

United States
Securities and Exchange Commission
Washington, DC 20549

FORM 10-QSB

Quarterly Report Under Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the Quarter Ended
June 30, 2005

Commission File Number
000-28638

BMB MUNAI, INC.

(Exact name of registrant as specified in its charter)

NEVADA

(State or other jurisdiction of incorporation or organization)

30-0233726

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

20A Kazibek Bi Street, Almaty, 480100Kazakhstan

(Address of principal executive offices)

+7 (3272) 58-85-17/47

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12 (b) of the Act: None.

Securities registered pursuant to section 12(g) of the Exchange Act:
Common, \$0.001 par value

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

Yes No

State the number of shares outstanding of each of the registrant's classes of common equity, as of the latest practicable date: common stock, par value \$0.001; 31,998,846 shares outstanding as of August 1, 2005.

Transitional small business disclosure format (check one) Yes No

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PART I - FINANCIAL INFORMATION

Item 1- Financial Statements

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BMB MUNAI, INC

(A DEVELOPMENT STAGE ENTITY)

CONSOLIDATED BALANCE SHEETS

	Notes	June 30, 2005	March 31, 2005
		(unaudited)	
<S>	<C>	<C>	<C>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		\$ 7,885,926	\$ 9,989,632
Marketable securities		492,539	788,921
Trade accounts receivable		1,178	132,400
Inventories	3	3,876,489	3,227,411
Prepaid expenses and other assets, net	4	4,447,465	4,172,291
		-----	-----
Total current assets		16,703,597	18,310,655
		-----	-----
NON-CURRENT ASSETS			
Oil and gas properties, full cost method, net	6	48,955,938	42,964,359
Other fixed assets, net		681,811	683,459
Intangible assets, net		66,581	14,435
Restricted cash		60,973	60,973
		-----	-----
Total non-current assets		49,765,303	43,723,226
		-----	-----
TOTAL ASSETS		\$ 66,468,900	\$ 62,033,881
		=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable		\$ 5,085,154	\$ 5,844,639
Due to reservoir consultants		278,000	278,000
Taxes payable		325,126	333,063
Due to Astana Fund	5	-	250,000
Accrued liabilities and other payables		196,594	291,969
		-----	-----
Total current liabilities		5,884,874	6,997,671
		-----	-----
LONG TERM LIABILITIES			
Due to reservoir consultants		222,000	222,000
Liquidation fund		60,973	60,973
Deferred income tax liabilities		343	343

Total long term liabilities		283,316	283,316
COMMITMENTS AND CONTINGENCIES		9	-
SHAREHOLDERS' EQUITY			
Share capital	7	31,999	30,514
Additional paid-in capital	7	64,544,653	58,460,520
Deficit accumulated during the development stage		(4,275,942)	(3,738,140)
Total shareholders' equity		60,300,710	54,752,894
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 66,468,900	\$ 62,033,881

See notes to the consolidated financial statements. 3

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BMB MUNAI, INC

(A DEVELOPMENT STAGE ENTITY)

CONSOLIDATED STATEMENTS OF LOSS (UNAUDITED)

	Three months ended June 30, 2005	Three months ended June 30, 2004	Period from inception (May 6, 2003) through June 30, 2005	
	<C>	<C>	<C>	
REVENUES	\$ 662,637	\$ 118,949	\$ 1,636,283	
EXPENSES				
Production	67,740	24,322	332,889	
Selling	42,462	8,436	249,391	
General and administrative	1,001,238	550,950	5,843,957	
Amortization and depreciation	30,438	9,125	101,647	
Total expenses	1,141,878	592,833	6,527,884	
LOSS FROM OPERATIONS	(479,241)	(473,884)	(4,891,601)	
OTHER INCOME (EXPENSE)				
Realized gain on marketable securities	62,779	54,915	267,214	
Unrealized (loss) gain on marketable securities	(7,539)	(303,697)	(11,899)	
Foreign exchange gain (loss), net	(132,415)	77,654	438,055	
Interest income, net	12,022	2,884	(54,186)	
Other income, net	6,592	-	58,802	
Total other income (expense)	(58,561)	(168,244)	697,986	
LOSS BEFORE INCOME TAXES	(537,802)	(642,128)	(4,193,615)	
INCOME TAX EXPENSE	-	-	(343)	
LOSS BEFORE MINORITY INTEREST	(537,802)	(642,128)	(4,193,958)	
MINORITY INTEREST	-	39,922	(81,984)	
NET LOSS	\$ (537,802)	\$ (602,206)	\$ (4,275,942)	
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING			31,750,558	20,429,422
LOSS PER COMMON SHARE (BASIC AND DILUTED)		\$ (0.02)	\$ (0.03)	\$ (0.15)

See notes to the consolidated financial statements.

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 BMB MUNAI, INC
 (A DEVELOPMENT STAGE ENTITY)

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Notes	Three months ended June 30, 2005	Period from inception Three months ended June 30, 2004	(May 6, 2003) through June 30, 2005	
	<C>	<C>	<C>	<C>	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net loss		\$ (537,802)	\$ (602,206)	\$ (4,275,942)	
Adjustments to reconcile net loss to net cash used in operating activities:					
Depreciation, depletion and amortization			60,367	9,124	199,028
Provision for doubtful accounts			-	-	129,051
Minority interest in operation of subsidiary			-	(39,922)	-
Deferred income tax expense			-	-	343
Unrealized loss on marketable securities			7,539	303,697	11,899
Changes in operating assets and liabilities					
Decrease / (increase) in marketable securities			288,843	1,808,966	(504,438)
Decrease/ (increase) in accounts receivable			131,222	-	(1,178)
Increase in inventories		(649,078)	(408,787)	(3,876,489)	
Increase in prepaid expenses		(275,174)	(2,314,127)	(4,555,344)	
(Decrease) / Increase in accounts payable and other accruals			(1,112,797)	403,764	6,009,854
Net cash used in operations		(2,086,880)	(839,491)	(6,863,216)	
Interest paid		-	-	(84,007)	
Net cash used in operating activities		(2,086,880)	(839,491)	(6,947,223)	
CASH FLOWS FROM INVESTING ACTIVITIES:					
Acquisition of oil and gas properties		(6,004,418)	(917,443)	(29,669,465)	
Acquisition of other fixed assets		(41,281)	(64,414)	(842,392)	
Acquisition of intangible assets		(56,745)	(230)	(74,501)	
Restricted cash		-	-	(60,973)	
Deposits		-	-	(21,172)	
Net cash used in investing activities		(6,102,444)	(982,087)	(30,668,503)	
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from sale of common stock	7	5,221,685	-	42,437,719	
Proceeds from short-term financing		-	-	500,000	
Repayment of short-term financing		-	-	(500,000)	
Proceeds from issuance of convertible debt		-	-	2,000,000	
Proceeds from exercise of common stock options		863,933	-	1,063,933	
Net cash provided by financing activities		6,085,618	-	45,501,652	
NET CHANGE IN CASH AND CASH EQUIVALENTS			(2,103,706)	(1,821,578)	7,885,926
CASH AND CASH EQUIVALENTS at beginning of period		9,989,632	2,126,355	-	
CASH AND CASH EQUIVALENTS at end of period		\$ 7,885,926	\$ 304,777	\$ 7,885,926	
Non cash transactions:					
Conversion of debt into common stock		\$ -	\$ -	\$ 2,000,000	
Accrual of liabilities to Astana Fund	5	\$ -	\$ -	\$ 250,000	

Acquisition of 30% of Emir Oil LLP by issuance of
3,500,000 shares of common stock 7 \$ - \$ - \$ 19,075,000

See notes to the consolidated financial statements.

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BMB MUNAI, INC
(A DEVELOPMENT STAGE ENTITY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

BMB Munai, Inc. (the "Company") was incorporated in Utah in July 1981. The Company later changed its domicile to Delaware on February 7, 1994. Prior to November 26, 2003, the Company existed under the name InterUnion Financial Corporation ("InterUnion"). The Company changed its domicile from Delaware to Nevada in December 2004.

