

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

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

For the Quarterly Period Ended December 31, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period From _____ to _____

Commission File Number **001-33034**

BMB MUNAI, INC.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

30-0233726
(I.R.S. Employer
Identification No.)

324 South 400 West, Suite 250
Salt Lake City, Utah
(Address of principal executive offices)

84101
(Zip Code)

(801) 355-2227

(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 such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing Yes No
requirements for the past 90 days.

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

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

Large accelerated Filer	<input type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input checked="" type="checkbox"/>

(Do not check if a smaller reporting company)

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

As of February 10, 2011, the registrant had 55,787,554 shares of common stock, par value \$0.001, issued and outstanding.

BMB MUNAI, INC.
FORM 10-Q
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PART I - FINANCIAL INFORMATION

Item 1 - Unaudited Condensed Consolidated Financial Statements

BMB MUNAI, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	Notes	December 31, 2011 (unaudited)	March 31, 2011 (unaudited)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	\$ 5,755,268	\$ 426,045
Promissory notes receivable	4	220,875	154,725
Prepaid expenses and other assets, net		43,234	74,041
Restricted cash	5	36,001,190	-
Current assets from discontinued operations	5	-	18,270,599
Total current assets		<u>42,020,567</u>	<u>18,925,410</u>
LONG TERM ASSETS			
Other fixed assets, net		243,263	162,488
Convertible notes issue costs	6	-	738,062
Long term assets from discontinued operations	5	-	300,708,406
Total long term assets		<u>243,263</u>	<u>301,608,956</u>
TOTAL ASSETS		<u>\$ 42,263,830</u>	<u>\$ 320,534,366</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable		\$ 322,850	\$ 767,489
Accrued coupon payment	6	-	1,430,108
Taxes payable, accrued liabilities and other payables		178,840	317,968
Deferred consulting and distribution payments	7, 9	20,016,556	-
Current liabilities from discontinued operations		-	27,587,087
Total current liabilities		<u>20,518,246</u>	<u>30,102,652</u>
LONG TERM LIABILITIES			
Convertible notes issued, net	6	-	61,703,728
Deferred taxes		-	3,977,385
Long term liabilities from discontinued operations	5	-	6,137,742
Total long term liabilities		<u>-</u>	<u>71,818,855</u>
COMMITMENTS AND CONTINGENCIES	9	-	-
SHAREHOLDERS' EQUITY			
Preferred stock - \$0.001 par value; 20,000,000 shares authorized; no shares issued or outstanding	7	-	-
Common stock - \$0.001 par value; 500,000,000 shares authorized, 55,787,554 shares outstanding	7	55,788	55,788
Additional paid in capital	7	106,099,585	164,118,640
Retained earnings (accumulated deficit)		(84,409,789)	54,438,431
Total shareholders' equity		<u>21,745,584</u>	<u>218,612,859</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>\$ 42,263,830</u>	<u>\$ 320,534,366</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

BMB MUNAI, INC.**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

	Notes	Three months ended December 31,		Nine months ended December 31,	
		2011 (unaudited)	2010 (unaudited)	2011 (unaudited)	2010 (unaudited)
REVENUES		\$ -	\$ -	\$ -	\$ -
COSTS AND OPERATING EXPENSES					
General and administrative		283,857	1,846,823	19,964,085	6,450,284
Interest expense	6	-	2,228,010	3,551,022	4,431,142
Amortization and depreciation		29,408	21,161	72,533	69,002
Total costs and operating expenses		<u>313,265</u>	<u>4,095,994</u>	<u>23,587,640</u>	<u>10,950,428</u>
LOSS FROM OPERATIONS		(313,265)	(4,095,994)	(23,587,640)	(10,950,428)
OTHER INCOME/(EXPENSE)					
Foreign exchange gain/(loss), net		(225)	72,347	(33,216)	(3,017)
Interest income		9,273	3,085	30,243	6,052
Other income/(expense), net		-	(44)	(9,550)	10,787
Total other income/(expense)		<u>9,048</u>	<u>75,388</u>	<u>(12,523)</u>	<u>13,822</u>
LOSS FROM CONTINUING OPERATIONS		(304,217)	(4,020,606)	(23,600,163)	(10,936,606)
LOSS ON SALE OF EMIR OIL		-	-	(127,147,771)	-
INCOME FROM DISCONTINUED OPERATIONS	5	-	5,383,922	11,899,714	12,615,370
NET INCOME/(LOSS)		<u>\$ (304,217)</u>	<u>\$ 1,363,316</u>	<u>\$ (138,848,220)</u>	<u>\$ 1,678,764</u>
BASIC NET LOSS PER COMMON SHARE FROM CONTINUING OPERATIONS	8	\$ (0.01)	\$ (0.07)	\$ (2.70)	\$ (0.21)
BASIC NET INCOME PER COMMON SHARE FROM DISCONTINUED OPERATIONS	8	\$ 0.00	\$ 0.10	\$ 0.21	\$ 0.24

