

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-Q/A-1

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
**For the Quarterly Period Ended June 30, 2006**
- 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 **000-28638**

**BMB MUNAL, 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.)

**202 Dostyk Ave, 4<sup>th</sup> Floor**

**Almaty, Kazakhstan**

(Address of principal executive offices)

**050051**

(Zip Code)

**+7 (3272) 375-125**

(Registrant's telephone number, including area code)

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 any shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act: (Check one):

Large accelerated Filer

Accelerated Filer

Non-accelerated Filer

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

Yes  No

At August 2, 2006, the registrant had 43,740,657 shares of Common Stock, par value \$0.001, issued and outstanding.

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## Explanatory Note to Amendment No. 1 to Quarterly Report on Form 10-Q

BMB Munai, Inc. (the “Company”) is filing this Amendment No. 1 on Form 10-Q/A-1 (the “Amendment”) to its Quarterly Report for the fiscal quarter ended June 30, 2006, which was originally filed with the Securities and Exchange Commission (“SEC”) on August 9, 2006 (the “Original Quarterly Report”) in response to certain comments raised by the staff of the SEC.

Part I, Item 1 “*Financial Information*” of the Original Quarterly Report is hereby amended. In connection with the preparation of the consolidated financial statements for the fiscal year ended March 31, 2007, we determined that the investments classified as “marketable securities” in the consolidated financial statements for the fiscal year ended March 31, 2006 and the fiscal quarter ended June 30, 2006 were, in fact, short-term highly liquid investments, readily convertible to cash, all of which had maturity dates of 90 days or less and therefore they should have properly been classified as cash and cash equivalents rather than marketable securities. In light of this determination, we reclassified “marketable securities” to “cash and cash equivalents” in the consolidated financial statements for the fiscal year ended March 31, 2006 and the fiscal quarter ended June 30, 2006. We therefore have made appropriate revisions to the *Consolidated Balance Sheets*, the *Consolidated Statements of Loss*, the *Consolidated Statements of Cash Flows* and the *Notes to the Consolidated Financial Statements* to reflect the reclassification. The reclassification had no effect on net income. Revisions were also made to the *Notes to the Consolidated Financial Statements* to provide additional clarification as to our policy for recognition of revenue and costs, our accounting for share based compensation and reclassifications. Other footnote disclosures were revised in response to SEC comments.

Part I, Item 2. “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” of the Original Quarterly Report is also hereby amended to reflect the changes made to the *Consolidated Financial Statements* as discussed in the preceding paragraph, to provide additional disclosure regarding the method we use to calculate our per unit costs and why they increased during the three months ended June 30, 2006 and to explain why depletion and depreciation and amortization increased during the three months ended June 30, 2006.

In accordance with Rule 12b-15 under the Securities Exchange Act of 1934, this Amendment also includes currently dated certifications from the Company’s Chief Executive Officer and Chief Financial Officer as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. The certification exhibits and Item 6 have been revised accordingly.

This Amendment speaks only as of the filing date of the Original Quarterly Report and, except as discussed in this explanatory note, is unchanged from the Original Quarterly Report. This Amendment does not reflect events after the filing of the Original Quarterly Report or modify or update those disclosures affected by subsequent events. Therefore, you should read this Amendment together with our other reports that update and/or supersede the information contained in this Amendment.

**PART I - FINANCIAL INFORMATION**

**Item 1 - Unaudited Consolidated Financial Statements**

**BMB MUNAI, INC.**

**CONSOLIDATED BALANCE SHEETS**

	Notes	June 30, 2006	March 31, 2006
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	\$47,497,179	\$51,141,732
Trade accounts receivable		603,511	1,675,202
Inventories	4	4,748,779	3,239,947
Prepayments for materials		3,097,664	712,526
Prepaid expenses and other assets, net	5	2,071,460	566,920
Total current assets		<u>58,018,593</u>	<u>57,336,327</u>
<b>LONG TERM ASSETS</b>			
Oil and gas properties, full cost method, net	6	72,872,721	66,683,297
Other fixed assets, net	7	1,171,736	1,020,951
Intangible assets, net		43,334	49,656
Long term VAT recoverable		1,891,075	1,335,971
Restricted cash		156,454	156,454
Total long term assets		<u>76,135,320</u>	<u>69,246,329</u>
<b>TOTAL ASSETS</b>		<b><u>\$134,153,913</u></b>	<b><u>\$ 126,582,656</u></b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable		\$ 5,271,951	\$ 3,629,338
Due to reservoir consultants		-	500,000
Taxes payable		112,590	145,406
Accrued liabilities and other payables		142,999	349,231
Total current liabilities		<u>5,527,540</u>	<u>4,623,975</u>
<b>LONG TERM LIABILITIES</b>			
Liquidation fund		964,197	924,592
Deferred income tax liabilities		6,405,285	6,405,285
Total long term liabilities		<u>7,369,482</u>	<u>7,329,877</u>
<b>COMMITMENTS AND CONTINGENCIES</b>	11	-	-
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	8	43,691	42,224
Additional paid in capital	8	133,598,388	123,831,007
Accumulated deficit		(12,385,188)	(9,244,427)
Total shareholders' equity		<u>121,256,891</u>	<u>114,628,804</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b><u>\$134,153,913</u></b>	<b><u>\$ 126,582,656</u></b>

See notes to the consolidated financial statements.

**BMB MUNAI, INC.****CONSOLIDATED STATEMENTS OF LOSS**

	<b>Notes</b>	<b>Three months ended June 30, 2006</b>	<b>Three months ended June 30, 2005</b>
REVENUES	9	\$ 2,345,972	\$ 662,637
EXPENSES			
Oil and gas operating		414,875	80,273
General and administrative		5,367,696	1,001,238
Depletion		240,491	189,778
Amortization and depreciation		35,145	30,438
Accretion expenses		39,605	-
Total expenses		<u>6,097,812</u>	<u>1,301,727</u>
LOSS FROM OPERATIONS		(3,751,840)	(639,090)
OTHER INCOME (EXPENSE)			
Realized gain on marketable securities		-	62,779
Unrealized loss on marketable securities		-	(7,539)
Foreign exchange gain / (loss), net		158,644	(132,415)
Interest income, net		515,235	12,022
Other (expense) / income, net		(62,800)	6,592
Total other income / (expense)		<u>611,079</u>	<u>(58,561)</u>
LOSS BEFORE INCOME TAXES		(3,140,761)	(697,651)
INCOME TAX EXPENSE		<u>-</u>	<u>-</u>
NETLOSS		<u>\$ (3,140,761)</u>	<u>\$ (697,651)</u>
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING – BASIC AND DILUTED		37,626,620	31,750,558
LOSS PER COMMON SHARE (BASIC AND DILUTED)		\$ (0.08)	\$ (0.02)

See notes to the consolidated financial statements.