On November 26, 2003, InterUnion executed an Agreement and Plan of Merger (the "Agreement") with BMB Holding, Inc ("BMB"), a private Delaware corporation, formed for the purpose of acquiring and developing oil and gas fields in the Republic of Kazakhstan. As a result of the merger, the shareholders of BMB have obtained control of the Company. BMB was treated as the acquiror for accounting purposes. A new board of directors was elected that was comprised primarily of the former directors of BMB Holding, Inc.

The Company's financial statements presented are a continuation of BMB, and not those of InterUnion Financial Corporation, and the capital structure of the Company is now different from that appearing in the historical financial statements of InterUnion Financial Corporation due to the effects of the recapitalization.

The Company has a representative office in Almaty, the Republic of Kazakhstan.

The Company has minimal operations to date and is considered to be in the development stage.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial information included herein, (except the balance sheet as of March 31, 2005, which has been derived from our Annual Report on Form 10-KSB for the year ended March 31, 2005), is unaudited. However, such information includes all adjustments (consisting solely of normal recurring adjustments), which are, in the opinion of management, necessary for a fair statement of the results of operations for the interim periods. The results of operations for the interim period are not necessarily indicative of the results to be expected for an entire year.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-QSB Report pursuant to certain rules and regulations of the Securities and Exchange Commission. These financial statements should be read in conjunction with the consolidated financial statements and notes included in our March 31, 2005 Form 10-KSB Report.

The accounting principles applied are consistent with those as set out in the Company's annual Consolidated Financial Statements for the year ended March 31, 2005.

BMB MUNAI, INC
(A DEVELOPMENT STAGE ENTITY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Basis of consolidation

The Company's financial statements present the consolidated results of BMB Munai, Inc., and its wholly owned subsidiary, Emir Oil LLP (hereinafter collectively referred to as the "Company"). All significant inter-company balances and transactions have been eliminated from the Consolidated Financial Statements.

All transactions of Emir Oil from the date of its purchase by BMB (June 7, 2003) through June 30, 2005 are reflected in the Consolidated Financial Statements and Notes to the Consolidated Financial Statements.

Emir Oil maintains its accounting records in Kazakhstan Tenge and prepares separate statutory financial statements in accordance with accounting legislation in the Republic of Kazakhstan. Statutory accounting principles and procedures in Kazakhstan differ from accounting principles generally accepted in the United States of America. Accordingly, the accompanying Unaudited Consolidated Financial Statements, which include Emir Oil's statutory accounting records, reflect adjustments necessary for such financial statements to be presented in accordance with accounting principles generally accepted in the United States of America.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the Consolidated Financial Statements and revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates and affect the results reported in these Consolidated Financial Statements.

Foreign currency translation

Transactions denominated in foreign currencies are reported at the rates of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to U.S. dollars at the rates of exchange prevailing at the balance sheet dates. Any gains or losses arising from a change in exchange rates subsequent to the date of the transaction are included as an exchange gain or loss in the Consolidated Statements of Loss.

Share-Based Compensation

The Company accounts for options granted to non-employees at their fair value in accordance with FAS 123, Accounting for Stock-Based Compensation. Under FAS No. 123, stock-based compensation is determined as the fair value of the equity instruments issued. The measurement date for these

issuances is the earlier of the date at which a commitment for performance by the recipient to earn the equity instruments is reached or the date at which the recipient's performance is complete. Stock options granted to the "selling agents" in the private equity placement transactions and have been offset to the proceeds as a cost of capital.

The Company has a stock option plan as described in Note 7. Compensation expense for options granted to employees is determined based on their fair values at the time of grant, the cost of which is recognized in the

Consolidated Statement of Loss over the vesting periods of the respective options.

Risks and uncertainties

The ability of the Company to realize the carrying value of its assets is dependent on being able to develop, transport and market oil and gas. Currently exports from the Republic of Kazakhstan are primarily dependent on transport routes either via rail, barge or pipeline, through Russian territory. Domestic markets in the Republic of Kazakhstan might not permit world market price to be obtained. However, management believes that over the life of the project, transportation options will be improved by further increases in the capacity of the transportation options.

Recognition of revenue and cost

Revenue and associated costs from the sale of oil are charged to the period when goods were shipped or when ownership title transferred. Produced but unsold products are recorded as inventory until sold. As of June 30, 2005 the production unit of the Company - Emir Oil had test production sales at Kazakhstan domestic market price, which is considerably lower than world market prices.

Income taxes

The Company accounts for income taxes using the liability method. Under the liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under the liability method, the effect on previously recorded deferred tax assets and liabilities resulting from a change in tax rates is recognized in earnings in the period in which the change is enacted.

Cash and cash equivalents

The Company considers all demand deposits and money market accounts purchased with an original maturity of three months or less to be cash and cash equivalents. The fair value of cash and cash equivalents approximates their carrying amounts due to their short-term maturity.

BMB MUNAI, INC
(A DEVELOPMENT STAGE ENTITY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of June 30, 2005 the Company pledged cash in amount of \$360,045 to collateralize payment to an oil drilling and service company for drilling services.

Marketable securities

Marketable securities consist of short-term repurchase agreements for securities issued by Kazakhstan banks and Kazakhstan financial institutions. The Company records these marketable securities as trading securities and any change in the fair market value is recorded in earnings.

As of June 30, 2005 the Company pledged all marketable securities to collateralize payment to an oil drilling and service company for drilling services.

Trade accounts receivable and prepaid expenses

Accounts receivable and prepaid expenses are stated at their net realizable values after deducting provisions for uncollectable amounts. Such provisions reflect either specific cases or estimates based on evidence of collectability. The fair value of accounts receivable and prepaid expense accounts approximates their carrying amounts due to their short-term maturity.

Inventories

Inventories of equipment for development activities, tangible drilling materials required for drilling operations, spare parts, diesel fuel, and various materials for use in oil field operations are recorded at the lower of cost and net realizable value. Under the full cost method, inventory is transferred to oil and gas properties when used in exploration, drilling and development operations in oilfields.

Inventories of crude oil are recorded at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and overhead, which has been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Oil and gas properties

The Company follows the full cost method of accounting for its costs of acquisition, exploration and development of oil and gas properties.

Under full cost accounting rules, the net capitalized costs of evaluated oil and gas properties shall not exceed an amount equal to the present value of future net cash flows from estimated production of proved oil and gas reserves, based on current economic and operating conditions, including the use of oil and gas prices as of the end of the period.

BMB MUNAI, INC
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Given the volatility of oil and gas prices, it is reasonably possible that the estimate of discounted future net cash flows from proved oil and gas reserves could change. If oil and gas prices decline, even if only for a short period of time, it is possible that impairments of oil and gas properties could occur. In addition, it is reasonably possible that impairments could occur if costs are incurred in excess of any increases in the cost ceiling, revisions to proved oil and gas reserves occur, or if properties are sold for proceeds less than the discounted present value of the related proved oil and gas reserves.

All geological and geophysical studies, with respect to the ADE Block, have been capitalized as part of the oil and gas properties.

The Company's oil and gas properties primarily include the value of the license and other capitalized costs.

Costs of acquiring unproved leases shall be evaluated for impairment until such time as the leases are proved or abandoned. In addition, if the sums of expected undiscounted cash flows are less than net book value, unamortized costs at the field level will be reduced to fair value.

Depreciation, depletion and amortization of producing properties is computed using the unit-of-production method based on estimated proved

recoverable reserves.

Other fixed assets

Other fixed assets are valued at the historical cost adjusted for impairment loss less accumulated depreciation. Historical cost includes all direct costs associated with the acquisition of the fixed assets.