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

BMB MUNAI, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Nine months ended December 31, 2011 (unaudited)	2010 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income/(loss)		\$ (138,848,220)	\$ 1,678,764
Adjustments to reconcile net income to net cash provided by operating activities:			
Income from discontinued operations	5	(11,899,714)	(12,615,370)
Depreciation and amortization		72,533	69,002
Interest expense	6	3,551,022	4,431,143
Loss on sale of Emir Oil	5	127,147,771	-
Loss on disposal of fixed assets		-	1,870
Stock based compensation expense		-	1,254,024
Changes in operating assets and liabilities			
Decrease/(increase) in prepaid expenses and other assets		30,807	(165,080)
(Decrease)/increase in accounts payable		(444,639)	161,776
Increase in taxes payables and accrued liabilities		4,985,074	752
Net cash used in operating activities – continuing operations		<u>(15,405,366)</u>	<u>(5,183,119)</u>
Net cash provided by operating activities – discontinued operations	5	<u>33,067,626</u>	<u>28,482,350</u>
Net cash provided by operating activities		<u>17,662,260</u>	<u>23,299,231</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment in short term notes receivable	4	(66,150)	(50,350)
Proceeds from sale of Emir Oil		159,601,000	-
Purchase of other fixed assets		(153,308)	(19,237)
Net cash provided by investing activities – continuing operations		<u>159,381,542</u>	<u>(69,587)</u>
Net cash used in investing activities – discontinued operations	5	<u>(23,126,407)</u>	<u>(21,834,705)</u>
Net cash provided by/(used in) investing activities		<u>136,255,135</u>	<u>(21,904,292)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payment related to redemption of convertible notes	6	(61,400,000)	-
Cash paid for convertible notes coupon	6	(4,546,796)	(1,500,000)
Cash distribution		(43,002,498)	-
Intercompany advances ⁽¹⁾		6,303,531	6,974,590
Net cash provided by/(used in) financing activities – continuing operations		<u>(102,645,763)</u>	<u>5,474,590</u>
Net cash used in financing activities – discontinued operations ⁽²⁾	5	<u>(6,623,936)</u>	<u>(7,095,082)</u>
Net cash used in financing activities		<u>(109,269,699)</u>	<u>(1,620,492)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS		44,647,696	(225,553)
NET CHANGE IN CASH AND CASH EQUIVALENTS from discontinued operations		3,317,283	(447,437)
NET CHANGE IN CASH AND CASH EQUIVALENTS from continuing operations		41,330,413	221,884
CASH AND CASH EQUIVALENTS at beginning of period		426,045	2,992,392
CASH AND CASH EQUIVALENTS at end of period		<u>\$ 41,756,458</u>	<u>\$ 3,214,276</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

(1) Intercompany advances represent payments and receipts between BMB Munai and Emir and are shown to break out the activity between continuing and discontinuing operations. Intercompany advances are eliminated and do not appear on the condensed consolidated balance sheets.

(2) Includes intercompany advances activity.

BMB MUNAI, INC.**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(CONTINUED)**

	<u>December 31, 2011</u>	<u>March 31, 2011</u>
Reconciliation of cash and cash equivalents at end of period to Condensed Consolidated Balance Sheet		
Cash and cash equivalents	\$ 5,755,268	\$ 426,045
Restricted cash	36,001,190	-
Cash and cash equivalents at end of period	<u><u>\$ 41,756,458</u></u>	<u><u>\$ 426,045</u></u>

	Nine months ended December 31,		
	2011	2010	
	<u>(unaudited)</u>	<u>(unaudited)</u>	
Non-Cash Investing and Financing Activities			
Transfer of inventory and prepayments for materials used in oil and gas projects to oil and gas properties	5	\$ 1,198,675	\$ 1,598,614
Depreciation on other fixed assets capitalized as oil and gas properties	5	479,227	340,760
Accrued non-cash share based obligations capitalized as part of oil and gas properties	5	-	1,064,000
Issuance of common stock for services, capitalized to oil and gas properties	5	-	2,214,569
Cash distribution accrued and not yet paid	7	15,016,556	-

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

BMB MUNAI, INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2011

NOTE 1 - DESCRIPTION OF BUSINESS

BMB Munai, Inc., is a Nevada corporation that originally incorporated in the State of Utah in 1981. From 2003 to 2011, the Company's business activities focused on oil and natural gas exploration and production in the Republic of Kazakhstan (also referred to herein as the "ROK" or "Kazakhstan").

On February 14, 2011, the Company entered into a Participation Interest Purchase Agreement (the "Purchase Agreement") with MIE Holdings Corporation (HKEx: 1555), a company with limited liability organized under the laws of the Cayman Islands ("MIE"), and its subsidiary, Palaeontol B.V., a company organized under the laws of the Netherlands ("Palaeontol"), pursuant to which the Company agreed to sell all of its interest in its wholly owned subsidiary Emir Oil, LLP ("Emir Oil") to Palaeontol (the "Sale"). The initial purchase price is \$170 million and is subject to various closing adjustments and the deposit of \$36 million in escrow to be held for a period of twelve months following the closing for indemnification purposes.

On September 19, 2011 the Company completed the sale of all of its interests in Emir Oil to a subsidiary of MIE.