**BMB MUNAI, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Notes</b>	<b>Three months ended June 30, 2006</b>	<b>Three months ended June 30, 2005</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net loss		\$ (3,140,761)	\$ (697,651)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depletion	6	240,491	189,778
Depreciation and amortization		35,145	30,438
Accretion expenses		39,605	-
Stock based compensation expense	8	4,010,346	-
Unrealized loss on marketable securities		-	7,539
Changes in operating assets and liabilities			
Decrease in marketable securities		-	288,843
Decrease in trade accounts receivable		1,071,691	131,222
Increase in inventories		(1,508,832)	(649,078)
Increase in prepaid expenses and other assets		(4,444,782)	(275,174)
Increase /(decrease) in liabilities		903,566	(1,112,797)
		<u>(2,793,531)</u>	<u>(2,086,880)</u>
Net cash used in operating activities			
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Acquisition of oil and gas properties	6	(6,392,577)	(6,004,418)
Acquisition of other fixed assets	7	(216,947)	(41,281)
Acquisition of intangible assets		-	(56,745)
		<u>(6,609,524)</u>	<u>(6,102,444)</u>
Net cash used in investing activities			
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from sale of common stock		-	5,221,685
Proceeds from exercise of common stock options and warrants	8	5,758,502	863,933
		<u>5,758,502</u>	<u>6,085,618</u>
Net cash provided by financing activities			
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>(3,644,553)</b>	<b>(2,103,706)</b>
<b>CASH AND CASH EQUIVALENTS at beginning of quarter</b>		<b>51,141,732</b>	<b>9,989,632</b>
<b>CASH AND CASH EQUIVALENTS at end of quarter</b>		<b>\$ 47,497,179</b>	<b>\$ 7,885,926</b>

See notes to the consolidated financial statements.

# **BMB MUNAI, INC.**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **1. DESCRIPTION OF BUSINESS**

BMB Munai, Inc. (the “Company” or “BMB Munai”) 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 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 consolidated 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, Republic of Kazakhstan.

From inception (May 6, 2003) through January 1, 2006 the Company had minimal operations and was considered to be in the development stage. From January 1, 2006 the Company started to generate significant revenues and is no longer in the development stage.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial information included herein is unaudited, except for the balance sheet as of March 31, 2006, which is derived from the Company’s audited consolidated financial statements for the year ended March 31, 2006. 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 consolidated results of operations for the interim period are not necessarily indicative of the consolidated results to be expected for an entire year.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted in this Form 10-Q Report pursuant to certain rules and regulations of the Securities and Exchange Commission. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in our March 31, 2006 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, 2006.

### *Basis of consolidation*

The Company's consolidated 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 LLP from the date of its acquisition by BMB (June 7, 2003) through June 30, 2006 are reflected in the Consolidated Financial Statements and Notes to the Consolidated Financial Statements.

### *Use of estimates*

The preparation of Consolidated Financial Statements in conformity with US GAAP 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 year. Accordingly, actual results could differ from those estimates and affect the results reported in these Consolidated Financial Statements.

### *Licenses and contracts*

Emir Oil LLP is the operator of the Aksaz, Dolinnoe and Emir oil and gas fields in western Kazakhstan (the "ADE Block", the "ADE Fields"). The Government of the Republic of Kazakhstan (the "Government") initially issued the license to Zhanaozen Repair and Mechanical Plant on April 30, 1999. On September 23, 2002, the license was assigned to Emir Oil LLP. On June 9, 2000, the contract for exploration of the Aksaz, Dolinnoe and Emir oil and gas fields was entered into between the Agency of the Republic of Kazakhstan on Investments and the Zhanaozen Repair and Mechanical Plant. On September 23, 2002, the contract was assigned to Emir Oil LLP. On September 10, 2004 the Government extended the term of the Contract for exploration and License from five years to seven years through July 9, 2007. On December 7, 2004 the Government assigned to Emir Oil LLP exclusive right to explore the additional territory during the remaining term of the License. To move from the exploration and development stage to the commercial production stage, the Company must apply for and be granted a commercial production contract. The Company has an exclusive right to negotiate for a commercial production contract and the Government is obligated to conduct these negotiations under the Law of Petroleum in Kazakhstan. If the Company does not move from the exploration and development stage to the commercial production stage, it has the right to produce and sell oil, including export oil, under the Law of Petroleum for the term of its existing contract, which may be extended for an additional two-year term.



#### *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 SFAS No. 123R, *Share Based Payment and EITF Abstracts Issue 96-18, Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services*. Under SFAS No. 123R, share-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 have been offset to the proceeds as a cost of capital. Stock options and stocks granted to other non-employees are recognized in the Consolidated Statements of Operations.

The Company has a stock option plan as described in Note 9. Compensation expense for options and stocks granted to employees is determined based on their fair values at the time of grant, the cost of which is recognized in the Consolidated Statements 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 historically and currently do 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 persuasive evidence of an arrangement exists, the price to the buyer is fixed or determinable, collectibility is reasonably assured, delivery of oil has occurred or when ownership title transferred. Produced but unsold products are recorded as inventory until sold.

### *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.

### *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 or net realizable value. Cost comprises direct materials and, where applicable, direct labor 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.

The Company periodically assesses its inventories for obsolete or slow moving stock and records an appropriate provision, if there is any.

### *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.

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.

Depletion of producing properties is computed using the unit-of-production method based on estimated proved reserves.

### *Liquidation fund*

Liquidation fund (site restoration and abandonment liability) is related primarily to the conservation and liquidation of the Company's wells and similar activities related to its oil and gas properties, including site restoration. Management assessed an obligation related to these costs with sufficient certainty based on internally generated engineering estimates, current statutory requirements and industry practices. The Company recognized the estimated fair value of this liability. These estimated costs were recorded as an increase in the cost of oil and gas assets with a corresponding increase in the liquidation fund. The oil and gas assets related to liquidation fund are depreciated on the unit-of-production basis separately for each field. An accretion expense, resulting from the changes in the liability due to passage of time by applying an interest method of allocation to the amount of the liability, is recorded as accretion expenses in the Consolidated Statement of Loss.

The adequacies of the liquidation fund are periodically reviewed in the light of current laws and regulations, and adjustments made as necessary.

### *Other fixed assets*

Other fixed assets are valued at 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 expense as incurred. Renewals and betterments are capitalized.

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

#### *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.

#### *Reclassifications*

Certain reclassifications have been made in the financial statements for the quarter ended June 30, 2006 to conform to the March 31, 2006 presentation. The reclassifications had no effect on net income.

In the Consolidated Balance Sheets as of June 30, 2006 and March 31, 2006 marketable securities in the amount of \$33,456,728 and \$33,095,609, respectively, were reclassified to cash equivalents. The reclassification had no effect on net income.

