES	**663'931**	**532'523**
Temporary equity (common stock USD 0.001 par value, 0 and 6'454'993 shares, respectively)	**-**	**2'517'447**
Common stock (300,000,000 shares authorized, USD 0.001 par value, 125'914'661 and 124'987'393 shares, respectively, issued and outstanding)	125'915	124'987
Additional paid-in capital	56'476'303	53'836'749
Retained earnings/(deficit) accumulated during the exploration stage	7'834'424	17'710'747
Accumulated other comprehensive income		
Currency translation adjustment	51'001	51'001
Total shareholders' equity	**64'487'643**	**71'723'484**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**65'151'574**	**74'773'454**

MANAS PETROLEUM CORPORATION
(AN EXPLORATION STAGE COMPANY)
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
UNAUDITED

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

	For the three months ended		Period from 05.25.2004 (Inception) to
	03.31.2011 USD	03.31.2010 USD	03.31.2011 USD
OPERATING REVENUES			
Other revenues	-	-	1'375'728
Total revenues	**-**	**-**	**1'375'728**
OPERATING EXPENSES			
Personnel costs	(367'002)	(2'501'193)	(26'125'093)
Exploration costs	(253'540)	(63'657)	(9'311'663)
Depreciation	(13'450)	(16'209)	(245'597)
Consulting fees	(272'408)	(417'423)	(10'430'383)
Administrative costs	(315'970)	(243'477)	(13'629'719)
Total operating expenses	**(1'222'370)**	**(3'241'960)**	**(59'742'456)**
Gain from sale of investment	-	-	3'864'197
Loss from sale of investment	-	-	(900)
OPERATING INCOME/(LOSS)	**(1'222'370)**	**(3'241'960)**	**(54'503'431)**
NON-OPERATING INCOME / (EXPENSE)			
Exchange differences	(24'547)	(82'468)	197'347
Changes in fair value of warrants	-	111'242	(10'441'089)
Warrants issuance expense	-	-	(9'439'775)
Gain from sale of subsidiary	-	57'850'918	57'850'918
Change in fair value of investment in associate	(8'620'257)	28'812'901	17'230'804
Interest income	163	50	603'618
Interest expense	(10'656)	(321'310)	(2'581'421)
Loss on extinguishment of debt	-	(117'049)	(117'049)
Income/(Loss) before taxes and equity in net loss of associate	**(9'877'667)**	**83'012'325**	**(1'200'078)**
Income taxes	1'344	(1'009)	(9'245)
Equity in net loss of associate	-	-	(24'523)
Net income/(loss)	**(9'876'323)**	**83'011'315**	**(1'233'847)**
Net income/(loss) attributable to non-controlling interest	-	-	(18'700)
Net income/(loss) attributable to Manas	**(9'876'323)**	**83'011'315**	**(1'252'547)**
Currency translation adjustment attributable to Manas	-	-	51'001
Net comprehensive income/(loss) attributable to Manas	**(9'876'323)**	**83'011'315**	**(1'201'546)**
Net comprehensive loss attributable to non-controlling interest	-	-	18'700
Net comprehensive income/(loss)	**(9'876'323)**	**83'011'315**	**(1'182'846)**
Weighted average number of outstanding shares (basic)	125'862'567	119'053'400	110'386'945
Weighted average number of outstanding shares (diluted)	125'862'567	133'606'613	n.a.
Basic earnings / (loss) per share attributable to Manas	**(0.08)**	**0.70**	**(0.01)**
Diluted earnings / (loss) per share attributable to Manas	**(0.08)**	**0.62**	**n.a.**

MANAS PETROLEUM CORPORATION
(AN EXPLORATION STAGE COMPANY)
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
UNAUDITED
CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the three months ended		Period from 05.25.2004 (Inception) to
	03.31.2011 USD	**03.31.2010 USD**	**03.31.2011 USD**
OPERATING ACTIVITIES			
Net income/(loss)	**(9'876'323)**	**83'011'315**	**(1'233'847)**
To reconcile net income/(loss) to net cash used in operating activities			
Gain from sale of subsidiary	-	(57'850'918)	(57'850'918)
Gain from sale of investment	-	-	(3'864'197)
Loss from sale of investment	-	-	900
Change in fair value of investment in associate	8'620'257	(28'812'901)	(17'230'804)
Equity in net loss of associate	-	-	24'523
Depreciation	13'450	16'209	245'597
Amortization of debt issuance costs	-	112'619	349'910
Warrant issuance expense / (income)	-	(111'242)	19'880'864
Exchange differences	24'547	81'517	(197'346)
Non cash adjustment to exploration costs	-	(204'753)	(204'753)
Non cash interest income	-	(25'619)	(25'619)
Interest expense on contingently convertible loan	-	29'893	236'798
Loss on extinguishment of contingently convertible loan	-	83'202	83'202
Interest expense on debentures	-	78'974	764'142
Loss on extinguishment of debentures	-	33'847	33'847
Stock-based compensation	123'035	2'412'161	25'811'812
Decrease / (increase) in receivables and prepaid expenses	80'403	(342'199)	(284'246)
(Decrease) / increase in accounts payables	94'433	(41'156)	(311'807)
(Decrease) / increase in accrued expenses	36'975	(633'434)	336'640
Change in pension liability	-	-	55'522
Cash flow (used in) / from operating activities	**(883'223)**	**(2'162'485)**	**(33'379'778)**
INVESTING ACTIVITIES			
Purchase of tangible fixed assets and computer software	(611)	(880)	(433'566)
Sale of tangible fixed assets and computer software	-	-	79'326
Proceeds from sale of investment	-	10'415'810	14'765'810
Decrease / (increase) restricted cash	105	(26'127)	(86'958)
Acquisition of investment in associate	-	-	(67'747)
Cash flow (used in) / from investing activities	**(506)**	**10'388'802**	**14'256'865**
FINANCING ACTIVITIES			
Contribution share capital founders	-	-	80'019
Issuance of units	-	-	15'057'484
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)	(2'000'000)
Repayment of debentures	-	(4'000'000)	(4'000'000)
Repayment of promissory notes to shareholders	-	(540'646)	(540'646)
Proceeds from exercise of options	-	-	240'062
Issuance of warrants	-	-	670'571
Proceeds from exercise of warrants	-	88'500	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
Prepaid issuance costs	(428'365)	-	(428'365)
Payment of debt issuance costs	-	-	(279'910)
(Decrease) / increase in bank overdraft	-	(196'154)	0
Cash flow (used in) / from financing activities	**(428'365)**	**(6'648'300)**	**19'232'916**
Net change in cash and cash equivalents	**(1'312'094)**	**1'578'016**	**110'002**
Cash and cash equivalents at the beginning of the period	1'736'571	804'663	-
Currency translation effect on cash and cash equivalents	(24'547)	(81'516)	289'930
Cash and cash equivalents at the end of the period	**399'931**	**2'301'163**	**399'931**

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 placement commission expenses	-	-	2'689'910
Debenture interest paid in common shares	-	-	213'479
Forgiveness of advance payment from Petromanas Energy Inc.	-	917'698	917'698
Initial fair value of shares of investment in Petromanas	-	46'406'821	46'406'821
Proceeds from sale yet to be paid recorded under other receivables	-	350'000	-
Forgiveness of receivable due from Manas Adriatic GmbH	-	(3'449'704)	(3'449'704)