Depreciation of other fixed assets is calculated using the straight-line method based upon the following estimated useful lives:

Buildings and improvements	7-10 years
Machinery and equipment	6-10 years
Vehicles	3-5 years
Office equipment	3-5 years
Other	2-7 years

Maintenance and repairs are charged to expenses as incurred. Renewals and betterments are capitalized.

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BMB MUNAI, INC
(A DEVELOPMENT STAGE ENTITY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Other fixed assets of the Company are evaluated for impairment. If the sums of expected undiscounted cash flows are less than net book value, unamortized costs of other fixed assets will be reduced to a fair value.

In accordance with FAS No. 19, "Financial Accounting and Reporting by Oil and Gas Producing Companies", depreciation related to support equipment and facilities used in exploration and development activities in the amount of \$17,090 was capitalized to oil and gas properties.

Intangible assets

Intangible assets include accounting and other software. Amortization of intangible assets is calculated using straight-line method upon estimated useful life ranging from 3 to 4 years.

Restricted cash

Restricted cash includes funds deposited in a Kazakhstan bank and is restricted to meet possible environmental obligations according to the regulations of the Republic of Kazakhstan. The fair value of these funds approximates their carrying amounts as amount and conditions of deposited funds governed by the Government of the Republic of Kazakhstan.

Comparative figures

The presentation of certain amounts for the previous periods has been reclassified to conform to the presentation adopted for the current quarter.

Recent accounting pronouncements

In May 2005, the FASB issued Statement 154, "Accounting Changes and Error Corrections", a replacement of APB Opinion 20, "Accounting Changes" and FASB Statement 3, "Reporting Accounting Changes in Interim Financial Statements." This Statement changes the requirements for the accounting for and reporting of a change in accounting principle. Opinion 20 previously required that most voluntary changes in accounting principles be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. Statement

154 requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period specific effects or the cumulative effect of the change. This statement is effective for accounting changes and corrections of errors made in fiscal periods that begin after December 15, 2005 and will not impact the Company's financial position or results of operations and cash flows.

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BMB MUNAI, INC
(A DEVELOPMENT STAGE ENTITY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. INVENTORIES

Inventories as of June 30, 2005 and March 31, 2005 were as follows:

<TABLE>

<CAPTION>

	June 30, 2005 (unaudited)	March 31, 2005
<S>	<C>	<C>
Construction material	\$ 3,719,351	\$ 3,103,555
Spare parts	75,543	59,706
Crude oil produced	5,084	7,735
Other	76,511	56,415
	-----	-----
	\$ 3,876,489	\$ 3,227,411
	=====	=====

4. PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses as of June 30, 2005 and March 31, 2005 were as follows:

<CAPTION>

	June 30, 2005 (unaudited)	March 31, 2005	
<S>	<C>	<C>	
Advances for services	\$ 1,860,448	\$ 589,944	
Advances for material	1,276,428	2,301,074	
VAT recoverable	1,310,189	1,217,751	
Other	129,451	192,573	
Reserves against uncollectible advances and prepayments		(129,051)	(129,051)
	-----	-----	
	\$ 4,447,465	\$ 4,172,291	
	=====	=====	

</TABLE>

5. DUE TO ASTANA FUND

In 2004 the Government of the Republic of Kazakhstan imposed a liability in the amount of \$250,000 to make cash contributions to the Astana Fund. The Astana Fund is a government fund used by the Government of the Republic of Kazakhstan to accumulate cash for construction and development of Astana, Kazakhstan, the new capital of the Republic of Kazakhstan. On May 27, 2005 the Company made a cash contribution of \$250,000 to Astana Fund.

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BMB MUNAI, INC
(A DEVELOPMENT STAGE ENTITY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. OIL AND GAS PROPERTIES

Oil and gas properties as of June 30, 2005 and March 31, 2005 were as follows:

<TABLE>
<CAPTION>

	June 30, 2005 (unaudited)	March 31, 2005	
<S>	<C>	<C>	
Subsoil use right	\$ 20,788,119	\$ 20,788,119	
Cost of drilling wells	12,004,832	9,334,021	
Professional services received in exploration and development activities		5,780,567	4,798,314
Material and fuel used in exploration and development activities		3,588,076	2,891,765
Infrastructure development costs	1,415,791	1,231,391	
Geological and geophysical	859,790	653,571	
Other capitalized costs	4,616,144	3,334,630	
Accumulated depreciation, depletion and amortization		(97,381)	(67,452)
	-----	-----	
	\$ 48,955,938	\$ 42,964,359	
	=====	=====	

7. SHARE AND ADDITIONAL PAID IN CAPITALS

Common and preferred stock as of June 30, 2005 and March 31, 2005 are as following:

<CAPTION>

	June 30, 2005 (unaudited)	March 31, 2005
Preferred stock, \$0.001 par value		
<S>	<C>	<C>
Authorised	20,000,000	20,000,000
Issued and outstanding	-	-
Common stock, \$0.001 par value		
Authorised	100,000,000	100,000,000
Issued and outstanding	31,998,841	30,513,761

</TABLE>

Reverse merger

During the year ended March 31, 2004, the Company completed a reverse merger with BMB Holding, Inc. Additionally the Company:

- Completed a private placement for the total amount of \$11,113,562.
- Converted a \$2,000,000 debt to the shareholders of BMB Holding, Inc. into equity.
- Issued 200,000 shares of stock upon exercise of stock option worth \$200,000.
- Completed a 10 for 1 reverse stock split.

Acquisition

On May 24, 2004, the Company agreed to purchase the remaining 30% interest of its minority interest partner in Emir Oil in exchange for 3,500,000 shares of restricted Company common stock. On August 6, 2004, the Company

BMB MUNAI, INC
(A DEVELOPMENT STAGE ENTITY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

issued the 3,500,000 shares to its minority partner in Emir Oil. The aggregate purchase price was determined to be \$19,075,000 using a price of the Company's common shares on OTCBB on August 6, 2004 of \$5.45 per share. The entire purchase price has been allocated to oil and gas properties in the accompanying Consolidated Balance Sheet.

Private placements

On July 2, 2004, the Company sold an aggregate of 4,584,340 common shares of the Company at \$4.00 per share in a private placement offering. The Company received \$17,311,906 net of the agent fees and out of pocket expenses.

On March 9, 2005, the Company sold an aggregate of 2,000,000 common shares of the Company at \$5.00 per share in a private placement offering. The Company received \$9,968,254 net of the agent fees and out of pocket expenses.

On March 31, 2005, the Company sold an aggregate of 1,101,000 common shares of the Company at \$5.00 per share in a private placement offering. On April 12, 2005 the Company received \$5,221,685 net of the agent fees and out of pocket expenses.

Common stock sold in private placements as of June 31, 2005 are as following:

<TABLE>

<CAPTION>

	Number of shares sold	Share price	Gross amount raised	Net amount received
<S>	<C>	<C>	<C>	<C>
First private placement	4,830,494	\$ 2.15-\$ 2.50	\$11,113,562	\$ 9,935,874
Second private placement	4,584,340	\$ 4.00	18,337,360	17,311,906
Third private placement	3,101,000	\$ 5.00	15,505,000	15,189,939
	12,515,834		\$44,955,922	\$42,437,719

</TABLE>

The offerings were made only to accredited investors in the United States under Regulation D and pursuant to Regulation S to non U.S. Persons.

Share-Based Compensation

On November 19, 2003, the Company granted options to the placement agent for services rendered in connection with a private placement of the Company's common stock in November 2003. The first option granted the placement agent the right to purchase up to 200,000 common shares of the Company at an exercise price of \$1.00 per share. The placement agent exercised this option and purchased 200,000 shares for \$200,000 on December 15, 2003. The second option grants the placement agent the right to purchase up to 142,857 common shares of the Company at an exercise price of \$3.50 per share. This option expires on November 26, 2008.