### **3. CASH AND CASH EQUIVALENTS**

As of June 30, 2006 and March 31, 2006 cash and cash equivalents included:

	<u>June 30, 2006</u>	<u>March 31, 2006</u>
US Dollars	\$ 47,267,785	\$ 50,959,064
Foreign currency	229,394	182,668
	<u>\$ 47,497,179</u>	<u>\$ 51,141,732</u>

#### 4. INVENTORIES

Inventories as of June 30, 2006 and March 31, 2006 were as follows:

	<u>June 30, 2006</u>	<u>March 31, 2006</u>
Construction material	\$ 4,324,289	\$ 3,069,144
Spare parts	32,889	13,486
Crude oil produced	12,745	8,840
Other	378,856	148,477
	<u>\$ 4,748,779</u>	<u>\$ 3,239,947</u>

#### 5. PREPAID EXPENSES AND OTHER ASSETS, NET

Prepaid expenses and other assets, net, as of June 30, 2006 and March 31, 2006 were as follows:

	<u>June 30, 2006</u>	<u>March 31, 2006</u>
Advances for services	\$2,069,746	\$ 452,839
Other	213,189	309,533
Reserves against uncollectible advances and prepayments	(211,475)	(195,452)
	<u>\$ 2,071,460</u>	<u>\$ 566,920</u>

#### 6. OIL AND GAS PROPERTIES, FULL COST METHOD, NET

Oil and gas properties, full cost method, net, as of June 30, 2006 and March 31, 2006 were as follows:

	<u>June 30, 2006</u>	<u>March 31, 2006</u>
Subsoil use rights	\$ 20,788,119	\$ 20,788,119
Cost of drilling wells	18,258,509	14,895,604
Professional services received in exploration and development activities	11,106,862	10,600,327
Material and fuel used in exploration and development activities	7,582,912	6,840,976
Geological and geophysical	1,710,975	1,432,418
Infrastructure development costs	1,425,334	1,412,999
Other capitalized costs	13,637,142	12,109,495
Accumulated depletion	(1,637,132)	(1,396,641)
	<u>\$ 72,872,721</u>	<u>\$ 66,683,297</u>

## 7. OTHER FIXED ASSETS, NET

	<u>Construction</u>	<u>Machinery and equipment</u>	<u>Vehicles</u>	<u>Office equipment</u>	<u>Other</u>	<u>Total</u>
<b>Cost</b>						
at March 31, 2006	\$ 149,272	\$ 372,427	\$ 432,121	\$ 206,890	\$ 148,645	\$ 1,309,355
Additions	4,123	27,612	127,311	34,087	23,814	216,947
Disposals	-	-	-	-	-	-
at June 30, 2006	<u>153,395</u>	<u>400,039</u>	<u>559,432</u>	<u>240,977</u>	<u>172,459</u>	<u>1,526,302</u>
<b>Accumulated depreciation</b>						
at March 31, 2006	24,922	26,187	152,719	51,650	32,926	288,404
Charge for the period	5,010	5,695	32,242	18,298	4,917	66,162
Disposals	-	-	-	-	-	-
at June 30, 2006	<u>29,932</u>	<u>31,882</u>	<u>184,961</u>	<u>69,948</u>	<u>37,843</u>	<u>354,566</u>
<b>Net book value at March 31, 2006</b>	<b><u>\$ 124,350</u></b>	<b><u>\$ 346,240</u></b>	<b><u>\$ 279,402</u></b>	<b><u>\$ 155,240</u></b>	<b><u>\$ 115,719</u></b>	<b><u>\$ 1,020,951</u></b>
<b>Net book value at June 30, 2006</b>	<b><u>\$ 123,463</u></b>	<b><u>\$ 368,157</u></b>	<b><u>\$ 374,471</u></b>	<b><u>\$ 171,029</u></b>	<b><u>\$ 134,616</u></b>	<b><u>\$ 1,171,736</u></b>

In accordance with SFAS 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 \$37,337 was capitalized to oil and gas properties for the quarter ended June 30, 2006.

## 8. SHARE AND ADDITIONAL PAID IN CAPITAL

Common and preferred stock as of June 30, 2006 and March 31, 2006 were as follows:

	<u>June 30, 2006</u>	<u>March 31, 2006</u>
<b>Preferred stock, \$0.001 par value</b>		
Authorized	20,000,000	20,000,000
Issued and outstanding	-	-
<b>Common stock, \$0.001 par value</b>		
Authorized	500,000,000	100,000,000
Issued and outstanding	43,740,657	42,223,685

On June 21, 2006 the Company filed Certificate of Amendment to BMB Munai, Inc. Articles of Incorporation with the Nevada Secretary of State to increase the Company's authorized common stock from 100,000,000 to 500,000,000 shares. Authorized preferred stock remained unchanged.

### *Share-Based Compensation*

During the fiscal year ended March 31, 2005 the shareholders 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, as well as other stock based awards. 5,000,000 common shares

were reserved for issuance under the Plan. The Board determines the terms of options and other awards made under the Plan. Under the terms of the Plan, no incentive stock options shall be granted with an exercise price at a discount to the market.

### Common Stock

On June 20, 2006 the Company granted common stock to officers and directors and certain employees and consultants of the Company under the Plan. The total number of restricted common shares granted was 495,000. The restricted stock grants were valued at \$7.00 per share. All of the restricted stock grants vested immediately upon grant. Compensation expense in the amount of \$3,465,000 was recognized in the Consolidated Statements of Loss and Consolidated Balance Sheet.

### Stock Options

On June 20, 2006 the Company granted stock options to directors of the Company under the Plan. The total number of options was 200,000. The options are exercisable at a price of \$7.00 per share. The options will expire three years from the grant date. All of the options vested immediately upon grant. Compensation expense for options granted is determined based on their fair values at the time of grant, the cost of which in the amount of \$545,346 was recognized in the Consolidated Statements of Loss and Consolidated Balance Sheet.

On November 12, 2004 the Company granted stock options to its former corporate secretary for 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 vested immediately and expire five years from the date of grant. In April 2006, options to acquire 7,200 common shares were exercised.

Stock options outstanding and exercisable as of June 30, 2006 were as follows:

	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>
<b>As of March 31, 2006</b>	<b>980,783</b>	<b>\$ 4.97</b>
Granted	200,000	7.00
Exercised	(7,200)	4.00
Expired	-	-
<b>As of June 30, 2006</b>	<b>1,173,583</b>	<b>\$ 5.33</b>

Additional information regarding outstanding options as of June 30, 2006 was as follows:

<u>Options Outstanding</u>				<u>Options Exercisable</u>	
<u>Range of Exercise Price</u>	<u>Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Contractual Life (years)</u>	<u>Options</u>	<u>Weighted Average Exercise Price</u>
\$ 4.00 – \$ 7.40	1,173,583	\$5.33	4.15	1,173,583	\$5.33

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

	<b>Three months ended June 30, 2006</b>	<b>Year ended March 31, 2006</b>
Risk-free interest rate	5.23%	4.01% - 4.51%
Expected option life	2 years	2 – 4 years
Expected volatility in the price of the Company's common shares	65%	65% - 74%
Expected dividends	0%	0%
 Weighted average fair value of options and warrants granted during the period	 \$2.73	 \$2.01 - \$3.92

## Warrants

On April 12, 2005, the Company granted warrants to placement agents in connection with funds raised on the Company's behalf. These warrants granted 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. These warrants have been offset to the proceeds as a cost of capital. In October 2005, warrants to purchase 60,000 shares were exercised. In April 2006, the remaining warrants to purchase 50,100 shares were exercised.

On December 31, 2005, the Company granted warrants to placement agents in connection with funds raised on the Company's behalf. These warrants granted the placement agents the right to purchase up to 916,667 shares of the Company's common stock at an exercise price of \$6.00 per share. These warrants have been offset to the proceeds as a cost of capital. On May 13, 2006 these warrants were exercised.