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

SHAREHOLDERS' EQUITY / (DEFICIT)	Number of Shares	Share Capital	Additional paid-in capital	Deficit accumulated during the development stage	Accumulated Other Compre-hensive Income (Loss)	Total share-holders' 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	20'110	(356'732)	-	-	(336'622)
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**	**112'156**	**21'550'636**	**(13'904'456)**	**56'533**	**7'814'870**
Balance January 1, 2008	**112'156'488**	**112'156**	**21'550'636**	**(13'904'456)**	**56'533**	**7'814'870**
Stock-based compensation	2'895'245	2'895	9'787'978	-	-	9'790'874
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	-	-	(9'679'775)	9'086'971	-	(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**	**49'532'367**	**(56'731'607)**	**51'001**	**(7'029'187)**
Balance January 1, 2010	**119'051'733**	**119'052**	**49'532'367**	**(56'731'607)**	**51'001**	**(7'029'187)**
Exercise of warrants	3'832'133	3'832	2'257'127	-	-	2'260'959
FV adjustment of exercised warrants	-	-	72'643	-	-	72'643
Reclassification warrants	-	-	77'439	-	-	77'439
Stock-based compensation	2'103'527	2'104	4'174'558	-	-	4'176'662
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**	**124'988**	**53'836'749**	**17'710'746**	**51'001**	**71'723'484**
Balance January 1, 2011	**124'987'393**	**124'988**	**53'836'749**	**17'710'746**	**51'001**	**71'723'484**
Stock-based compensation	3'951	4	123'031	-	-	123'035
Exercise of options	923'317	923	(923)	-	-	-
Redeemable shares	-	-	2'517'447	-	-	2'517'447
Net income for the period	-	-	-	(9'876'323)	-	(9'876'323)
Balance March 31, 2011	**125'914'661**	**125'915**	**56'476'303**	**7'834'424**	**51'001**	**64'487'643**

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Manas Petroleum Corporation ("Manas" or the “Company") and its subsidiaries (“Group”) for the three months period ended March 31, 2011 have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto, included in the Group's Annual Report on Form 10-K for the year ended December 31, 2010.

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

The Company, formerly known as Express Systems Corporation, was incorporated in the State of Nevada on July 9, 1988.

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

The acquisition of DWM 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 is treated as the continuing accounting acquirer for accounting and reporting purposes. The assets and liabilities of DWM 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 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 follows a strategy focused on the exploration and development of oil and gas resources in Central and East Asia (Kyrgyz Republic, Republic of Tajikistan and Republic of Mongolia) and in the Balkan Region (participation in Petromanas Energy Inc. with activities in Albania). 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.

2. GOING CONCERN

The condensed consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern.

Our cash balance as of March 31, 2011 was $399,931.

In addition to our cash balance, of the 200,000,000 common shares of Petromanas held by the Group, 40,000,000 were freely tradable as of March 31, 2011. The quoted market price of Petromanas shares on March 31, 2011 was CAD 0.3350 (approximately $0.3445) . Hence, the market value of the freely tradable shares was approximately $13,780,000.

Based on our business plan for the next 12 months, we will need $8,060,000 to fund our operations.

Given our net working capital plus our freely tradable shares of Petromanas, we do not expect to need additional funding from external sources to cover our monthly burn rate of approximately $290,000 and minimum commitments before April 2012.

In order to continue to implement the geological work program for our projects particularly in Central and East Asia and to finance continuing operations, the Group will require further funds. We expect these funds will be raised through additional equity and/or debt financing. If we are not able to raise the required funds, we would consider farming-out projects in order to reduce our financial commitments. Any additional equity financing may be dilutive to shareholders, and debt financing, if available, will increase expenses and may involve restrictive covenants. The Company will be required to raise additional capital on terms which are uncertain, especially under the current capital market conditions. Under these circumstances, if the Company is unable to obtain capital or is required to raise it on undesirable terms, it may have a material adverse effect on the Company's financial condition.

On May 6, 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, and each warrant entitles the purchaser to purchase one additional common share until May 6, 2014 at a purchase price of $0.70 per share.

3. ACCOUNTING POLICIES

The Group’s condensed consolidated financial statements are prepared in accordance with US GAAP. 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.

The accompanying financial data as of March 31, 2011 and December 31, 2010 and for the three month periods ended March 31, 2011 and 2010 and for the period from inception, May 25, 2004, to March 31, 2011 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 3 to the audited consolidated financial statements contained in the Group's Annual Report on Form 10-K for the year ended December 31, 2010.

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 March 31, 2011 and December 31, 2010, results of operations for the three-month periods ended March 31, 2011 and 2010 and for the period from inception, May 25, 2004, to March 31, 2011, cash flows for the three-month periods ended March 31, 2011 and 2010 and for the period from inception, May 25, 2004, to March 31, 2011 and statement of shareholders’ equity (deficit) for the period from inception, May 25, 2004, to March 31, 2011, as applicable, have been made. The results of operations for the three-month period ended March 31, 2011 are not necessarily indicative of the operating results for the full fiscal year or any future periods.

4. RECENT ACCOUNTING PRONOUNCEMENTS

Recently adopted accounting pronouncements

In April 2010, the FASB issued ASU 2010-13, "Compensation - Stock Compensation (Topic 718) - Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades." ASU 2010-13 provides amendments to Topic 718 to clarify that an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trades should not be considered to contain a condition that is not a market, performance, or service condition. Therefore, an entity would not classify such an award as a liability if it otherwise qualifies as equity. The amendments in ASU 2010-13 are effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010. The Company adopted ASU 2010-13 as of January 1, 2011 and its application had no impact on the Company’s condensed consolidated financial statements.

5. CASH AND CASH EQUIVALENTS

	USD (held in USD)	USD (held in EUR)	USD (held in CHF)	USD (held in other currencies)	USD TOTAL March 31, 2010	USD TOTAL Dec 31, 2010
Cash and Cash Equivalents	308'571	10'974	74'798	5'587	399'931	1'736'571

Cash and cash equivalents are available at the Group's own disposal, and there is no restriction or limitation on withdrawal and/or use of these funds. The Group's cash equivalents are placed with high credit rated financial institutions. The carrying amount of these assets approximates their fair value.

6. TANGIBLE FIXED ASSETS

2011	Office Equipment & Furniture	Vehicles	Leasehold Improvements	Total
	USD	**USD**	**USD**	**USD**
Cost at January 1	**125'196**	**89'500**	**47'375**	**262'071**
Additions	611	-	-	**611**
Cost at March 31	**125'807**	**89'500**	**47'375**	**262'682**
Accumulated depreciation at January 1	**(84'080)**	**(63'501)**	**(29'069)**	**(176'651)**
Depreciation	(5'791)	(5'290)	(2'369)	**(13'450)**
Accumulated depreciation at March 31	**(89'873)**	**(68'791)**	**(31'438)**	**(190'101)**
Net book value at March 31	**35'934**	**20'709**	**15'937**	**72'581**

Depreciation expense for the three-month period ended March 31, 2011 and 2010 was $13,450 and $16,209, respectively.

7. STOCK COMPENSATION PROGRAM

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.

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.

On January 5, 2011, we issued 1,000 shares for the services performed during the month of December 2010 pursuant to a consulting agreement entered into on December 7, 2010 with a consultant to provide our company with business opportunities in petroleum exploration and development.