In December 2003, the Company granted warrants to a placement agent in connection with funds raised on the Company's behalf. These warrants grant the placement agent the right to purchase up to 275,050 shares of the Company's common stock at an exercise price of \$2.15 and 208,000 shares of

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

the Company's common stock at an exercise price of \$2.50 per share. In May and June 2005 a placement agent exercised stock warrants for 275,050 shares at the exercise price of \$2.15 and stock warrants for 109,030 shares at the exercise price of \$2.50. The remaining warrants for 98,970 shares at the exercise price of \$2.50 expired at the end of June 2005.

During July 2004, the Company granted warrants to a placement agent in connection with funds raised on the Company's behalf. These warrants grant the placement agents the right to purchase up to 458,434 shares of the

Company's common stock at an exercise price of \$4.00 per share. The warrants expire at the first quarter of 2006 calendar year.

On April 12, 2005, the Company granted warrants to placement agents in connection with funds raised on the Company's behalf. These warrants grant the placement agents the right to purchase up to 110,100 shares of the Company's common stock at an exercise price of \$5.00 per share. The warrants expire on April 11, 2006.

During the year ended March 31, 2005 the Board of Directors (the "Board") of the Company approved an incentive stock option plan (the "plan") under which directors, officers and key personnel may be granted options to purchase common shares of the Company. The Company has reserved 5,000,000 common shares for issuance upon the exercise of options granted under the terms of the plan. The Board determines the exercise price of each option, provided that no option shall be granted with an exercise price at a discount to market. The vesting periods established under the plan and the term of the options are set by the Board. During the third quarter of the year ended March 31, 2005 the Company granted stock options to its corporate secretary for the past services rendered. These options grant the employee the right to purchase up to 60,000 shares of the Company's common stock at an exercise price of \$4.00 per share. The options expire in five years from the date of grant. Granted options vest immediately. Compensation expense for options granted to a corporate secretary is determined based on their fair values at the time of grant, the cost of which in the amount of \$81,000 is recognized in the Consolidated Statement of Income and Consolidated Balance Sheet.

Stock options and warrants outstanding and exercisable as of June 30, 2005 are:

	Number of shares	Weighted Average Exercise price
As of March 31, 2005	1,144,341	\$ 3.22
Granted	110,100	5.00
Exercised	(384,080)	2.25
Expired	(98,970)	2.50
As of June 30, 2005	771,391	\$ 4.05

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BMB MUNAI, INC
(A DEVELOPMENT STAGE ENTITY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Stock options and warrants as of June 30, 2005 are:

<TABLE>

<CAPTION>

Options and Warrants outstanding			Options and Warrants exercisable		
Range of exercise price	Options and Warrants	Weighted Average Exercise Price Contractual Life (years)	Weighted Average	Options and Warrants	Weighted Average Exercise Price
<S> \$ 2.15 - \$ 5.00	<C> 771,391	<C> 4.05	<C> 2.41	<C> 771,391	<C> 4.05

The estimated fair value of the stock options and warrants issued were determined using Black-Scholes option pricing model with the following assumptions:

<CAPTION>

	June 30, 2005 (unaudited)	March 31, 2005
<S>	<C>	<C>

Risk-free interest rate	3.63%	3.20%	
Expected option life	1 year	1 year	
Expected volatility in the price of the Company's common shares		74%	76%
Expected dividends	0%	0%	
Weighted average fair value of options and warrants granted during the year	\$ 1.74	\$ 2.22	

8. RELATED PARTY TRANSACTIONS

During the three months ended June 30, 2005, the Company retained the services of TatArka LLC. TatArka LLC was paid \$2,150,562 advance payment to obtain 3D seismic data of extended territory. TatArka LLC is a subsidiary of a company that shares a common director with our Company.

The Company leases ground fuel tanks and other oil fuel storage facilities and warehouses from Term Oil LLC. The lease expenses for the three months ended June 30, 2005, totaled to \$55,240. One of our shareholders is an owner of Term Oil LLC.

During the three months ended June 30, 2005, the Company also retained the services of several companies. Expenses for those services rendered during the three months ended June 30, 2005, totaled to \$35,769. The suppliers which rendered services are affiliated with directors of the Company.

During the three months ended June 30, 2005, Zhanaozen Repair and Mechanical Plant Ltd was paid \$22,399 advance payment for inventory supply. Zhanaozen Repair and Mechanical Plant Ltd is an affiliated party with one of the shareholders of the Company.

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BMB MUNAI, INC
(A DEVELOPMENT STAGE ENTITY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. COMMITMENTS AND CONTINGENCIES

Historical investments by the Government of the Republic of Kazakhstan

The Government of the Republic of Kazakhstan made historical investments in the ADE Block in total amount of \$ 5,994,200. When the Company applies for and is granted commercial production rights for the ADE Block, the Company will be required to begin repaying these historical investments to the Government of the Republic of Kazakhstan. The terms of repayment will be negotiated at the time the Company applies for commercial production rights.

Capital Commitments

Under the terms of its oil and gas contract, Emir Oil is required to spend a total of \$32 million in exploration and development activities on the ADE Block. To retain its rights under the contract, the Company must spend a minimum of \$9.3 million in 2005, \$6 million in 2006 and \$4.5 million in 2007. The failure to make these minimum capital expenditures could result in the loss of the contract.

Litigation

In December 2003, a lawsuit was filed in Florida naming the Company as one of the defendants. The claim of breach of contract, unjust enrichment, breach of fiduciary duty, conversion and violation of a Florida trade secret statute in connection with a business plan for the development Aksaz, Dolinnoe and Emir oil and gas fields owned by Emir Oil. The plaintiffs seek unspecified compensatory and exemplary damages.

In April 2005, Sokol Holdings, Inc., filed a complaint in United States

District Court, Southern District of New York alleging that the Company wrongfully induced Mr. Tolmakov, Director of Emir Oil, to breach a contract under which Mr. Tolmakov had agreed to sell to Sokol 70% of his 90% interest in Emir Oil LLP. Sokol Holdings, Inc. seeks damages in an unspecified amount exceeding \$75,000 to be determined at trial, punitive damages, specific performance in the form of an order compelling BMB to relinquish its interest in Emir and the underlying interest in the ADE fields to Sokol Holdings, Inc. and such other relief as the court finds just and reasonable.

The Company is confident that the matters shall be resolved in the Company's favor. The Company has retained legal counsels to protect its interests. In the opinion of the Company's management and legal counsels, the resolution of those lawsuits will not have a material adverse effect on Company's financial condition, results of operations or cash flows.

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BMB MUNAI, INC
(A DEVELOPMENT STAGE ENTITY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. FINANCIAL INSTRUMENTS

The nature of the Company's operations exposes the Company to fluctuations in commodity prices, foreign currency exchange rates, credit risk and country risk. The Company recognizes these risks and manages operations in a manner such that exposure to these risks is minimized to the extent practical.

As of June 30, 2005 and March 31, 2005 marketable securities of \$492,539 and \$788,921, respectively, are held in short term repurchase agreements for securities issued by Kazakhstan banks and Kazakhstan financial institutions. As of June 30, 2005 and March 31, 2005 cash and cash equivalents include deposits in Kazakhstan banks in the amount \$4,156,607 and \$9,090,276, respectively. As of June 30, 2005 and March 31, 2005 the Company made advance payments to Kazakhstan companies and government bodies in the amount \$4,576,516 and \$4,301,342, respectively. As of June 30, 2005 and March 31, 2005 trade accounts receivable of \$1,178 and \$132,400, respectively, are with the Kazakhstan oil processing plant. Restricted cash reflected in the long-term assets consists of \$60,973 deposited in a Kazakhstan bank and restricted to meet possible environmental obligations according to the regulations of Kazakhstan. Furthermore, the primary asset of the Company is Emir Oil; an entity formed under the laws of the Republic Kazakhstan.

11. SUBSEQUENT EVENTS

Subsequent to the quarter ended June 30, 2005 the Company granted 70,526 common stocks to its former Chief Executive Officer and President for the past services rendered.