Warrants outstanding and exercisable as of June 30, 2006 were as follows:

	<b>Number of Shares</b>	<b>Weighted Average Exercise Price</b>
<b>As of March 31, 2006</b>	<b>1,109,624</b>	<b>\$ 5.63</b>
Granted	-	-
Exercised	(966,767)	5.95
Expired	-	-
<b>As of June 30, 2006</b>	<b>142,857</b>	<b>\$ 3.50</b>



Additional information regarding warrants outstanding as of June 30, 2006 was as follows:

Warrants Outstanding				Warrants Exercisable	
Range of Exercise Price	Warrants	Weighted Average Exercise Price	Weighted Average Contractual Life (years)	Warrants	Weighted Average Exercise Price
\$ 3.50	142,857	\$3.50	5.01	142,857	\$3.50

## 9. REVENUES

	Three months ended June 30, 2006	Three months ended June 30, 2005
Export sales	\$ 2,345,972	\$ -
Domestic sales	-	662,637
	<b>\$ 2,345,972</b>	<b>\$ 662,637</b>

## 10. RELATED PARTY TRANSACTIONS

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, 2006 and 2005, totaled to \$60,514 and \$55,240, respectively. One of our major shareholders is an owner of Term Oil LLC.

During the quarters ended June 30, 2006 and 2005, the Company also retained the services of several companies. Expenses for those services totaled to \$10,426 and \$35,769, respectively. The suppliers that rendered these services are affiliated with one of the major shareholders of the Company.

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, at the time, shared a major shareholder with 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 major shareholders of the Company.

## 11. 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 in relation to ADE Block and \$5,350,680 in relation to the Extended Territory. When the Company applies for and is granted commercial production rights for the ADE Block and Extended Territory, 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 subsurface exploration contract, Emir Oil LLP 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 \$6 million in 2006 and \$4.5 million in 2007. The Company must also comply with the terms of the work program associated with the contract, which includes the drilling of at least six additional new wells by July 9, 2007. The failure to make these minimum capital expenditures or to comply with the terms of the work program could result in the loss of the subsurface exploration 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 LLP. The plaintiffs seek unspecified compensatory and exemplary damages. The parties have mutually agreed to dismiss this lawsuit without prejudice.

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.

In October 2005, Sokol Holdings amended its complaint in New York to add Brian Savage and Thomas Sinclair as plaintiffs and adding Credifinance Capital, Inc., and Credifinance Securities, Ltd., (collectively "Credifinance") as defendants in the matter. The amended complaint alleges tortious interference with contract, specific performance, breach of contract, unjust enrichment, breach of fiduciary duty, conversion, misappropriation of trade secrets, tortious interference with fiduciary duty and aiding and abetting breach of fiduciary duty in connection with a business plan for the development of the Aksaz, Dolinnoe and Emir oil and gas fields owned by Emir Oil, LLP. The plaintiffs seek damages in an amount to be determined at trial, punitive damages, specific performance 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.

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 management.

## **12. FINANCIAL INSTRUMENTS**

As of June 30, 2006 and March 31, 2006 cash and cash equivalents included marketable securities of \$33,456,728 and \$33,095,609, respectively, presented by discount bonds issued by General Electric Corporation and Rabobank USA and discount notes issued by Fannie Mae.

As of June 30, 2006 and March 31, 2006 cash and cash equivalents include deposits in Kazakhstan banks in the amount \$1,665,031 and \$3,881,255, respectively. As of June 30, 2006 and March 31, 2006 the Company made advance payments to Kazakhstan companies and government bodies in the amount \$6,854,815 and \$2,473,985, respectively. As of June 30, 2006 and March 31, 2006 trade accounts receivable of \$0 and \$1,675,202, respectively, are with the Kazakhstan companies. As of June 30, 2006 and March 31, 2006 restricted cash reflected in the long-term assets consists of \$156,454 and \$156,454, respectively, 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 LLP; an entity formed under the laws of the Republic Kazakhstan.

### **Item 2. Management's Discussion and Analysis of Financial Condition and Results 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 amended Form 10-Q contain 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, as amended, for the year ended March 31, 2006.

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 consolidated 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 crude oil and natural gas, results of 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.

## 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 generate revenue, income and cash flow by producing and marketing crude oil from production from our oil 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 we deem appropriate based on geological data and findings, we also drill 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.

Until recently, we were deemed to be a development stage company. To date, we have relied primarily on funds raised through the sell of our equity securities to fund operations. We currently use more cash in operations than we generate. We believe, however, that we have now raised sufficient capital to fund exploration and development of our properties to a point where the revenue derived from our properties will be sufficient to meet our future operating needs.

### **Industry and Economic Factors**

In managing our business, we must deal with many factors inherent in our industry. First and foremost is the fluctuation of oil prices. Historically, oil markets have been cyclical and volatile, with future price movements that 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 of predicting those prices or of controlling them without losing an advantage from a potential upswing. The oil and gas industry has continued to experience high commodity prices in 2005 and 2006, 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 still may not know conclusively whether hydrocarbons will be present or the rate at which they may be produced. Despite our best efforts to limit risk, exploration is a high-risk activity, often times resulting in no discovery of commercially productive reserves. Moreover, operating costs in our industry are substantial.

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

### **Recent Developments**

In July 2006 we completed drilling of the Kariman-1 well and started testing the well. The tests have been conducted in the open wellbore without perforation in the Upper Triassic formation. Despite the fact that the flows from this horizon are partially blocked by drilling fluid, preliminary testing conducted during the first month of testing - yielded results ranging from 250 to 530 barrels per day. When we penetrated the Upper Triassic formation between a depth of 3,000 and 3,270 meters we discovered a sandstone interval with intensive oil shows recorded on shaleshakers and ditches along with degassing of drilling fluid. Although unexpected, this Upper Triassic interval was subsequently confirmed by electric logging. Based upon our interpretation of a recently completed 3D seismic study, our original goal was to extend the depth of the existing well from 3,069 meters to 3,800 meters, through the Middle Triassic formation. During the reaming of the existing wellbore we discovered that the technical condition of the well had deteriorated significantly from the condition described in

the original drilling logs. Because of the poor conditions within the wellbore, we began a sidetrack at 1,660 meters and essentially drilled a new bore from that depth. When we penetrated the Middle Triassic formation between 3,356 meters and 3,361 meters we encountered very high formation pressure, additional intensive oil shows and a substantial increase in the gas content in drilling fluid. Therefore, as a safety precaution, we compensated by increasing drilling fluid weight. The increased weight of the required drilling fluid allowed us to determine that the Middle Triassic formation is characterized by abnormally high pressure of approximately 600 atmospheres. Due to the high weight of the drilling fluid, beginning at 3,361 meters there was a loss circulation within the wellbore. Analysis of electric logging data determined that the loss circulation area was located at a depth between 1,660-1,860 meters. Therefore, we separated the loss circulation from the inflow by installing a cement plug and running casing to a depth of 3,100 meters. Due to high pressure and strong degassing of drilling fluid in the penetrated portion of the Middle Triassic formations, we decided to stop drilling at the depth of 3,361 meters and to commence well completion operations. In December 2006 we plan to use a drilling rig to deepen the Kariman-1 well in an effort to determine the potential of the formation in the Middle Triassic. We plan to line the well to isolate the Middle Triassic horizons. Then we will perforate the well and test the potential oil bearing horizons. We expect that these activities will allow us to obtain a preliminary understanding of the potential of the carbonate formations of the Middle Triassic, while allowing us to continue testing the Upper Triassic formation.