On January 10, 2011, we issued 923,317 shares of our common stock at an exercise price of $0.26 per share upon exercise of stock options which we had granted previously. 250,000 of these shares are subject to a dribble-out clause, which allows a cumulative release of 3% of these shares (7,500 shares) every quarter.

On February 3, 2011, we issued 1,186 shares for services performed during the month of January 2011 pursuant to a consulting agreement entered into on December 7, 2010 with a consultant to provide our company with business opportunities in petroleum exploration and development.

On March 2, 2011, we issued 1,765 shares for services performed during the month of February 2011 pursuant to a consulting agreement entered into on December 7, 2010 with a consultant to provide our company with business opportunities in petroleum exploration and development.

On March 31, 2011, due to the termination of an employment agreement as of December 31, 2010 1,500,000 vested options with an exercise price of $0.70 expired unexercised.

7.1. Stock Option Grants

The Company calculates the fair value of the options granted applying the Black-Scholes option pricing model. Expected volatility is either based on the Company’s own historical share price volatility, or on an average of historical volatility data from a peer group, whichever is more suitable to price the respective stock option grant. 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. In cases, where the contractual option term substantially exceeds the Company’s own historical data, information regarding historical volatility from the peer group is considered when determining expected volatility.

The weighted average assumptions for the variables used in the Black-Scholes model during the three-month periods ended March 31, 2011 and March 31, 2010 are noted in the following table:

	Three months period ended	
	March 31, 2011	**March 31, 2010**
Expected dividend yield	*	0%
Expected volatility	*	90%
Risk-free interest rate	*	1.838%
Expected term (in years)	*	3.5

* no options have been granted during the three months period ended March 31, 2011

During the three-month periods ended March 31, 2011 and 2010, the weighted average fair value of options granted was $0 and $0.61 at the grant date, respectively.

The following table summarizes the Company's stock option activity for the three-month period ended March 31, 2011:

Options	Shares under option	Weighted-average exercise price	Weighted-average remaining contractual term (years)	Aggregate intrinsic value
Outstanding at December 31, 2010	9'750'000	0.58		
Cancellation (repricing)	-	-		
Re-granted (repricing)	-	-		
Granted	-	-		
Reclassified as warrants	-	-		
Exercised	-	-		
Forfeited or expired	(1'500'000)	0.70		
Outstanding at March 31, 2011	8'250'000	0.56	4.97	856'000
Exercisable at March 31, 2011	5'479'750	0.58	4.81	530'251

A summary of the status of the Company's non-vested options as of March 31, 2011 and changes during the period is presented below:

Non-vested options	Shares under option	Weighted-average grant date fair value
Non-vested at December 31, 2010	3'220'250	0.34
Granted	-	-
Vested	(450'000)	0.24
Forfeited	-	-
Non-vested at March 31, 2011	2'770'250	0.28

As of March 31, 2011 the expected total of unrecognized compensation costs related to unvested stock-option grants was $917,874. We expect to recognize this amount over a weighted average period of 1.79 years.

7. 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, we apply 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.

A summary of the status of the Company's non-vested shares related to share grants as of March 31, 2011 and changes during the period is presented below:

Non-vested shares	Shares	Weighted-average grant date fair value
Non-vested at December 31, 2010	600'000	0.46
Granted	3'951	0.62
Vested	(3'951)	0.62
Forfeited	-	-
Non-vested at March 31, 2011	600'000	0.46

As of March 31, 2011 the expected total of unrecognized compensation costs related to unvested share grants was $245,509. We expect to recognize this amount over a weighted average period of 4.09 years.

7.3. Summary of Stock-based Compensation Expense

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

Three months period ended March 31	2011	2010
Option grants	108'339	2'412'161
Warrant grants	-	-
Share grants	14'696	-
Total	**123'035**	**2'412'161**
Recorded under Personnel	98'390	2'254'751
Recorded under Consulting Fees	24'644	157'410

8. DEBENTURE

On April 30, 2008, the Company successfully negotiated a mezzanine tranche of bridge financing and raised $4,000,000 through the issuance of 4,000 debenture notes (Debentures) of $1,000 each and 1,000,000 detachable warrants. The warrants are exercisable to purchase the Company's unregistered common shares at $2.10 per share and will expire on April 30, 2010. The net proceeds after paying a finder's fee were $3,790,000. The Debentures bear an interest of 8% per annum payable twice a year (June and December) and are due and payable in full two years from the date of issuance (April 30, 2010). The Debentures can be prepaid along with any unpaid interest at the Company's request without prepayment premium or penalty. The Debentures can be converted into unregistered common shares at any time on demand of the holder at a conversion price based upon the average price of the 20 days trading price prior to conversion. The conversion price of 2,000 of the Debentures is subject to a floor of $1.00 per share. Interest can be paid in the equivalent amount of unregistered common shares of the Company. If the Company issues shares for proceeds in excess of $40,000,000, then up to 50% of the proceeds are required to be used to pay down the Debentures.

The aggregate proceeds received have been allocated between the detachable warrants and the Debentures on a relative fair value basis. Accordingly, $240,000 was credited to additional paid in capital with respect to the warrants.

At the date of issuance the conversion price determined in accordance with the Debenture agreement was less than the actual share price on the issuance date. This resulted in a beneficial conversion feature of $557,989, which has been amortized using the effective interest rate method and recorded as part of interest expense over the term of the Debenture.

Debt issuance costs of $210,000 were incurred and will be amortized over the term of the Debentures using the effective interest rate method.

On March 9, 2010, we have prior to its maturity fully repaid the principal and interest accrued.

For the three months periods ended March 31, 2011 and 2010 we accreted the Debentures for the discount, including the beneficial conversion feature by $0 and $112,821 (i.e. $78,974 accretion of discount and $33,847 loss on extinguishment of debt), respectively.

9. WARRANTS

As of March 31, 2011 and December 31, 2010, the Company had a total of 150,000 and 150,000 warrants outstanding to purchase common stock, respectively. The Company has enough shares of common stock authorized in the event these warrants are exercised.

The following table summarizes information about the Company's warrants outstanding as of March 31, 2011:

Warrant series	# of Warrants	Strike price	Grant date	Expiry date
Grant	150'000	0.80	June 2, 2010	June 2, 2013
Total warrants outstanding	**150'000**			

The following table summarizes the Company's warrant activity for the three-month period ended March 31, 2011:

Warrants	Number of warrants classifed as liability	# of warrants classifed as equity	Total number of warrants outstanding	Weighted-average exercise price
Outstanding at December 31, 2010		150'000	150'000	0.80
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited or expired	-	-	-	-
Outstanding at December 31, 2010	-	150'000	150'000	0.80

For the three-month periods ended March 31, 2011 and 2010 we recorded in changes in fair value of warrants $0 and $111,242, respectively.

10. CONTINGENTLY CONVERTIBLE LOAN

On August 18, 2008, the Company issued contingently convertible loans (the "Loans") with a principal amount of $2,000,000 and disposed of 8% of its interest in its operations in Mongolia related to Blocks 13 and 14 for aggregate proceeds of $2,000,000. The net proceeds after paying finder's fee were $1,860,000. The Company is responsible for the Loan holder's share of the exploration costs attributable to Blocks 13 and 14 through phases 1, 2 and 3, hereinafter referred to as the Participation Liability.