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Item 2. Management's Discussion and Analysis or Plan of Operations

The following discussion is intended to assist you in understanding our results of operations and our present financial condition. Our Consolidated Financial Statements and the accompanying notes included in this Form 10-QSB contains additional information that should be referred to when reviewing this material and this document should be read in conjunction with the Form 10-KSB of the Company for the year ended March 31, 2005.

Statements in this discussion may be forward-looking. These forward-looking statements involve risks and uncertainties, including those discussed below, which could cause actual results to differ from those expressed.

Forward Looking Statements

Certain of the statements contained in all parts of this document including, but not limited to, those relating to our drilling plans, future expenses, changes in wells operated and reserves, future growth and expansion, future exploration, future seismic data, expansion of operations, our ability to generate new prospects, our ability to obtain a production license, review of outside generated prospects and acquisitions, additional reserves and reserve increases, managing our asset base, expansion and improvement of capabilities, integration of new technology into operations, credit facilities, new prospects and drilling locations, future capital expenditures and working capital, sufficiency of future working capital, borrowings and capital resources and liquidity, projected cash flows from operations, future commodity price environment, expectations of timing, the outcome of legal proceedings, satisfaction of contingencies, the impact of any change in accounting policies on our financial statements, the number, timing or results of any wells, the plans for timing, interpretation and results of new or existing seismic surveys or seismic data, future production or reserves, future acquisitions of leases, lease options or other land rights, management's assessment of internal control over financial reporting, financial results, opportunities, growth, business plans and strategy and other statements that are not historical facts contained in this report are forward-looking statements. When used in this document, words like "expect," "project," "estimate," "believe," "anticipate," "intend," "budget," "plan," "forecast," "predict," "may," "should," "could," "will" and similar expressions are also intended to identify forward-looking statements. Such statements involve risks and uncertainties, including, but not limited to, market factors, market prices (including regional basis differentials) of natural gas and oil, results for future drilling and marketing activity, future production and costs and other factors detailed herein and in our other Securities and Exchange Commission filings. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated. These forward-looking statements speak only as of their dates and should not be unduly relied upon. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

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Overview

BMB Munai, Inc., is an independent oil and natural gas company engaged in the exploration, development, acquisition and production of crude oil and natural gas properties in the Republic of Kazakhstan (sometimes also referred to herein as the "ROK" or "Kazakhstan"). We hold a contract that allows us to explore and develop approximately 460 square kilometers in western Kazakhstan. Our contract grants us the right to explore and develop the Aksaz, Dolinnoe and Emir oil and gas fields, referred to herein as "the ADE Block" as well as an area adjacent to the ADE Block referred to herein as "the Extended Territory." The ADE Block and Extended Territory are collectively referred to herein as "our properties."

We are currently in the development stage. We generate revenue, income and cash flow by producing and marketing oil and natural gas from our oil and natural gas properties. We make significant capital expenditures in our exploration and development activities that we anticipate will allow us to increase and improve our ability to generate revenue. Our drilling strategy is focused toward enhancing cash flows and increasing proved developed reserves by drilling developmental wells within a proximity of existing wells, which we believe decreases our likelihood of drilling a dry hole, while at the same time increasing our current production and cash flow. As our cash flow and proved developed reserves grow, we will begin drilling exploratory wells to find new reservoirs or extend known reservoirs. We believe this strategy will result in growth of proved developed reserves, production and financial strength.

Industry and Economic Factors

We are a development stage company and have not yet generated significant production or revenues from the development of our properties. While we have raised capital to fund acquisitions and operations to date, we believe we still lack sufficient capital to complete exploration and development of our properties. We are currently using more cash in operations than we generate. We anticipate the need for additional funding before our revenue from oil and

natural gas production will be sufficient to meet our operating needs.

In managing our business, we must deal with many factors inherent in our industry. First and foremost is the fluctuation of oil and gas prices. Historically, oil and gas markets have been cyclical and volatile, with future price movements, which are difficult to predict. While our revenues are a function of both production and prices, wide swings in commodity prices will likely have the greatest impact on our results of operations. We have no way to predict those prices or to control them without losing some advantage of the upside potential. The oil and gas industry has continued to experience high commodity prices in 2005, which has positively impacted the entire industry as well as our Company.

Our operations entail significant complexities. Advanced technologies requiring highly trained personnel are utilized in both exploration and development. Even when the technology is properly used, we may still not know conclusively if hydrocarbons will be present or the rate at which they may be

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produced. Despite our best efforts to limit risk, exploration is a high-risk activity, often times resulting in no commercially productive reserves being discovered. Moreover, costs associated with operating within our industry are substantial.

Our business, as with other extractive industries, is a depleting one in which each gas equivalent produced must be replaced or our business, and a critical source of future liquidity, will shrink.

The oil and gas industry is highly competitive. Competition in Kazakhstan and Central Asia includes other junior hydrocarbons exploration companies, mid-size producers and major exploration and production companies. Many of our competitors have greater financial resources and larger technical staff than we have.

We are subject to various levels of government regulation and control, both in Kazakhstan and the United States. In particular, our activities are subject to stringent operational and environmental regulations. These regulations affect our costs of planning, designing, drilling, installing and operating oil and gas wells and related facilities. These regulations may become more demanding in the future.

Recent Developments

During the quarter we completed construction of Dolinnoe-3 well, which commenced on January 26, 2005. Preliminary tests indicated the presence of five oil bearing zones. Inside the producing intervals core sampling, hydrodynamic and field geophysical research and formation testing were completed and oil and gas flow was discovered. Works for more extensive testing are currently under way. To start test production on the Dolinnoe-3 well, we constructed a flow line from the well to the oil collection center in the Dolinnoe field and installed a wellhead heater. Presently, we have penetrated two bearing zones in Dolinnoe-3 well. We plan to perforate and test the other productive zones.

Subsequent to construction of the Dolinnoe-3 well, we undertook operations to reenter the Aksaz-4 well which was drilled to a depth of 4,080 meters, but abandoned during the Soviet Union period due to lack of financing. We performed initial underground workover of Aksaz-4 well with the purpose of examining the condition of the drilled well bore and its preparation for further drilling. On May 13, 2005, we commenced drilling operations on the Aksaz-4 well. While drilling, we performed geophysical, geological and technical studies and core sampling of Triassic formations. On the basis of available geological information including the data obtained from the 3D seismic survey, a structure with a probability of oil bearing capacity was discovered in Paleozoic formations. As of August 2, 2005 drilling of the well has almost been completed.

During the first quarter we also continued workover of four wells which are currently under testing and test production. We removed geophysical

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equipment abandoned in the Dolinnoe-1 well and penetrated to deeper productive

horizons perforating two additional oil bearing zones.

At the Dolinnoe-2 well we perforated the second, third and fourth horizons using high-powered perforating charges. On June 14, 2005 the well was put on test production.

In June 2005 we performed a second perforation on the Emir-1 well to provide more penetration capability and preparations for hydraulic fracturing of this well with acid treatment were performed.

Repair works are also under way on the Aksaz-1 well to liquidate the drill string-casing annulus and isolate a water-bearing horizon.

Outlook

During the remainder of the fiscal year, we will continue work over and research operations on the existing five wells in the ADE Block. During the upcoming quarter we also plan to complete construction of the Aksaz-4 well and put it into test production.

In order to increase production rates in existing wells we plan to employ new technological methods, including the use of specially formulated acidic compositions for use when conducting hydraulic fracturing and treatment on the wells of Dolinnoe and Emir fields. By utilizing acidic compositions that are specifically adjusted to the properties of the geological structures, oil content and downhole temperatures at each well, we anticipate improved results from fracturing and increased oil production. During the upcoming quarters we plan conduct hydraulic fracturing on the Emir-1 and Dolinnoe-2 wells. We plan to undertake similar operations on Dolinnoe-1 and Dolinnoe-3 wells as well.