In July 2006 we commenced re-entry operations on the Borly-2 well located in the Borly structure in the Extended Territory. The Kazakhstani National Oil and Gas Company performed the original drilling of the Borly-2 well in 1995 to a total depth of 3,225 meters. The well targeted the Triassic formation, which was penetrated at 2,382 meters. The well was then cased to a depth of 1,900 meters. Despite the presence of hydrocarbonates in the actual core samples, it was concluded that further work on the well was not warranted due to instability in the wellbore and the results of the initial well logging. The well logging made in 1995 gave incomplete information. Because of the limited financial resources available at the time, geologists were under time constraints to complete their research rapidly, using the limited technologies available to them. The difficulties in making an appropriate evaluation were further increased by the crumbling within the wellbore and the lack of means to respond to this difficulty. Current technology will allow us to get more precise well logging and gain valuable insight into the Borly structure. Our decision to re-enter the Borly-2 well was guided by results of interpretation of a 3D seismic study completed by us in March 2006. Based on the results of the 3D seismic, we will seek to confirm the presence of oil and gas in the Borly structure in the carbonate reservoirs of Triassic formation, which we believe are similar to the carbonate structures located in our nearby Dolinnoe field.

During our first fiscal quarter we continued testing and development works on Dolinnoe-1, Dolinnoe-2, Dolinnoe-3, Emir -1, Aksaz -1 and Aksaz -4 wells.

In April 2006 we performed acid treatment in the Dolinnoe-1 and Dolinnoe-2 wells and in July 2006 in the Dolinnoe-3 well.

During our first fiscal quarter, we resumed workover operations at the Aksaz -1 and Emir-1 wells. In June we also conducted acid treatment in Emir-1 well in an effort to improve production.

Following is a brief description of the production status of each of our seven wells.

#### Aksaz-1

This well is currently under workover and is not producing. Prior to workover, four producing intervals were tested. The single interval test production rates in Aksaz-1 using a 10 mm diameter choke was 140 bpd.

#### Aksaz-4

Drilling of this well was completed in August 2005. Two producing intervals have been tested. Current production rates from single interval testing using a 6 mm diameter choke ranges from 50 to 125 bpd.

#### Dolinnoe-1

Currently this well is producing. We recently completed acid treatment of this well. Current production rates from single interval testing using a 6 mm diameter choke ranges from 80 to 125 bpd.

#### Dolinnoe-2

Currently this well is also producing. We recently completed acid treatment of this well. Current production rates from single interval testing using an 8 mm diameter choke ranges from 100 to 160 bpd.

#### Dolinnoe-3

This well is currently producing. We completed acid treatment of the well. Current production rates from single interval testing using chokes between 6 mm – 10 mm diameter choke ranges from 460 and 630 bpd.

#### Emir-1

This well is currently producing. Current production rates from single interval testing using a 8 mm diameter choke ranges from 12 to 20 bpd.

We completed drilling of the Kariman-1 well in July 2006 and started testing the well. The tests have been conducted in the open wellbore without perforation in the Upper Triassic formation. Despite the fact that the flows from this horizon are partially blocked by drilling fluid, preliminary testing conducted during the first month of testing using chokes ranging from 20 mm to 30 mm yielded results ranging from 250 to 530 barrels per day.

## **Outlook**

During the first quarter of the fiscal year we changed our drilling program and revised annual budget due to unforeseen events occurred including, but not limited to, technical difficulties faced and delay in mobilization of drilling rigs to the field and changes of our expectations of oil production rates from the Extended Territory.

According to our new drilling program, during the current fiscal year, we plan to drill a total of four exploratory and developmental wells and re-open one well in the Extended Territory. Instead of drilling an additional four developmental wells we plan to drill one well in the Dolinnoe field and two wells in the Emir field of the ADE Block. Development activities under our revised business plan still include development of our oilfields by constructing additional electric lines and oil collection units, test and research operations at the Extended Territory.

In our previous budget we planned to conduct horizontal and directional drilling at two of our existing wells during 2006. However, due to geological and technical difficulties with the well bore, we decided to abandon a directional drilling program at this time.

During the fiscal year, we also will continue workover and research operations on the existing six wells in the ADE Block.

Our outlook as described above is subject to change based upon factors that include, but are not limited to, drilling results, availability of drilling rigs, 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 and development 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 significantly increase 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 prices historically have been volatile and may fluctuate widely in the future. Sustained periods of low prices for crude oil 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

Three months ended June 30, 2006, compared to the three months ended June 30, 2005.

### 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, 2006 and the three months ended June 30, 2005.

	For the three months ended June 30, 2006	For the three months ended June 30, 2005	Three months ended June 30, 2006 to the three months ended June 30, 2005	
			\$ Increase (Decrease)	% Increase (Decrease)
<b>Production volumes:</b>				
Natural gas (Mcf)	-	-	-	-
Natural gas liquids (Bbls)	-	-	-	-
Oil and condensate (Bbls)	50,264	41,456	8,808	21%
Barrels of Oil equivalent (BOE)	50,264	41,456	8,808	21%
<b>Sales volumes:</b>				
Natural gas (Mcf)	-	-	-	-
Natural gas liquids (Bbls)	-	-	-	-
Oil and condensate (Bbls)	44,618	36,854	7,764	21%
Barrels of Oil equivalent (BOE)	44,618	36,854	7,764	21%
<b>Average Sales Price (1)</b>				
Natural gas (\$ per Mcf)	-	-	-	-
Natural gas liquids (\$ per Bbl)	-	-	-	-
Oil and condensate (\$ per Bbl)	\$ 52.58	\$ 17.98	\$ 34.60	192%
Barrels of Oil equivalent (\$ per BOE)	\$ 52.58	\$ 17.98	\$ 34.60	192%
<b>Operating Revenue:</b>				
Natural gas	-	-	-	-
Natural gas liquids	-	-	-	-
Oil and condensate	\$ 2,345,972	\$ 662,637	\$ 1,683,335	254%
Gain on hedging and derivatives(2)	-	-	-	-

(1) At times, we may produce more barrels than we sell in a given period. The average sales price is calculated based on the average sales price per barrel sold, not per barrel produced.

(2) We did not engage in hedging transactions, including derivatives during the three months ended June 30, 2006, or the three months ended June 30, 2005.

*Revenues.* We generate revenue under our contract from the sale of oil recovered during test production. During the quarter ended June 30, 2006, we realized revenue from oil sales of \$2,345,972 compared to \$662,637 during the quarter ended June 30, 2005. This increase in revenues is primarily the result of several factors. During the current fiscal quarter we performed acid treatment in the Dolinnoe-1 and Dolinnoe-2 wells. As a result production rates increased considerably in those two wells. During the quarter ended June 30, 2006, we also had one additional well in testing or test production as compared to the quarter ended June 30, 2005. The largest contributing factor to the increase in revenue, however, was the 192% increase in the price per barrel we received for oil sales during the quarter ended June 30, 2006 compared to the fiscal quarter ended June 30, 2005. During the fiscal quarter ended June 30, 2006 we exported our oil to the world markets and realized the world market price for those sales. By comparison, during the fiscal quarter ended June 30, 2005 all oil sales were to the domestic market in Kazakhstan, where the price per barrel of oil is significantly lower than the world market price. We anticipate production will continue to increase in upcoming years. We plan to continue our drilling activity in the upcoming periods. We also hope to continue to be granted export quotas, which allow us to realize world market prices. This should lead to increased revenue from oil sales compared to our prior fiscal years because of the increased price per barrel we will realize from oil sales to the world market.