The Company has allocated part of the gross proceeds to a Participation Liability for the exploration costs related to the 8% interest in Blocks 13 and 14 in Mongolia provided to the unit holder. The Company has estimated that there is a range of costs that could be incurred through exploration phases 1, 2 and 3. The total minimum estimated spends for phase 1, the only phase that is currently probable, is $4,000,000 and therefore, a Participation Liability of $320,000 has been recorded. This liability was reduced as expenses incurred and amounted to $0 as of December 31, 2009.

The Loans carry an interest rate of 8% per annum and all principal and accrued interest is payable in full two years from the date of issuance (August 18, 2010). The Loans are secured by the Group's assets in the Kyrgyz Republic.

The principal and any accrued but unpaid interest on the Loans are convertible, in whole or in part, at the option of the holders if the Group conducts a public offering at the prevailing market price. The loan was accounted for as a liability in accordance with FASB ASC 480-10-25 (*Prior authoritative literature:* FAS150 *"Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity"*). Because the financial instrument embodies a conditional obligation that the Company must or may settle by issuing a variable number of equity shares and the monetary value of the obligation is based on a fixed monetary amount known at inception.

The initial carrying amount of the Loans of $1,680,000 will be accreted to the redemption amount of $2,000,000 over the term of the loans using the effective interest method.

On March 9, 2010, we have prior to its maturity fully repaid the principal and interest accrued.

For the three month periods ended March 31, 2011 and 2010 we accreted the contingently convertible loan for the discount by $0 and $113,095 (includes $83,202 loss on extinguishment of debt), respectively.

11. PROMISSORY NOTE

On December 5, 2008, the Company borrowed $540,646 from four Directors at no discount to the principal amount by selling promissory notes to shareholders ("Shareholder Notes"). The parties agreed that no interest shall accrue on the Shareholder Notes unless the Company breaches the repayment schedule. The repayment of the principal amount of the Shareholder Notes has to occur if the Company raises greater than $1,000,000 in financing or 90 days after written demand for repayment by the Shareholder Notes holder, whichever is first. The Company may also repay any or all principal amount of the Shareholder Notes at any time without notice, bonus or penalty. In the event that the Company fails to make a payment when it is due, the Company will pay interest on the outstanding principal amount of the Shareholder Notes at the rate of 12% per annum until the Shareholder Notes are paid in full. On May 1, 2009, the Company received $1,000,000 in financing. Therefore, as the payment falls due immediately, but so far has not been paid yet, interest is being accrued.

On March 9, 2010, we have fully repaid the principal of $540,646 and a total interest accrued of $54,568.

For the three-month periods ended March 31, 2011 and 2010, we recorded $0 and $11,198 interest expense.

12. SALE OF MANAS ADRIATIC

On February 12, 2010 we signed a formal share purchase agreement with WWI Resources Ltd. At closing, WWI Resources changed its name to Petromanas Energy Inc. (“Petromanas”, TSXV: PMI). On February 24, 2010, we completed the sale of all of the issued and outstanding shares of Manas Adriatic to Petromanas.

As consideration for these shares, DWM Petroleum received CAD $2,000,000 ($1,937,396) in cash on March 3, 2010, $350,000 on May 17, 2010 for compensation of operational expenses in Albania for January and February 2010 and 100,000,000 Petromanas common shares in addition to the $917,723 advanced from Petromanas in December 2009. Pursuant to the purchase agreement, DWM Petroleum was entitled to receive an aggregate of up to an additional 150,000,000 Petromanas common shares as follows:

- 100,000,000 Petromanas common shares upon completion of the first well on the Albanian project by Manas Adriatic, or on the date that is 16 months after the Closing Date, whichever occurs first;

- 25,000,000 Petromanas common shares if, on or before the tenth anniversary of the Closing Date, Manas Adriatic receives a report prepared pursuant to Canada’s National Instrument 51-101, Standards of Disclosure for Oil and Gas Activities, confirming that the Albanian project has 2P reserves of not less than 50,000,000 barrels of oil (BOE); and

- if, on or before the tenth anniversary of the Closing Date, Manas Adriatic receives a report prepared pursuant to Canada’s National Instrument 51-101, Standards of Disclosure for Oil and Gas Activities, confirming that the Albanian project has 2P reserves in excess of 50,000,000 BOEs, then for each 50,000,000 BOEs over and above 50,000,000 BOEs, Petromanas will be required to issue 500,000 Petromanas common shares to DWM Petroleum to a maximum of 25,000,000 Petromanas common shares.

In addition, at closing Petromanas funded Manas Adriatic with $8,500,000 to be used by Manas Adriatic to repay advances made by DWM Petroleum and its predecessors in respect of the Albanian project. At closing, Petromanas appointed to its six member board of directors three directors nominated by our company (Michael Velletta, Heinz Scholz and Peter-Mark Vogel). In addition, and also at closing, the board of directors of Petromanas appointed Erik Herlyn (our former Chief Executive Officer) and Ari Muljana (our Chief Financial Officer) as the Chief Executive Officer and Chief Financial Officer, respectively, of Petromanas. The assignments of Erik Herlyn as Chief Executive Officer and Ari Muljana were terminated with effect of July 15, 2010 and August 31, 2010, respectively.

Contemporaneously with the completion of its purchase of Manas Adriatic, Petromanas completed a private placement offering in which it sold 100,000,000 of its common shares for gross proceeds of CAD $25,000,000 (approximately $24,518,000). After adjustment for the 100,000,000 common shares issued to DWM Petroleum at the completion of the sale of Manas Adriatic and the 100,000,000 common shares issued in this private placement, Petromanas had 328,231,466 common shares issued and outstanding, of which DWM Petroleum owned 100,000,000, or approximately 30.47% .

After closing, we analyzed whether we obtained control of Petromanas by considering undiluted and diluted voting interests, board members, executive officers, terms of the exchange of equity interest and the relative size of Petromans and Manas Adriatic. Based on this analysis we concluded that:

- Manas Petroleum Corporation did not have majority voting interest in Petromanas. DWM, a wholly-owned subsidiary of Manas Petroleum Corporation, held 100,000,000 outstanding shares of Petromanas, and another 100,000,000 shares were issuable at the earlier of 16 months or the completion of the drilling of the first well in Albania, i.e. DWM held 30.47% or 46.70% of Petromanas. We also determined that Manas shareholders did not represent the majority shareholders.

- Manas Petroleum Corporation did not have a majority in the Board, nor does it have the ability to appoint, elect or remove a Director.

- Two out of three executive officers were officers of Manas, which due to conflicts of interest was subject to change in near future.

- Regarding the terms of the exchange of equity interests we concluded that no assessment could be made concerning whether or not a significant premium was paid by either party.

- Regarding the relative size of Petromanas and Manas Adriatic, we concluded that both entities were small and had not yet generated any revenue and that neither one of the entities was significantly larger than the other.

Based on the above, Manas Petroleum Corporation did not obtain control over Petromanas after closing of the transaction. The transaction therefore was accounted for in accordance with ASC 810-10-40, which resulted in a de-recognition of the subsidiary, Manas Adriatic GmbH, in exchange for cash received, liabilities assumed and 200,000,000 of Petromanas common shares issued.

The shares of Petromanas are traded on the TSX-V, which we deem an active market and we therefore believe that the quoted market price of the Petromanas share (PMI.V) is generally a readily determinable fair value and it can be taken as a basis for the calculation of the fair value.