We also plan to explore opportunities for radial and horizontal drilling and have retained the services of several leading scientific and research project institutes to assist us.

During the first quarter we retained Chapman Petroleum Engineering LTD ("Chapman") to perform reserve and economic evaluations of oil and gas properties in the Extended Territory. Chapman will perform the evaluation based on the results of reinterpretation of 2D seismic data. Additionally in April 2005, we concluded a contract on 3D seismic field works in the Extended Territory. Results of reserve evaluation by Chapman and the 3D seismic survey will allow us to have sufficient information to evaluate the oil and gas reserves of the Extended Territory, and prepare an efficient work program for further exploration and development of the Extended Territory. We have commenced well inspection and hydro-testing of a production string at Kariman-1 well drilled during Soviet times in the Extended Territory to the depth of Jurassic formations with the purpose of its probable deepening down to the oil-bearing Triassic deposits.

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We invested approximately \$6 million in exploration and development of our properties during the three months ended June 30, 2005. We expect to invest an additional \$4 million to \$8 million in exploration and development during the remainder of the current fiscal year. We anticipate the need to raise an additional \$40,000,000 to support exploration and development activities before we expect income from oil production to be sufficient to meet our needs for operating capital.

Our outlook as described above is subject to change based upon factors that include, but are not limited to, drilling results, commodity prices, access to capital and other factors referred to in "Forward Looking Statements."

We have and will continue to seek to increase our proven reserves through continued exploration of our properties, as well as the acquisition of other properties with exploration and production potential.

For us to operate profitably and grow in the future we need to obtain additional capital either through additional fund raising or through significantly increased production. Our revenue, profitability and future growth depend substantially on factors beyond our control, such as economic, political and potential regulatory and competition from other sources of energy. Oil and natural gas prices historically have been volatile and may fluctuate widely in

the future. Sustained periods of low prices for oil or natural gas could materially and adversely affect our financial position, results of operations, the quantities of oil and natural gas reserves that we can economically produce, the markets into which we can sell our oil and our access to additional capital. In a worst case scenario, future drilling operations could be largely unsuccessful, oil and gas prices could sharply decline, we could fail to gain access to the world oil markets and/or other factors beyond our control could cause us to modify or substantially curtail our exploration and development plans, which could negatively impact our earnings, cash flow and most likely the trading price of our securities.

Results of Operations

This section includes discussion of our results of operations for the three-month period ended June 30, 2005 as compared to the same period of the prior year.

Three months ended June 30, 2005, compared to the three months ended June 30, 2004

Revenue and Production

The following table summarizes production volumes, average sales prices and operating revenue for our oil and natural gas operations for the three months ended June 30, 2005 and the three months ended June 30, 2004.

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<TABLE>
<CAPTION>

	Three months ended June 30, 2005 to the three months ended June 30, 2004			
	For the three Months ended June 30, 2005	For the three months ended June 30, 2004	\$ Increase (Decrease)	% Increase (Decrease)
<S>	<C>	<C>	<C>	<C>
Production volumes:				
Natural gas (Mcf)	-	-	-	-
Natural gas liquids (Bbls)	-	-	-	-
Oil and condensate (Bbls)	41,456	11,405	30,051	263
Barrels of Oil equivalent (BOE)	-	-	-	-
Average Sales Price				
Natural gas (\$ per Mcf)	\$ -	\$ -	\$ -	-
Natural gas liquids (\$ per Bbl)	\$ -	\$ -	\$ -	-
Oil and condensate (\$ per Bbl)	\$ 17.98	\$ 13.22	\$ 4.76	36
Barrels of Oil equivalent (\$ per BOE)	\$ -	\$ -	\$ -	-
Operating Revenue:				
Natural gas	\$ -	\$ -	\$ -	-
Natural gas liquids	-	-	-	-
Oil and condensate	662,637	118,949	543,688	457
Gain on hedging and derivatives(1)	-	-	-	-
Total	\$662,637	\$118,949	\$543,688	457

</TABLE>

(1) We did not engage in hedging transactions, including derivatives during the three months ended June 30, 2005, or the three months ended June 30, 2004.

Revenues. We generate revenue under our contract from the sale of oil and natural gas recovered during test production. During the three months ended

June 30, 2005 and 2004, 100% of our revenue was generated from the sale of crude oil. During our first fiscal quarter 2005 we realized revenue from oil and gas sales of \$662,637 compared to \$118,949 during our first fiscal quarter of 2004. This increase in revenues is primarily the result of two facts. First, we performed workover of re-entered wells and drilled two additional wells, both of which led to increased production volume. Second, oil price in the domestic market increased 36% during the three months ended June 30, 2005. We anticipate production will continue to increase in the upcoming fiscal quarters. If production increases and oil prices remain constant or continue to increase, we expect revenue will continue to increase in the upcoming quarters. At the present time, however, it is unclear the rate at which our production and corresponding revenues may increase.

Our revenue is sensitive to changes in prices received for our products. Our production is sold at the prevailing market price in Kazakhstan, which fluctuates in response to many factors that are outside our control. Imbalances in the supply and demand for oil can have a dramatic effect on the prices we receive for our production. Political instability, the economy, weather and other factors outside our control could impact supply and demand.

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Costs and Operating Expenses

The following table presents a detail of our expenses for the three months ended June 30, 2005 and 2004:

<TABLE>
<CAPTION>

	For the three months ended June 30, 2005	For the three months ended June 30, 2004
<S>	<C>	<C>
Expenses:		
Oil and gas operating(1)	\$ 37,811	\$ 24,322
Selling	42,462	8,436
Depreciation, depletion and amortization	60,367	9,125
General and administrative	1,001,238	550,950
Total	\$1,141,878	\$ 592,833
=====		
Expenses (\$ per BOE):		
Oil and gas operating(1)	1.03	2.70
Depreciation, depletion and amortization(2)	0.81	-

</TABLE>

-
- (1) Includes lease operating costs and production and ad valorem taxes.
(2) Represents depreciation, depletion and amortization of oil and gas properties only.

Production Expenses. During the three months ended June 30, 2005, we incurred \$67,740 in production expenses compared to \$24,322 during the three months ended June 30, 2004. A significant portion of the increase in production expenses is attributable to accrual of depletion. During the first quarter we accrued \$29,929 depletion expenses of oil and gas properties. Additionally production cost increased as a result of hiring more production and maintenance personal and repair overhead. We expect production expenses to continue to increase in the upcoming fiscal quarters. At the present time, however, it is unclear the rate at which our production expenses may increase in upcoming fiscal quarters.

Selling Expenses. We incurred selling expenses of \$42,462 during the three months ended June 30, 2005 compared to \$8,436 during the three months ended June 30, 2004. The increase in selling expenses is nearly proportional to the increase in revenue during the comparable quarters as we incurred. We transport oil produced in oilfields to railway terminals in oil tankers which are under operational lease. Consequently we use more gasoline and incur more overhead. We expect selling expenses to continue to increase in the upcoming fiscal quarters as revenue continues to increase. At the present time, however, it is unclear the rate at which our production expenses may increase in the upcoming fiscal year.

General and Administrative Expenses. General and administrative expenses during the three months ended June 30, 2005 were \$1,001,238 compared to \$550,950 during the three months ended June 30, 2004. This represents a 82%

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increase in general and administrative expenses. This significant increase is attributable to a 140% increase in payroll and other compensation, a 139% increase in rent expenses, a 89% increase in professional services fees, a 22% increase in taxes, a 52% increase in transportation, a 1,314% increase in insurance expense, a 19% increase in communication expenses and a 80% increase in other expenses. The significant increase in general and administrative expenses is largely the result of hiring more personnel to operate our business, using services of technicians, engineers, accountants and lawyers, as well as incurring other general corporate expenses. We anticipate general and administrative expenses will increase in the upcoming fiscal quarters. However, we do not expect general and administrative expenses to increase at such a significant rate in the upcoming quarters. We anticipate increases in revenue, operating costs and selling costs will outpace the increase in general and administrative expenses in the upcoming quarters.