Our revenue is sensitive to changes in prices received for our products. Our production is sold at the prevailing market price in Kazakhstan and in the world markets, 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 have an impact on both supply and demand.

### Costs and Operating Expenses

The following table presents details of our expenses for the three months ended June 30, 2006 and 2005:

	<b>For the three months ended June 30, 2006</b>	<b>For the three months ended June 30, 2005</b>
Expenses:		
Oil and gas operating <sup>(1)</sup>	\$ 414,875	\$ 80,273
General and administrative	5,367,696	1,001,238
Depletion	240,491	189,778
Accretion expenses	39,605	-
Amortization and depreciation	35,145	30,438
<b>Total</b>	<b>\$ 6,097,812</b>	<b>\$ 1,301,727</b>
Expenses (\$ per BOE):		
Oil and gas operating <sup>(1)</sup>	9.30	2.18
Depletion <sup>(2)</sup>	5.39	5.15

(1) Includes transportation cost, production cost and ad valorem taxes.

(2) Represents depletion of oil and gas properties only.

*Oil and Gas Operating Expenses.* During the three months ended June 30, 2006 we incurred \$414,875 in oil and gas operating expenses compared to \$80,273 during the three months ended June 30, 2005. This increase in oil and gas operating expenses is the result of increased production. During the first fiscal quarter 2007 production volume increased by 8,808 bbls or 21% compared to the three months ended June 30, 2005. Such increase led to hiring more production and maintenance personnel and a corresponding payroll increase during the quarter ended June 30, 2006 of 428% compared to the quarter ended June 30, 2005. Increased production also led to an increase in the royalty paid to the Government of 10% during the quarter ended June 30, 2006 compared to the quarter ended June 30, 2005. Another result of increased production was a \$183,814 or 433% increase in transportation expenses during the quarter ended June 30, 2006 compared to the quarter ended June 30, 2005. While we expect oil and gas operating expenses to continue to increase in the upcoming fiscal year as revenue continues to increase we do not expect such increases will be as significant in the future.

We calculate oil and gas operating expense per BOE based on the volume of oil actually sold rather than production volume because not all volume produced during the period is sold during the period. The related production costs are expensed only for the units sold, not produced.

Oil and gas operating expenses increased 417% during current fiscal quarter compared to quarter ended June 30, 2005, so expense per BOE increased from \$2.18 per BOE in quarter ended June 30, 2005 to \$9.30 in current fiscal quarter.

*General and Administrative Expenses.* General and administrative expenses during the three months ended June 30, 2006 were \$5,367,696 compared to \$1,001,238 during the three months ended June 30, 2005. This represents a 436% increase in general and administrative expenses. This significant increase is attributable to an 888% increase in payroll and other compensation, a 77% increase in professional services fees and 279% increase in taxes as well as 188% increase in business trip expenses. During the quarter ended June 30, 2006 we granted restricted stock and stock options to our directors, officers and key employees. Fair value of stock and stock options was recognized in our consolidated financial statements as compensation expense. The total amount of compensation expense recognized as a result of the stock and option grants was \$4,010,346. Additionally, during the quarter ended June 30, 2006 we hired more administrative personnel to operate our business, using services of technicians, engineers, accountants and lawyers, as well as incurring other general corporate expenses. We anticipate increases in revenue will outpace the increases in general and administrative expenses in upcoming quarters.

*Depletion.* Depletion expenses for the current fiscal quarter increased by \$50,713 compared to depletion expenses for the quarter ended June 30, 2005. The major reason for this increase in depletion expense is due to both sales and production volumes increasing by 21% in current fiscal quarter compared to the quarter ended June 30, 2005. The increase in depletion expense is also attributable to the fact that we significantly increased our capitalized cost base by drilling additional wells, continued workover on existing wells and developed additional infrastructure during current fiscal quarter.

*Depreciation and Amortization.* Depreciation and amortization expenses for the current fiscal quarter increased 15% compared to the quarter ended June 30, 2005. The increase resulted from purchases of fixed assets during the quarter.

*Loss from Operations.* As a result of significantly increasing expenses, which were only partially offset by revenue from oil sales, during the fiscal quarter ended June 30, 2006 we realized a loss from operations of \$3,751,840 compared to a loss from operations of \$639,090 during the fiscal quarter ended June 30, 2005. While we realized a 254% increase in revenue during the quarter ended June 30, 2006 compared to the comparable period 2005, this increase was offset by a 417% increase in oil and gas operating expenses, a 27% increase in depletion expenses and a 436% increase in general and administrative expenses. This resulted in a 487% increase in loss from operations during the fiscal quarter ended June 30, 2006 compared to the fiscal quarter ended June 30, 2005. Until such time as expenses exceed revenue from oil and gas sales we will continue to generate operating losses. In future periods, we believe production rates and oil prices will be such that we will be able to generate sufficient revenue from oil sales to offset our expenses. If, however, production levels or oil prices were to decrease, we may be unable to offset our operating expenses with revenue from production and could continue to experience losses from operations.

*Other Income.* During the fiscal quarter ended June 30, 2006 we realized total other income of \$611,079 compared to the other expense of \$58,561 during the fiscal quarter ended June 30, 2005. This change from other expense to other income is largely attributable to \$503,213 increase in interest income, \$7,539 decrease in unrealized loss on marketable securities and a \$291,059 increase in exchange gain resulting from fluctuations of foreign currency rates against the U.S. Dollar. This income is partially offset by \$62,779 decrease in realized gain on marketable securities and a \$69,392 increase in other expenses. We anticipate the funds held in deposits and marketable securities will be used to fund our operations and therefore expect interest income and gains from marketable securities, both realized and unrealized, to decrease in the next three months.

*Net Loss.* During the fiscal quarter ended June 30, 2006 we realized a net loss of \$3,140,761 compared to a net loss of \$697,651 during the fiscal quarter ended June 30, 2005. Notwithstanding the significant increase in revenue resulting from increased oil production during the quarter ended June 30, 2006 net loss increased significantly. This significant increase in net loss is largely attributable to 436% increase in general and administrative expenses. During the quarter ended June 30, 2006 our general and administrative expenses increased by \$4,366,458 compared to the quarter ended June 30, 2005. While expenses have risen significantly during the past quarters, we do not expect such significant expense increases in upcoming quarters. We also anticipate that we will continue to realize significant increases in revenue as our production levels continue to increase. Based on these expectations, we anticipate net losses in upcoming quarters will decrease significantly.

## 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, 2006 we have raised \$94,626,926 through the sale of our common stock. As of June 30, 2006 we had cash and cash equivalents of \$47,497,179. We anticipate our capital resources in the upcoming three months will likewise consist primarily of revenue from the sale of oil recovered.

Our need for capital is primarily to fund our ongoing operations. For the period from inception on May 6, 2003 through June 30, 2006, we have incurred capital expenditures of \$72,872,721 for exploration, development and acquisition activities.