We reached this conclusion based on an assessment on the following criteria:

- The shares are traded in a foreign market of breadth and scope comparable to the OTCBB, which according to ASC 820 provides readily determinable fair value for equity securities;
- Bid/ask-spreads are narrow; and
- Trading activity is regular and frequent.

Since the shares are held in escrow and are subject to an escrow release schedule, we deem the shares as a Level 2 input for the calculation of the fair value in accordance with ASC 820 (fair value measurements and disclosures). We apply 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 following table outlines the escrow release schedule:

Release Dates	**Number of Shares Released from Escrow**
24.06.2010	10'000'000
24.08.2010	15'000'000
24.02.2011	15'000'000
24.06.2011	40'000'000
24.08.2011	30'000'000
24.02.2012	30'000'000
24.08.2012	30'000'000
24.02.2013	30'000'000
Total	**200'000'000**

Each escrowed and issued share entitles Manas Petroleum Corporation to exercise voting rights and each escrowed and issued share corresponds to one vote.

The 50,000,000 additional Petromanas common shares which are issuable upon achievement of certain conditions (see above (i) and (ii)) will be accounted for in accordance with ASC 450 (Contingencies). As the likelihood of the contingent events is not reasonably determinable, these shares will only be recognized when realized.

A gain on sale of asset is recognized on the statement of operations under non-operating income and is calculated according to ASC 810-10-40 as the difference between the fair value of the consideration received and the carrying amount of Manas Adriatic GmbH's assets and liabilities resulting in a gain on sale of subsidiary:

		USD
Cash	CAD$ 2,000,000	$1'937'396
Cash Advance Payment		$917'698
Cash Receipt on May 17, 2010	compensation for operational expenses for January and February in Albania to be borne by Petromanas	$350'000
100,000,000 WWI Resources common shares received on March 3, 2010	100,000,000 times quoted market price at February 25, 2010 of CAD$0.30 (dilution of issuable 100,000,000 shares below included) discounted by an effective discount of 16.23%*	CAD$0.30 x 100,000,000 (USD / CAD : 0.94763 on Feb 25, 2010) on Feb 25, 2010) discounted by 16.23% $23'815'101
100,000,000 WWI Resources common shares that will be received the latest after 16 months after the Closing date and are not contingent	100,000,000 times quoted market price at February 25, 2010 of CAD$0.30 (dilution of issuable 100,000,000 shares included) discounted by an effective discount of 20.53%*	CAD$0.30 x 100,000,000 (USD / CAD : 0.94763 on Feb 25, 2010) on Feb 25, 2010) discounted by 20.53% $22'591'720
50,000,000 WWI Resources common shares which are contingent.	These will be accounted for under ASC 450 that is an acceptable approach under EITF 09-4. As this is a gain contingency it will only be recorded when it can be realized.	$0
Push down of past exploration costs incurred as per agreement		$7'012'222
Forgiveness of IC payables		Total liabilities Manas Adriatic GmbH $(11,949,704) Assumed liabilities by Petromanas $8,500,000 $(3'449'704)
Net liabilities of Manas Adriatic GmbH as of 2/24/2010		$4'676'485
Gain on sale of subsidiary		**$57'850'918**

* The quoted market price on February 25, 2010 was CAD $0.39. In calculating the fair value per share we have taken into account the dilution effect of the additional 100,000,000 shares that were to be issued 16 months after the closing date at the latest. Furthermore, the shares are subject to an escrow agreement and their fair value was therefore discounted based on the escrow release schedule. The annual interest rate applied to discount the diluted quoted market price was 12% and represents cost of opportunity at which the Company may raise debt.

Net cash proceeds from the sale of Manas Adriatic GmbH amounted to the total of CAD $2,000,000 ($1,937,396), $8,500,000 to be used by Manas Adriatic to repay advances made by DWM Petroleum and $350,000 for compensation of operational expenses in Albania for January and February 2010 reduced by $21,586, the cash owned by Manas Adriatic consolidated as of February 24, 2010.

13. INVESTMENT IN PETROMANAS

On February 12, 2010, our wholly-owned subsidiary DWM signed a formal Share Purchase Agreement and completed the sale of all of the issued and outstanding shares of Manas Adriatic to Petromanas Energy Inc. (“Petromanas”). As a result of this transaction, the Company owns 100,000,000 common shares of Petromanas, received on March 3, 2010, and another 100,000,000 common shares will be received upon completion of the first well on the Albanian project by Manas Adriatic, or on the date that is 16 months after the closing date of the transaction, whichever occurs first.

Pursuant to an Amending Agreement dated May 25, 2010, Petromanas has issued to DWM an additional 100,000,000 common shares. The shares are subject to a hold period expiring June 24, 2011 and bear a legend to that effect.

DWM now has ownership and control over 200,000,000 common shares of Petromanas and the right to acquire a further 50,000,000 common shares upon certain conditions. The 200,000,000 common shares represent approximately 31.72% of the issued and outstanding common shares of Petromanas.

Refer to Note 12 for details on the initial measurement of the shares.

Since the shares are held in escrow and are subject to a hold period of four and thirteen months, respectively and an escrow release schedule, we deem the shares a Level 2 input for the calculation of the fair value in accordance with ASC 820 (Fair value measurements and disclosures). We apply 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 of Petromanas on March 31, 2011 was $0.3445.

In order to calculate the fair value of our investment in Petromanas we discount the market price of the shares based on the escrow release schedule. The effective discount applied on the quoted market price of the restricted shares is 7.63% .

During the three-month period ended March 31, 2011, we recorded $8,620,257 unrealized loss on investment in Petromanas. During the three-month period ended March 31, 2010 we recorded $28,812,901 unrealized gain on our investment in Petromanas.

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 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 investor. The Company made an effort to obtain from Petromanas financial information that would be needed for the required disclosures, but Petromanas has refused to provide this information. This information would also be necessary for the Company 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 draw up the reconciliation between Canadian GAAP and US GAAP but Petromanas 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 all that, the Company concluded that it does not have the ability to exercise significant influence over investee's operating and financial policies

14. 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 Mar 31, 2011	Equity share Dec 31, 2010
DWM Petroleum AG, Baar (1)	Switzerland	**100%**	**100%**
Manas Petroleum AG, Baar (2)	Switzerland	**100%**	**100%**
Petromanas Energy Inc., Vancouver (3)	Canada	**31.72%**	**32.29%**
CJSC South Petroleum Company, Jalalabat (4)	Kyrgyz Republic	**25%**	**25%**
CJSC Somon Oil Company, Dushanbe (5)	Rep of Tajikistan	**90%**	**90%**
Manas Petroleum of Chile Corporation, Victoria (6)	Canada	**100%**	**100%**
Manas Management Services Ltd., Nassau (7)	Bahamas	**100%**	**100%**
Manas Chile Energia Limitada, Santiago (8)	Chile	**100%**	**100%**
Gobi Energy Partners LLC, Ulaan Baator (9)	Mongolia	**100%**	**100%**
Gobi Energy Partners GmbH (10)	Switzerland	**100%**	**100%**

(1) Included Branch in Albania that was sold in February 2010
(2) Founded in 2007
(3) Petromanas Energy Inc. participation resulted from partial sale of Manas Adriatic GmbH; fair value method applied.
(4) CJSC South Petroleum Company was founded by DWM Petroleum AG; equity method investee that is not consolidated
(5) CJSC Somon Oil Company was founded by DWM Petroleum AG
(6) Founded in 2008
(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). DWM Petroleum AG holds record title to 100% of Gobi Energy Partners LLC, of which 26% is held in trust for others. The Company determined that no value needs to be ascribed to the non-controlling interest.
(10) Gobi Energy Partners GmbH was founded in 2010

Ownership and voting right percentages in the subsidiaries stated above are identical to the equity share.