In April 2005 we elected to relocate our U.S. offices to Salt Lake City. Consequently we plan to sublease our office space in New York City to another company. We also reduced the number of employees we have in our U.S. office. We believe these measures will reduce our rent, taxes and other relevant expenses in the upcoming fiscal quarters.

Loss from Operations. During the three months ended June 30, 2005 we realized a loss from operations of \$479,241 compared to a net loss from operations of \$473,884 during the three months ended June 30, 2004. We realized a 457% increase in revenue during the three months ended June 30, 2005 compared to the comparable period 2004. This increase was offset by a 179% increase in production cost and an 82% increase in general and administrative expenses, which resulted in a 1% increase in loss from operations during the quarter ended June 30, 2005 compared to the quarter ended June 30, 2004. Until such time as revenue from oil and gas sales exceeds expenses we will continue to generate operating losses. At this time, it is unclear when we will generate sufficient oil and gas to offset our expenses.

Other Expense. During the three months ended June 30, 2005 we realized total other expense of \$58,561 compared to total other expense \$168,224 for the three months ended June 30, 2004. This decrease in other expense is largely attributable to \$7,864 increase in realized gains on marketable securities, a \$296,158 increase in unrealized gain on marketable securities and our realizing interest income of \$9,138, partially offset by a \$210,069 decrease in exchange gain resulting from fluctuations of foreign currency rates against the U.S. Dollar. Also during the three months ended June 30, 2005 we received approximately \$5.2 million for securities sold during a private placement transaction completed on March 31, 2005. Therefore, at times during the quarter, we had funds that were not being used in operations that we invested in marketable securities. We anticipate the funds held in marketable securities will be used to fund our operations and therefore expect gains from marketable securities, both realized and unrealized, to decrease in upcoming quarters.

Net Loss. During the three months ended June 30, 2005 we realized a net loss of \$537,802 compared to a net loss of \$602,206 for the three months ended

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June 30, 2004. This reduction in net loss is largely attributable to the significant increase in revenue resulting from increased oil and gas production during the quarter ended June 30, 2005. While our production and revenues are increasing, we will continue to realize net losses from operations until such time as revenues generated from oil and gas production and sales and other income offset our expenses. At this time, it is unclear when, or if, that may occur.

Liquidity and Capital Resources

Funding for our activities has historically been provided by funds raised through the sale of our common stock. From inception on May 6, 2003 through June 30, 2005, we have raised \$44,437,719 through the sale of our common

stock and proceeds from the issuance of convertible debt. As of June 30, 2005, we had cash and cash equivalents of \$7,885,926. We anticipate our capital resources in the upcoming quarters will likewise consist primarily of funds raised in financing activities and revenue from the sale of oil and gas recovered during test production.

Our need for capital, in addition to funding our ongoing operations, is primarily related to the exploration and development of our properties as required under our contract, and the potential acquisition of additional oil and gas properties. For the period from inception on May 6, 2003 through June 30, 2005, we have incurred capital expenditures of \$48,955,938 for exploration, development and acquisition activities.

Cash Flows

During the three months ended June 30, 2005 cash was primarily used to fund exploration and development expenditures. We had a net decrease in cash and cash equivalents of \$2,103,706 during the quarter. See below for additional discussion and analysis of cash flow.

<TABLE>

<CAPTION>

	Three months ended June 30, 2005	Three months ended June 30, 2004
	-----	-----
	<C>	<C>
Net cash used in operating activities	\$(2,086,880)	\$ (839,491)
Net cash used in investing activities	(6,102,444)	(982,087)
Net cash provided by financing activities	6,085,618	-
	-----	-----
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$(2,103,706)	\$(1,821,578)

</TABLE>

Our primary source of cash has been cash proceeds from equity offerings. During the three months ended June 30, 2005 we received cash proceeds of \$5,221,685 from the subscriptions received during our private placement that concluded on March 31, 2005. We primarily used this cash to fund our capital expenditures. At June 30, 2005 we had cash on hand of \$7,885,926.

We continually evaluate our capital needs and compare them to our capital resources. Our budgeted capital expenditures for the fiscal 2005 year are \$10 million to \$14 million for exploration, development, production and acquisitions. We expect to fund these expenditures primarily from additional capital we will seek and cash on hand. In the event we are not successful in raising the anticipated funds from the sale of our securities, we nevertheless believe capital expenditures of approximately \$10 million to \$14 million could be financed through cash on hand, the sale of marketable securities and revenues from anticipated oil production. The minimum level of capital expenditures on our properties is dictated by the contract. The amount of funds we devote to any particular activity in excess of the minimum required capital expenditures may increase or decrease significantly depending on available opportunities, cash flows and development results, among others.

If we are not successful in obtaining funding, we anticipate that we will instead seek to develop existing wells and infrastructure in hopes of generating sufficient revenue to finance our operations. This development would be funded by cash and cash equivalents and the sale of marketable securities we currently hold. If the funding is limited to these sources, our anticipated development activities would be significantly more limited than anticipated under our present business plan.

We hold marketable securities consisting of short-term repurchase agreements for securities issued by Kazakhstan banks and Kazakhstan financial institutions. Additionally, certain operating cash flows are denominated in local currency and are translated into U.S. dollars at the exchange rate in effect at the time of the transaction. Because of the potential for civil unrest, war and asset expropriation, some or all of these matters, which impact operating cash flow, may affect our ability to meet our short-term cash needs.

Contractual Obligations and Contingencies

The following table lists our significant commitments at June 30, 2005 as listed on our consolidated balance sheet:

<TABLE>

<CAPTION>

Contractual obligations	Payments Due By Period				
	Total year	Less than 1 year	1-3 years	4-5 years	After 5 years
<S>	<C>	<C>	<C>	<C>	<C>
Capital Expenditure Commitment(1)	\$19,800,000	\$9,300,000	\$10,500,000	-	-
Due to the Government of the Republic of Kazakhstan(2)(3)	\$ 5,994,200	-	\$ 5,994,200	-	-
Due to Reservoir Consultants	\$ 500,000	\$ 278,000	\$ 222,000	-	-
Liquidation Fund	\$ 100,973	-	-	\$100,973	-
Office Lease	\$ 165,010	\$ 82,505	\$ 82,505	-	-

</TABLE>

- (1) Under the terms of our contract with the ROK, we are required to spend a total of at least \$19.8 million dollars in exploration, development and improvements within the ADE Block, as extended during the term of the license, including \$9.3 million in the 2005 calendar year, \$6 million in the 2006 calendar year and \$4.5 million in the 2007 calendar year. If we fail to do so, we may be subject to the loss of our exploration license.

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- (2) In connection with our acquisition of the oil and gas contract covering the ADE Block, we are required to repay the ROK for historical costs incurred by it in undertaking geological and geophysical studies and infrastructure improvements. The repayment terms of this obligation will not be determined until such time as we apply for and are granted commercial production rights by the ROK. Under our contract, if we wish to commence commercial production, we must apply for such right prior to the expiration of our exploration and development rights in June 2007. We are legally entitled to receive commercial production rights and have the exclusive right to negotiate such with the ROK, and the ROK is required to conduct the negotiations under the Law of Petroleum in Kazakhstan. Although we can apply for commercial production rights at any time, we enjoy certain benefits under our contract that currently make it more economically advantageous for us to continue exploration and development activities at this time. We anticipate that we will apply for commercial production rights sometime during the first half of the 2007 calendar year. Should we decide not to pursue a commercial production contract, we can relinquish the ADE Block to the ROK in satisfaction of this obligation.
- (3) As with the ADE Block, we will also be required to repay the ROK its historical costs for access to and use of geological and geophysical data gathered and infrastructure improvement previously made by the ROK within the Extended Territory. We are presently negotiating the amount and terms of this obligation with the ROK. This approximately \$6 million obligation represents only our repayment obligation with respect to the ADE Block, and not the extended territory.