### Cash Flows

During the fiscal quarter ended June 30, 2006 cash was primarily used to fund exploration and development expenditures. We had a net decrease in cash and cash equivalents of \$3,644,553 during the current fiscal quarter. See below for additional discussion and analysis of cash flow.

	Three months ended June 30, 2006	Three months ended June 30, 2005
Net cash used in operating activities	\$ (2,793,531)	\$ (2,086,880)
Net cash used in investing activities	\$ (6,609,524)	\$ (6,102,444)
Net cash provided by financing activities	\$ 5,758,502	\$ 6,085,618
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>\$ (3,644,553)</b>	<b>\$ (2,103,706)</b>

We continually evaluate our capital needs and compare them to our capital resources. Our budgeted capital expenditures for the current fiscal year were about \$60 million to \$70 million for exploration, development, production and acquisitions. At the time the budget was prepared, we believed our production would be sufficient to allow us to generate enough revenue from oil sales to finance the gap of \$10 million to \$20 million required for our planned exploration, development, production and acquisitions. However, the drilling schedules we initially anticipated have been delayed and production has developed more slowly than expected. We are currently reviewing the assumptions made in formulating our budget and considering revisions to our annual budget to take into account oil production volumes and revenue to ensure we have sufficient capital to meet our operational needs.

During the quarter ended June 30, 2006, we spent \$6 million in exploration, development and production. We funded these expenditures primarily from cash on hand and oil sales revenue. We anticipate a significant increase in revenue during the upcoming year due to drilling of new wells, increasing of production rate for existing wells and favorable world market prices.

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, 2006, excluding current liabilities as listed on our consolidated balance sheet:

<b>Contractual obligations</b>	<b>Payments Due By Period</b>				
	<b>Total</b>	<b>Less than 1 year</b>	<b>1-3 years</b>	<b>4-5 years</b>	<b>After 5 years</b>
Capital Expenditure Commitment <sup>(1)</sup>	\$ 10,500,000	\$6,000,000	\$ 4,500,000	-	-
Due to the Government of the Republic of Kazakhstan <sup>(2)</sup>	\$ 1,344,880	-	\$11,344,880	-	-
Liquidation Fund	\$ 964,197	-	\$ 964,197	-	-
<b>Total</b>	<b>\$ 22,809,077</b>	<b>\$6,000,000</b>	<b>\$16,809,077</b>	<b>-</b>	<b>-</b>

- (1) Under the terms of our contract with the ROK, we are required to spend a total of at least \$10.5 million dollars in exploration, development and improvements within the ADE Block, as extended during the term of the license, including \$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.
- (2) In connection with our acquisition of the oil and gas contract covering the ADE Block and the Extended Territory, 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 July 2007 or we must apply for a two-year extension of our exploration license. We are legally entitled to the two-year extension. We have the exclusive right to negotiate for commercial production rights 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. At this time, we anticipate that we will apply for a two-year extension of our exploration license during the first half of the 2007 calendar year. This would give us an additional two years to explore and prove up our properties before we apply for commercial production rights. Should we decide not to pursue a commercial production contract, we can relinquish the ADE Block and Extended Territory to the ROK in satisfaction of this obligation. Our repayment obligation for the ADE Block is \$5,994,200. Our repayment obligation for the Extended Territory is \$5,350,680.

### Off-Balance Sheet Financing Arrangements

As of June 30, 2006, we had no off-balance sheet financing arrangements.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Our primary market risks are fluctuations in commodity prices and foreign currency exchange rates. We do not currently use derivative commodity instruments or similar financial instruments to attempt to hedge commodity price risks associated with future crude oil production.

#### **Commodity Price Risk**

Our revenues, profitability and future growth depend substantially on prevailing prices for crude oil. Prices also affect the amount of cash flow available for capital expenditures and our ability to either borrow or raise additional capital. Price affects our ability to produce crude oil economically and to transport and market our production either through export to international markets or within Kazakhstan. Our first quarter 2006 crude oil sales in the international export market were based on prevailing market prices at the time of sale less applicable discounts due to transportation.

Historically, crude oil prices have been subject to significant volatility in response to changes in supply, market uncertainty and a variety of other factors beyond our control. Crude oil prices are likely to continue to be volatile and this volatility makes it difficult to predict future oil price movements with any certainty. Any declines in oil prices would reduce our revenues, and could also reduce the amount of oil that we can produce economically. As a result, this could have a material adverse effect on our business, financial condition and results of operations.

#### **Foreign Currency Risk**

Our functional currency is the U.S. dollar. Emir Oil, LLP, our Kazakhstani subsidiary, also uses the U.S. dollar as its functional currency. To the extent that business transactions in Kazakhstan are denominated in the Kazakh Tenge we are exposed to transaction gains and losses that could result from fluctuations in the U.S. Dollar—Kazakh Tenge exchange rate. We do not engage in hedging transactions to protect the Company from such risk.

### **Item 4. Controls and Procedures**

#### *Evaluation of Disclosure Controls and Procedures*

Our principal executive officers and our principal financial officer (the “*Certifying Officers*”) are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 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 it in this report is accumulated and communicated to management, including the Certifying Officers as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, our Certifying Officers have concluded that our disclosure controls and procedures are effective as of June 30, 2006.

There were no changes in our internal controls over financial reporting during the quarter ended June 30, 2006 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **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, LLP. The parties mutually agreed to dismiss this lawsuit without prejudice.

In April 2005, Sokol Holdings, Inc., also filed a complaint in United States District Court, Southern District of New York alleging that BMB Munai, Inc., Boris Cherdabayev, Alexandre Agaian, Bakhytbek Baiseitov, Mirgali Kunayev and Georges Benarroch wrongfully induced Toleush Tolmakov to breach a contract under which Mr. Tolmakov had agreed to sell to Sokol 70% of his 90% interest in Emir Oil LLP.

In October 2005, Sokol Holdings amended its complaint in the U.S. District Court in New York to add Brian Savage and Thomas Sinclair as plaintiffs and to add Credifinance Capital, Inc., and Credifinance Securities, Ltd., (collectively "Credifinance") as defendants in the matter. The amended complaint alleges tortious interference with contract, specific performance, breach of contract, unjust enrichment, breach of fiduciary duty by Georges Benarroch, Alexandre Agaian and Credifinance, conversion, breach of fiduciary duty by Boris Cherdabayev, Mirgali Kunayev and Bakhytbek Baiseitov, misappropriation of trade secrets, tortious interference with fiduciary duty by Mr. Agaian, Mr. Benarroch and Credifinance and aiding and abetting breach of fiduciary duty by Mr. Benarroch, Mr. Agaian and Credifinance in connection with a business plan for the development of the Aksaz, Dolinnoe and Emir oil and gas fields owned by Emir Oil, LLP. The plaintiffs have not named Toleush Tolmakov as defendant in the action nor have the plaintiffs ever brought claims against Mr. Tolmakov to establish the existence or breach of any legally binding agreement between the plaintiffs and Mr. Tolmakov. The plaintiffs seek damages in an amount to be determined at trial, punitive damages, specific performance and such other relief as the Court finds just and reasonable.