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

Affiliates	Three months period ended	
	March 31, 2011	March 31, 2010
	USD	USD
Management services performed to Petromanas*	(16'435)	-

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

Board of directors	Three months period ended	
	March 31, 2011	March 31, 2010
	USD	USD
Payments to directors for office rent	6'000	6'000
Payments to related companies controlled by directors for rendered consulting services	91'000	76'708
Interest on Promissory notes from directors*	-	4'843
Interest on Promissory notes from former directors*	-	6'355

15. COMMITMENTS & CONTINGENT LIABILITIES

Legal actions and claims (Kyrgyz Republic, Republic of Tajikistan, Chile and Albania)

In the ordinary course of business, the associates, subsidiaries or branches in the Kyrgyz Republic, Republic of Tajikistan, Mongolia and Chile may be subject to legal actions and complaints. 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 or the results of future operations of the associates, subsidiaries or branches in the Kyrgyz Republic, Republic of Tajikistan, Mongolia and 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.

Manas and IPR are firmly of the view that Energy Focus no longer has any right to join the consortium, as the previously agreed-upon conditions are no longer valid.

Energy Focus commenced litigation for specific performance and damages in an unspecified amount in Santiago de Chile, claiming interest in the Tranquilo Block from Manas and IPR, and their subsidiaries. Manas, IPR and their legal counsel share the view that the Energy Focus claim is entirely without merit, is brought in the wrong jurisdiction and that they have failed to properly serve the parties.

At March 31, 2011, there had been no legal actions against the associates, subsidiaries or branches in the Kyrgyz Republic, Republic of Tajikistan and Mongolia.

Management believes that the Group, including associates, subsidiaries or branches in the Kyrgyz Republic, Republic of Tajikistan, Mongolia and Chile are in substantial compliance with the tax laws affecting its operations. However, the risk remains that relevant authorities could take differing positions with regards to interpretative issues.

16. PERSONNEL COSTS AND EMPLOYEE BENEFIT PLANS

Defined benefit plan

The Company maintains a Swiss defined benefit plan for 4 of its 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 period ended	
Pension expense	**March 31, 2011**	**March 31, 2010**
	USD	**USD**
Net service cost	5'311	1'000
Interest cost	5'254	1'687
Expected return on assets	(4'517)	(1'307)
Amortization of net (gain)/loss	2'525	-
Net periodic pension cost	**8'572**	**1'380**

During the three-month periods ended March 31, 2011 and 2010 the Company made cash contributions of $63,368 and approximately $58,300, 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 2011.

17. FAIR VALUE MEASUREMENT

FASB ASC 820 (*Prior authoritative literature:* SFAS 157 *Fair Value Measurements*) establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. Financial assets and liabilities carried at fair value as of March 31, 2011 are classified in one of the three categories as follows:

	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Investment in associate (Petromanas)	$ -	$ 63'637'625	$ -	$ 63'637'625
Total Assets	$ -	$ 63'637'625	$ -	$ 63'637'625

The following table summarizes the changes in the fair value of the Company's level 2 financial assets and liabilities for the period ending March 31, 2011:

Balance at January 1, 2011	**72'257'882**
Total gains (losses) realized and unrealized:	
Included in earnings	(8'620'257) 1)
Included in other comprehensive income	-
Purchase, sale, or settlement	-
Net transfer in / (out) of level 2	-
Balance at March 31, 2011	**63'637'625**

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

18. EARNINGS PER SHARE

Basic earnings per share result by dividing the Company’s Net Income (or Net Loss) by the weighted average 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	
	March 31, 2011	**March 31, 2010**
Basic weighted average shares outstanding	125'862'567	119'053'400
Effect of common stock equivalents*		
- stock options and non-vested stock		
under employee compensation plans	-	3'609'376
- warrants	-	10'943'837
- contingently convertible loan	-	-
Diluted weighted average shares outstanding*	125'862'567	133'606'613

*For periods in which losses are presented, dilutive earnings per share calculations do not differ from basic earnings per share because the effects of any potential common stock equivalents are anti-dilutive and therefore not included in the calculation

For the three month period ended March 31, 2011 the number of stock equivalents that was excluded from the computation of diluted earnings per share was 9,000,000 (i.e. 8,250,000 stock options outstanding, 150,000 warrants outstanding and 600,000 unvested shares).

19. SHARE PLACEMENT/PURCHASE AGREEMENT – TEMPORARY EQUITY

On September 26, 2010, we entered into a share placement/purchase agreement with Alexander Becker, a holder of 14,144,993 shares of our common stock. Mr. Becker expressed an interest in selling all of his shares of our common stock to a third party or back to our company. The share placement/purchase agreement provided that in the event any of Mr. Becker's shares of our common stock are not placed with buyers within 6 months from September 26, 2010, we will be obligated to purchase such shares from Mr. Becker 30 days subsequent to March 26, 2011. This purchase deadline can be extended on mutual consent. The price of the shares was determined by the first offering. The first offering price was determined on October 25, 2010 pursuant to a share transfer agreement between Mr. Becker and a third party investor and amount to $0.39 per share.

As of December 31, 2010 we calculated the exposure, i.e. the maximum cash obligation of the Company according to ASC 480-10-S99 for all redeemable shares. The following table shows the Company’s exposure, i.e. the number of redeemable shares and their aggregate value as of December 31, 2010:

Number of redeemable shares		6'454'993
Price to be paid	$	0.39
Redemption value	**$**	**2'517'447**

The Company recognizes changes in the redemption value immediately as they occur and adjusts the carrying value of the temporary equity to equal the redemption value at each reporting date. According to ASC 480-10-S99 we classified these redeemable shares under Temporary Equity.

As of February 17, 2011 all remaining shares of Mr. Becker have been placed with third party investors. The Company’s exposure resulting from the share placement/purchase agreement with Mr. Becker, therefore, is nil as of March 31, 2011. The following table shows the development of Temporary Equity:

Temporary Equity	USD
Balance December 31, 2010	2'517'447
Redeemable shares	-2'517'447
Balance March 31, 2011	**0**

20. SUBSEQUENT EVENT(S)

On May 6, 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, and each warrant entitles the purchaser to purchase one additional common share until May 6, 2014 at a purchase price of $0.70 per share.

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 and reimbursed Raymond James for expenses. In addition, the Company issued to Raymond James agents' warrants that entitle Raymond James to purchase up to 1,333,515 shares of the Company's common stock at a purchase price of $0.60 until May 6, 2013.

Concurrently with the completion of the offering, the Company has been listed as a Tier 2 Oil and Gas issuer on the TSX Venture Exchange. Shares of the Company's common stock will trade on the TSX Venture Exchange under the symbol "MNP" and the warrants issued in the offering will trade on the TSX Venture Exchange under the symbol "MNP.WT". The Company will retain its current listing on the OTC Bulletin Board but the warrants will trade only on the TSX Venture Exchange.