Off-Balance Sheet Financing Arrangements

As of June 30, 2005, we had no off-balance sheet financing arrangements.

Recently Issued Accounting Pronouncements

In May 2005, the FASB issued Statement 154, "Accounting Changes and Error Corrections", a replacement of APB Opinion 20, "Accounting Changes" and FASB Statement 3, "Reporting Accounting Changes in Interim Financial Statements." This Statement changes the requirements for the accounting for and reporting of a change in accounting principle. Opinion 20 previously required

that most voluntary changes in accounting principle be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. This statement requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period specific effects or the cumulative effect of the change. This statement is effective for accounting changes and corrections of errors made in fiscal periods that begin after December 15, 2005 and will not impact the our financial position or results of operations, and cash flows.

Item 3. Controls and Procedures

Our chief executive officer and our chief financial officer (the "Certifying Officers") are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15 and Rule 15d-15(e)). Such officers have concluded (based upon their evaluations of these controls and procedures as of the end of the period covered by this report) that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in this report is accumulated and communicated to management, including the Certifying Officers as appropriate, to allow timely decisions regarding required disclosure.

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The Certifying Officers have also indicated that there were no significant changes in our internal controls over financial reporting or other factors that could significantly affect such controls subsequent to the date of their evaluation, and there were no significant deficiencies and material weaknesses.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

In December 2003, a complaint was filed in the 15th Judicial Court in and for Palm Beach County, Florida, naming, among others, us, Georges Benarroch and Alexandre Agaian, current or former BMB directors, as defendants. The plaintiffs, Brian Savage, Thomas Sinclair and Sokol Holdings, Inc., allege claims of breach of contract, unjust enrichment, breach of fiduciary duty, conversion and violation of a Florida trade secret statute in connection with a business plan for the development Aksaz, Dolinnoe and Emir oil and gas fields owned by Emir Oil, LLC. The plaintiffs seek unspecified compensatory and exemplary damages.

We will vigorously defend ourselves in this action and challenge the merit of each claim alleged by plaintiffs. We have retained the law firm of Gunster, Yoakley & Stewart, P.A., located in Fort Lauderdale, Florida to represent the defendants in connection with this litigation. We have filed motions to dismiss the plaintiffs' complaint on jurisdictional grounds. The motions were scheduled for hearing in late August 2004, however, that hearing has been stayed by stipulation of the parties to allow the parties to conduct jurisdictional discovery. The hearing has not yet been rescheduled by the parties. No discovery on the merits of the claims has begun and no trial date has been set by the court.

Based on the same set of facts alleged in the Florida case, in April 2005, Sokol Holdings, Inc., also filed a complaint in United States District Court, Southern District of New York alleging that the Company, Boris Cherdabayev, Alexandre Agaian, Bakhytbek Baiseitov, Mirgali Kunayev and Georges Benarroch, wrongfully induced Toleush Tolmakov to breach a contract under which Tolmakov had agreed to sell to Sokol 70% of his 90% interest in Emir Oil LLP. In the complaint, Sokol seeks damages in an unspecified amount exceeding \$75,000 to be determined at trial, punitive damages, specific performance in the form of an order compelling BMB to relinquish its interest in Emir and the underlying interest in the ADE fields to Sokol and such other relief as the court finds just and reasonable.

We have retained the law firm of Bracewell & Giuliani located in New York, New York to represent us in the lawsuit. We intend to answer the complaint and to vigorously defend ourselves on jurisdictional grounds and on the merits.

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The plaintiff has not named Tolmakov as a defendant in the action nor has the plaintiff ever brought claims against Tolmakov to establish the existence or breach of any legally binding agreement between the plaintiff and Tolmakov. A scheduling conference has been set for August 12, 2005.

In the opinion of management, the resolution of this lawsuit will not have a material adverse effect on our financial condition, results of operations or cash flows.

Other than the foregoing, to the knowledge of management, there is no other material litigation or governmental agency proceeding pending or threatened against the Company or our management.

Item 2. Changes in Securities

In May and June 2005, Credifinance exercised warrants granted in December 2003 to purchase 275,050 common shares for \$2.15 per share and 109,030 common shares for \$2.50 per share, for an aggregate purchase price of \$863,933. The shares were issued without registration pursuant to Regulation S of the rules and regulations promulgated by the Securities and Exchange Commission under the Securities Act of 1933. There was no underwriter involved in these transactions.

Item 5. Other Information

On July 13, 2005, Mr. Alexandre Agaian tendered his resignation as a director, co-chief executive officer and president of the Company. Mr. Agaian's resignation was not the result of any disagreement with the Company on any matter relating to our operations, policies or procedures. We recently concluded negotiation of a separation agreement with Mr. Agaian, under which he will receive six monthly payments of \$19,476 commencing on July 15, 2005, and 70,526 shares of restricted Company common stock.

Mr. Boris Cherdabayev has been appointed by our board of directors to serve as chief executive officer and president of the Company to fill the vacancies created by Mr. Agaian's resignation.

Item 6. Exhibits and Reports on Form 8-K

(A) Reports on Form 8-K.

None.

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(b) Exhibits. The following exhibits are included as part of this report:

- Exhibit 31.1 Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- Exhibit 31.2 Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- Exhibit 32.1 Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- Exhibit 32.2 Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

In accordance with Section 12 of the Securities Exchange Act of 1934, the registrant caused this registration statement to be signed on its behalf, thereunto duly authorized.

BMB MUNAI, INC.

Date: August 9, 2005 /s/ Boris Cherdabayev

Boris Cherdabayev, Chief Executive Officer,
President and Director

Date: August 9, 2005

/s/ Anuar Kulmagambetov

Anuar Kulmagambetov, Chief Financial Officer

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Boris Cherdabayev, certify that:

(1) I have reviewed this Quarterly Report on Form 10-QSB of BMB Munai, Inc. (the "Company");

(2) Based on my knowledge, this Quarterly 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 Quarterly Report;

(3) Based on my knowledge, the financial statements, and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this Quarterly Report;

(4) The Company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company 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 Company, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this quarterly 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 Company'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 Quarterly Report based on such evaluation; and
- (d) Disclosed in this Quarterly Report any change in the Company's internal controls over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting; and

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

- (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Company'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 Company's internal controls over financial reporting.

Date: August 9, 2005

By: /s/ Boris Cherdabayev

Boris Cherdabayev,
Principal Executive Officer

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Anuar Kulmagambetov, certify that:

(1) I have reviewed this Quarterly Report on Form 10-QSB of BMB Munai, Inc. (the "Company");

(2) Based on my knowledge, this Quarterly 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 Quarterly Report;

(3) Based on my knowledge, the financial statements, and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this Quarterly Report;

(4) The Company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company 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 Company, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this quarterly 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 Company'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 Quarterly Report based on such evaluation; and
- (d) Disclosed in this Quarterly Report any change in the Company's internal controls over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting; and

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

- (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Company'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 Company's internal controls over financial reporting.

Anuar Kulmagambetov,
Principal Financial Officer

CERTIFICATION OF PRINCIPAL
EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT BY
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Quarterly Report of BMB Munai, Inc., on Form 10-QSB for the period ended June 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Boris Cherdabayev, Principal Executive Officer of the Company, certifies, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: August 9, 2005

/s/ Boris Cherdabayev

Boris Cherdabayev,
Principal Executive Officer

CERTIFICATION OF PRINCIPAL
FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT BY
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Quarterly Report of BMB Munai, Inc., on Form 10-QSB for the period ended June 30, 2005, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Anuar Kulmagambetov, Principal Financial Officer of the Company, certifies, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: August 9, 2005

/s/ Anuar Kulmagambetov

Anuar Kulmagambetov,
Principal Financial Officer