We have retained the law firm of Bracewell & Giuliani LLP in New York, New York to represent us in the lawsuit. We moved for dismissal of the amended complaint or for a stay pending arbitration in Kazakhstan. That motion was denied, without prejudice to renewing it, to enable defendants to produce documents to plaintiffs relating to the issues raised in the motion. Following completion of document production, the motion has been renewed. Briefing is underway on the motion.

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 1A. Risk Factors**

There have been no material changes in the risk factors previously described in Items 1 and 2 to Part I of our Form 10-KSB filed on June 29, 2006.

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

In April 2006, Gary Lerner, our former corporate secretary, exercised options to purchase 7,200 shares of our common stock at a price of \$4.00 per share. The shares were issued without registration in a transaction not involving a public offering in reliance upon the exemption from registration provided by Section 4(2) of Securities Act of 1933 (the "1933 Act"). The certificates for the shares contain a restrictive legend that the shares may not be offered for sale, sold or otherwise transferred without having first been registered under the 1933 Act or pursuant to an exemption from registration under the 1933 Act. There was no underwriter involved in this transaction.

On April 10, 2006, Credifinance Capital Corp., a related company through a common director, exercised warrants granted in April 2005 to purchase 50,100 shares of our restricted common stock for \$250,500. The shares were issued without registration in a transaction not involving a public offering in reliance upon the exemption from registration provided in reliance upon the exemption from registration provided by Regulation S of 1933 Act. The certificates for the shares contain a restrictive legend that the shares may not be offered for sale, sold or otherwise transferred without having first been registered under the 1933 Act or pursuant to an exemption from registration under the 1933 Act. There was no underwriter involved in this transaction.

On May 13, 2006, Aton Securities, a placement agent exercised warrants granted in December 2005 to purchase 916,667 shares of our restricted common stock for \$5,500,002. The shares were issued without registration in a transaction not involving a public offering in reliance upon the exemption from registration provided by Section 4(2) of Securities Act of 1933 (the "1933 Act"). The certificates for the shares contain a restrictive legend that the shares may not be offered for sale, sold or otherwise transferred without having first been registered under the 1933 Act or pursuant to an exemption from registration under the 1933 Act. There was no underwriter involved in this transaction.

On June 20, 2006, our Board of Directors approved stock option grants and restricted stock awards to our officer and directors and certain employees and consultants of the Company under our 2004 Stock Incentive Plan. The total number of options and restricted stock grants was 200,000 and 495,000 respectively. The options are exercisable at a price of \$7.00 per share, which was the closing price of the Company's common stock on the OTCBB on June 20, 2006. The restricted stock grants were also valued at \$7.00 per share. The options will expire three years from the grant date. All of the options and restricted stock grants vested immediately upon grant. Among the parties receiving restricted stock grants were the following executive officers and directors:

<u>Name</u>	<u>Positions with Company</u>	<u>Options Granted</u>	<u>Restricted Stock Granted</u>
Boris Cherdabayev	CEO and Director	150,000	80,000
Askar Tashtitov	President	-	40,000
Sanat Kasymov	CFO	-	40,000
Gamal Kulumbetov	COO	-	40,000
Georges Benarroch	Director	-	10,000
Troy Nilson	Director	-	10,000
Stephen Smoot	Director	-	10,000
Valery Tolkachev	Director	50,000	40,000

Grants were made to a total of 16 people, 11 of whom are non-U.S. persons. The option and restricted stock grants were made without registration in transactions not involving a public offering in reliance upon the exemption from registration provided by Regulation S and Section 4(2) of the 1933 Act. The certificates representing the securities issued contain a restrictive legend that the securities may not be offered for sale, sold or otherwise transferred without having first been registered under the 1933 Act or pursuant to an exemption from registration under the 1933 Act. There was no underwriter involved in this transaction.

#### **Item 4. Submission of Matters to a Vote of Security Holders**

On April 18, 2006, we held a special meeting of our stockholder. The total number of shares entitled to vote at the meeting was 42,198,690. The number of shares represented at the special meeting of stockholders, present or by proxy was 23,320,834. At the meeting the shareholders were asked to vote on the following matter:

- 1) To ratify the adoption of a corporate policy governing future acquisitions of additional oil and gas licenses in exchange for shares of Company common stock; and
- 2) To amend our Articles of Incorporation to increase the authorized capital stock of the Company to 500,000,000 common shares.

23,320,584 shares voted to ratify the acquisitions policy and due diligence protocol and 250 shares voted against ratification of the acquisitions policy and due diligence protocol. No shares abstained.

22,968,520 shares voted to approve an amendment to our Articles of Incorporation to increase our authorized common stock to 500,000,000 and 352,313 shares voted against the amendment to our Articles of Incorporation and one share abstained from voting.

No other items were submitted to a vote of our shareholders at the meeting.

#### **Item 5. Other Information**

In our Annual Report on Form 10-KSB, we incorrectly stated that Mr. Georges Benarroch was not a nominee or director of any other SEC reporting issuer. In fact, Mr. Benarroch is a director of two other SEC reporting issuers, Kyto Biopharma, Inc., Commission file number 000-50390, and Osprey Gold Corp., Commission file number 000-28107. Mr. Benarroch has been a director of Kyto Biopharma since May 2000 and was elected as president and CEO of Kyto Biopharma in February 2006. Mr. Benarroch has been a director and the president of Osprey Gold since September 2004.

#### **Item 6. Exhibits**

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.

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#### **SIGNATURES**

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

#### **BMB MUNAI, INC.**

Date: January 4, 2008

/s/ Gamal Kulumbetov

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Gamal Kulumbetov  
Chief Executive Officer

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**EXHIBIT 31.1**

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

I, Gamal Kulumbetov, certify that:

- (1) I have reviewed this amended quarterly report on Form 10-Q/A-1 of BMB Munai, Inc. (the "Company");
- (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 officers 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 13(a)-15(f) and 15(d)-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 acceptable accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officers 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 fulfilling the equivalent function):
  - (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.

Date: January 4, 2008

By: /s/ Gamal Kulumbetov

Gamal Kulumbetov  
Chief Executive Officer

**EXHIBIT 31.2**

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

I, Sanat Kasymov, certify that:

(1) I have reviewed this amended quarterly report on Form 10-Q/A-1 of BMB Munai, Inc. (the "Company");

(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 officers 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 13(a)-15(f) and 15(d)-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 acceptable accounting principles;
- (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
- (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officers 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 fulfilling the equivalent function):

- (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.

Date: January 4, 2008

By: /s/ Sanat Kasymov  
Sanat Kasymov  
Chief Financial Officer

**EXHIBIT 32.1**

**CERTIFICATION 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 amended quarterly report of BMB Munai, Inc. (the "Company") on Form 10-Q/A-1 for the period ended June 30, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "*Report*"), I, Gamal Kulumbetov, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 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: January 4, 2008

/s/ Gamal Kulumbetov  
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Gamal Kulumbetov  
Chief Executive Officer

**EXHIBIT 32.2**

**CERTIFICATION 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 amended quarterly report of BMB Munai, Inc. (the "Company") on Form 10-Q/A-1 for the period ended June 30, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "*Report*"), I, Sanat Kasymov, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 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: January 4, 2008

/s/ Sanat Kasymov  
Sanat Kasymov  
Chief Financial Officer