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 ability to sell some of the 200,000,000 common shares of Petromanas Energy Inc. held by us at or around CAD$0.3350 (approximately $0.3445) per share, the quoted market price of these shares on March 31, 2011, as and when needed;
- our monthly burn rate of approximately $290,000 for our operating costs (excluding geological & geophysical 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 equipments 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 regime;

- current exchange rate 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 laws in the countries in which we operate and risks 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 21, 2011.

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, 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 31.7% 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. In particular, we focus on the exploration of large underthrust light oil prospects in areas where, though there has often been shallow production, their deeper potential has yet to be evaluated. 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 involved in projects in Mongolia and Tajikistan and we were recently involved in a project in Chile. 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 Three-Month Period Ended March 31, 2011 Compared to the Three-Month Period Ended March 31, 2010

Net loss for the three-month period ended March 31, 2011 was $9,876,323 as compared to net income of $83,011,315 for the same period in 2010. This is a decrease of $92,887,638 and is mainly related to our investment in Petromanas. For the three months period ended March 31, 2011, we recorded a decrease in fair value of investment in associate of $8,620,257. In the three month period ended March 31, 2010 we recorded an initial gain from sale of subsidiary (Manas Adriatic) of $57,850,918 and a subsequent increase in fair value of investment in associate (Petromanas) of $28,812,901. Operating Expenses for the three-month period ended March 31, 2011 decreased to $1,222,370 from $3,241,960 reported for the same period in 2010. This decrease of 62% or $2,019,590 in our total operating expenses is mainly attributable to lower stock-based compensation expenses in personnel costs and consulting fees.

Personnel costs

For the three-month period ended March 31, 2011 our personnel costs decreased to $367,002 from $2,501,193 for the same period in 2010. This decrease of 85% or $2,134,191 is mainly attributable to lower charges related to equity awards granted under the stock compensation and stock option plans. For such grants $98,390 were recorded for the three month period ended March 31, 2011 versus $2,412,161(including $1,441,321 due to re-pricing of stock options) for the same period in 2010.

Exploration costs

For the three-month period ended March 31, 2011 we incurred exploration costs of $253,540 as compared to $63,657 for the same period in 2010. This increase of 298% or $189,883 is mainly attributable to higher exploration costs in Mongolia.

Consulting fees

For the three-month period ended March 31, 2011 we expensed in consulting fees $272,408 as compared to consulting fees of $417,423 for the same period in 2010. This is a decrease of 35% or $145,016 and mainly attributable to lower stock based compensation expenses for consultants.

Administrative costs

For the three-month period ended March 31, 2011, we recorded administrative costs of $315,970 compared to $243,477 for the same period in 2010. This increase of 30% and $72,493 is mainly attributable to higher expenses for accounting and travel.

<u>Non-operating income/expense</u>

For the three month period ended March 31, 2011 we recorded a non-operating expense of $8,655,296 compared to a non-operating income of $86,254,285 for the same period in 2010. This is a decrease of $94,909,582. For the three month period ended March 31, 2011, we recorded a decrease in fair value of investment in associate of $8,620,257. In the same period for 2010 we recorded a gain from sale of subsidiary of $57,850,918 and an increase in fair value in associate of $28,812,901 (together $86,663,819).

Liquidity and Capital Resources

Our cash balance as of March 31, 2011 was $399,931. Our total current assets as of March 31, 2011 amounted to $774,699 and total current liabilities were $608,409 resulting in net working capital of $166,290.

Of the 200,000,000 common shares of Petromanas held by us, 40,000,000 were freely tradable as of March 31, 2011. The market value of these freely tradable shares was approximately $13,780,000.

Shareholders' equity as of March 31, 2011 was $64,487,643.

On May 6, 2011, we 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 on Form S-1 filed with the Securities and Exchange Commission in the United States. In the offering, we 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 our company and one common share purchase warrant, and each warrant entitles the purchaser to purchase one additional common share until May 6, 2014 at a purchase price of $0.70 per share.

We expect that the proceeds from the public offering are sufficient to implement our business plan for the next 12 months.

Also on May 6, 2011, shares of our common stock and all of the unit warrants sold in the public offering were listed on the TSX Venture Stock Exchange.

Cash Flows

Three Months Ended	**March 31**	
	2011	**2010**
Net Cash (used in) Operating Acticities	(883'223)	(2'162'485)
Net Cash provided by (used in) Investing Activities	(506)	10'388'802
Net Cash provided by (used in) Financing Activities	(428'365)	(6'648'300)
Change in Cash and Cash Equivalents during the Period	**(1'312'094)**	**1'578'016**

Operating Activities

Net cash used in operating activities of $883,223 for the three-month period ended March 31, 2011 changed from net cash used of $2,162,485 for the same period in 2010. This decrease in net cash used in operating activities of $1,279,262 is mainly attributable to changes in accrued expenses (decrease of $36,975 versus increase of $(633,434)) and a decrease in receivables and prepaid expenses (decrease of $80,403 versus increase of $(342,199)).

Investing Activities

Net cash used in investing activities of $506 for the three-month period ended March 31, 2011 changed from net cash provided by investing activities of $10,388,802 for the same period in 2010. This decrease in cash flow provided by investing activities of $10,389,308 is mainly attributable to proceeds from sale of investment of $10,415,810 recorded in the three month period ended March 31, 2010.

Financing Activities

Net cash used in financing activities of $428,365 for the three-month period ended March 31, 2011 changed from net cash used of $6,648,300 for the same period in 2010. Net cash was used for prepaid issuance costs in connection with our public offering for the three month period ended March 31, 2011. During the three-month period ended March 31, 2010 cash was used to repay contingently convertible loans (i.e. $2,000,000), debentures (i.e. $4,000,000), promissory notes to shareholders (i.e. $540,646) and to settle a bank overdraft of $196,154. Proceeds from exercise of warrants of $88,500 positively affected cash used in financing activities for the three-month period ended March 31, 2010.

Cash Requirements

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

Expense	Amount
Geological & Geophysical	4'590'000
General & Administrative	2'600'000
Legal	410'000
Audit	120'000
Marketing	340'000
Total Expenses planned for next 12 months	**8'060'000**

Our monthly burn rate (excluding Geological & Geophysical) amounts to approximately $290,000. We have more than enough money 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, following developments have affected our operations or operations of the companies in which we participate.

Mongolia

On November 10, 2010, we announced the completion of the 2010 seismic acquisition program for block 13 and 14 without incident. We intend to use the additional 300 km of 2D seismic data to improve our technical database and our chance of drilling a successful exploration well. After interpretation of the full dataset, we intend to decide regarding additional seismic to be acquired in 2011; drilling for the first well is planned for the first half of 2012.

Ferghana projects (Tajikistan, Kyrgyz Republic)

General

The following activities were performed for both projects:

- Regional cross-section preparation

- Fergana regional geology

- Updated/improved Fergana fields directory

- Maintain/Improve well, seismic, map etc database

- Prepare for and present to external Auditor Gustavson and associates – assist in report preparation.

Tajikistan

Somon Oil, in which we hold a 90% interest, contracted the Kazak crew “Dank” to perform a seismic project, which commenced on February 13, 2010 in the southern license areas and locally across the Kyrgyz-Tajik border. This seismic acquisition was completed on June 4, 2010. Data quality is generally good to excellent. Technical database compilation and integration is ongoing. Reprocessing of 470km of 2007-2008 seismic in conjunction with the new data is proceeding.

A production sharing agreement has been drafted and submitted to the Tajik Ministry of Energy. We continue to negotiate the form of the production sharing agreement with various interested agencies of the government of Tajikistan. We believe that the finalization and ratification of the production sharing agreement is the last hurdle in order for Santos International Ventures Pty Ltd. to exercise its farm-in option.

Kyrgyz Republic

South Petroleum Company, a closely held Kyrgyz company in which we own a 25% minority equity interest, continued its geological studies within the four license areas owned by it. Although we do not direct management of South Petroleum Company and we are not the operator of its project, we do receive periodic updates on the status of that project from the operator.

The following activities were performed during the three month ended March 31, 2011:

- No Health and Safety Incidents during the 1st Quarter

- Ongoing work on administration of SPC offices both in Bishkek and Jalalabat;

- Digitizing old geological data: old drilling reports and seismic data;

- Integration of present geological and geophysical data;

- Drilling meetings commenced in support of Tajikistan Drilling.:

- Reviewing all previous services and supply contracts for conformity and use in the year 2011;

- Working through the supply routes: Kazakhstan, China to Kyrgyzstan etc.;

- Reviewing and commenting on the new draft laws on Subsoil, Licensing, Somon Oil PSA, etc.;

- Reviewing tax legislation and applicability to SPC operations;

- Support in preparation of the draft PSA for Somon-Tajik;

- Support in meetings held in Dushanbe on the PSA: translation of documents and meetings;

- Submitted SPC’s annual report to the Ministry of Geology on all of SPC’s license areas

- Obtained Ministry of Energy approval for all Year End reports and program deferrals.

Information provided in this quarterly report 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 arms length, and is included in this quarterly 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 therefor and make no representation or warranty that it is complete or correct.

Chile

On January 29, 2010, we signed an agreement to assign our interest in our Chilean project in exchange for a return of all of the money that we have invested in this project to date (i.e. approximately $70,000) and relief from all currently outstanding and future obligations in respect of the project. This agreement and the assignment of our interest in this project have been approved by the Ministry of Energy in Chile. The transfer of our participation in this project to the new owners is now subject to approval by the parties.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Not applicable.

Item 4T. 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 March 31, 2011 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

Energy Focus commenced litigation for specific performance and damages in an unspecified amount in Santiago Chile, claiming an interest in the Tranquillo Block from our company and IPR, and their subsidiaries.

Factual Allegations

During the initial phase of applying for our Chilean Exploration license, a joint bidding group was formed with our company, 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 our company 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 we disagree with this interpretation.

We and IPR are firmly of the view that Energy Focus no longer has any right to join the consortium, as the previously agreed-upon conditions are no longer valid. Our company, IPR and their legal counsel share the view that the Energy Focus claim is entirely without merit, is brought in the wrong jurisdiction and that they have failed to properly serve the parties.

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

On April 1, 2011, we issued 2,131 shares for services performed during the month of March 2011 pursuant to a consulting agreement entered into on December 7, 2010 with a consultant to provide our company with business opportunities in petroleum exploration and development. 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. (Removed and Reserved).

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 June 15, 2009)
(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)

Exhibit Number	Description
(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	Promissory note issued to Heinz Scholz dated December 5, 2008 (incorporated by reference to an exhibit to our Quarterly Report on Form 10-Q/A filed on July 24, 2009)
10.7	Promissory Note issued to Peter-Mark Vogel dated December 5, 2008 (incorporated by reference to an exhibit to our Quarterly Report on Form 10-Q/A filed on July 24, 2009)
10.8	Promissory note issued to Alexander Becker dated December 5, 2008 (incorporated by reference to an exhibit to our Quarterly Report on Form 10-Q/A filed on July 24, 2009)
10.9	Promissory note issued to Michael J. Velletta dated December 5, 2008 (incorporated by reference to an exhibit to our Quarterly Report on Form 10-Q/A filed on July 24, 2009)
10.10	Consulting Frame Contract with Varuna AG dated February 1, 2009 (incorporated by reference to an exhibit to our Quarterly Report on Form 10-Q/A filed on July 24, 2009)
10.11	Termination Agreement with Thomas Flottmann dated January 31, 2009 (incorporated by reference to an exhibit to our Quarterly Report on Form 10-Q/A filed on July 24, 2009)
10.12	Amendment to the Notice with Terms and Condition for the Termination of Employment Agreement with Rahul Sen Gupta dated February 26, 2009 (incorporated by reference to an exhibit to our Quarterly Report on Form 10-Q/A filed on July 24, 2009)
10.13	Amendment to the Termination Agreement with Rahul Sen Gupta dated March 31, 2009 (incorporated by reference to an exhibit to our Quarterly Report on Form 10-Q/A filed on July 24, 2009)
10.14	Termination Agreement with Peter-Mark Vogel dated January 30, 2009 (incorporated by reference to an exhibit to our Quarterly Report on Form 10-Q/A filed on July 24, 2009)
10.15	Consulting Frame Contract with Peter-Mark Vogel dated March 26, 2009 (incorporated by reference to an exhibit to our Quarterly Report on Form 10-Q/A filed on July 24, 2009)
10.16	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)
10.17	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)
10.18	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)
10.19	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)
10.20	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)
10.21	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)

Exhibit Number	Description
10.22	Share Purchase Agreement dated February 12, 2010 between Petromanas Energy Inc. (formerly WWI Resources Ltd.), DWM Petroleum AG and Petromanas Albania GmbH (formerly Manas Adriatic GmbH) (incorporated by reference to an exhibit to our Current Report on Form 8-K filed on February 25, 2010)
10.23	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)
10.24	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)
10.25	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)
10.26	Termination Agreement dated July 31, 2010 with Erik Herlyn (incorporated by reference to an exhibit to our Quarterly Report on Form 10-Q filed on August 16, 2010)
10.27	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)
10.28	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)
10.29	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)
10.30	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)
10.31	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)
10.32	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)
10.33	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)
(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)

* Filed herewith.

SIGNATURES

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

MANAS PETROLEUM CORPORATION
By: */s/ Peter-Mark Vogel*
Peter-Mark Vogel
Chief Executive Officer and President
(Principal Executive Officer)
Date: May 13, 2011

By: */s/ Ari Muljana*
Ari Muljana
Chief Financial Officer and Treasurer
(Principal Financial Officer and Principal Accounting Officer)
Date: May 13, 2011

Exhibit 31.1

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

I, Peter-Mark Vogel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Manas Petroleum Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 13, 2011

/s/ Peter-Mark Vogel
Peter-Mark Vogel
Chief Executive Officer and President
(Principal Executive Officer)

Exhibit 31.2

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

I, Ari Muljana, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Manas Petroleum Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 13, 2011

/s/ Ari Muljana
Ari Muljana
Chief Financial Officer and Treasurer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

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

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

(a) the quarterly report on Form 10-Q of Manas Petroleum Corporation for the period ended March 31, 2011 fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Manas Petroleum Corporation.

Date: May 13, 2011

/s/ Peter-Mark Vogel
Peter-Mark Vogel
Chief Executive Officer and President
(Principal Executive Officer)

Exhibit 32.2

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

The undersigned, Ari Muljana, hereby certifies, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(a) the quarterly report on Form 10-Q of Manas Petroleum Corporation for the period ended March 31, 2011 fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Manas Petroleum Corporation.

Date: May 13, 2011

/s/ Ari Muljana
Ari Muljana
Chief Financial Officer and Treasurer
(Principal Financial Officer and Principal Accounting Officer)