In accordance with the Purchase Agreement, the Company is currently engaged in certain post-closing undertakings to assist the MIE subsidiary with the acquisition of certain contracts, leases and transfers of rights.

In connection with the closing of the Sale, on September 21, 2011, the Company completed its mandatory redemption (the "Redemption") of its \$61.4 million in principal amount of 10.75% Convertible Senior Notes due 2013, pursuant to the Amended and Restated Indenture, dated as of March 4, 2011, between the Company and The Bank of New York Mellon, as trustee.

As a result of the Sale, the Company voluntary delisted its common stock from the NYSE Amex (the "Amex"), which became effective following the close of business on September 29, 2011. The Company's common stock is now quoted over-the-counter on the OTCQB, stock symbol "BMBM".

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Company's unaudited condensed consolidated financial statements present the consolidated results of BMB Munai, Inc., including the results of its wholly owned subsidiary, Emir Oil until September 19, 2011. All significant inter-company balances and transactions have been eliminated from the unaudited condensed consolidated financial statements.

BMB MUNAI, INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2011

Certain reclassifications have been made in the financial statements for the nine months ended December 31, 2010 to conform to the December 31, 2011 classification of discontinued operations. These classifications were made because of the sale of Emir Oil.

Going concern

With the sale of Emir Oil, the Company has no continuing operations that result in positive cash flow, which raises substantial doubt about its ability to continue as a going concern.

Subsequent event

On February 2, 2012 the Company entered into a Management and Services Agreement, dated as of February 2, 2012, between BMB Munai, Inc. and Lakeview International, LLC (the "Services Agreement"). Pursuant to the Services Agreement, the Company engaged Lakeview International, LLC ("Lakeview") to provide management, administrative and support personnel and services to the Company in furtherance of fulfilling its obligations pursuant to the Purchase Agreement, and other activities, including the winding down of the Company's representative office in Kazakhstan. Lakeview is a company controlled by a former Company director.

The Services Agreement commenced on February 2, 2012 and will continue through December 31, 2012, unless terminated earlier upon the written agreement of both parties. In exchange for the services under the Services Agreement, the Company paid \$1,947,500 to Lakeview, which included anticipated out-of-pocket expenses required to perform the services through the term of the Agreement in the amount of \$1,900,000 and a management fee of \$47,500. The full amount was due and payable upon execution of the Services Agreement. The Services Agreement provides that in the event of early termination, Lakeview will be required to return to the Company any portion of the \$1,900,000 that has not been paid to cover out-of-pocket expenses as of the date the Services Agreement is terminated.

Use of estimates

The preparation of unaudited condensed 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 unaudited condensed consolidated financial statements and revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates and affect the results reported in these unaudited condensed consolidated financial statements.

BMB MUNAI, INC.

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011**

Concentration of credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist principally of cash and accounts receivable. The Company places its cash with high credit quality financial institutions.

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 United States 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 unaudited condensed consolidated statements of operations.

Share-based compensation

The Company accounts for options granted to non-employees at their fair value in accordance with FASC Topic 718 – Stock Compensation. 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 private equity placement transactions have been offset against the proceeds as a cost of capital. Stock options and stocks granted to other non-employees are recognized in the unaudited condensed consolidated statements of operations.

The Company has a stock option plan as described in Note 7. Compensation expense for options and stock granted to employees is determined based on their fair values at the time of grant, the cost of which is recognized in the unaudited condensed consolidated statements of operations over the vesting periods of the respective options.

Share-based compensation incurred for the nine months ended December 31, 2010 was \$2,744,133. The Company did not incur any share-based compensation expense for the nine months ended December 31, 2011.

BMB MUNAI, INC.

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011**

Income taxes

Provisions for income taxes are based on taxes payable or refundable for the current year and deferred taxes. Deferred taxes are provided on differences between the tax bases of assets and liabilities and their reported amounts in the financial statements, and tax carryforwards. Deferred tax assets and liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

Fair value of financial instruments

The carrying values reported for cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their respective fair values in the accompanying balance sheet due to the short-term maturity of these financial instruments.

Cash and cash equivalents

The Company considers all demand deposits, money market accounts and marketable securities purchased with an original maturity of nine 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.

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:

Vehicles	3-5 years
Office equipment	3-5 years
Software	3-4 years
Furniture and fixtures	2-7 years

Maintenance and repairs are charged to expense as incurred. Renewals and betterments are capitalized as leasehold improvements, which are amortized on a straight-line basis over the shorter of their estimated useful lives or the term of the lease.

BMB MUNAI, INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2011

Other fixed assets of the Company are evaluated annually 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. Based on the Company's analysis at December 31, 2011, no impairment of other assets is necessary.

Convertible notes payable issue costs

The Company recognizes convertible notes payable issue costs on the balance sheet as deferred charges, and amortizes the balance over the term of the related debt. The Company classifies cash payments for bond issue costs as a financing activity. The Company capitalized cash payments for bond issue costs as part of oil and gas properties in periods of drilling activities.

Functional currency

The Company makes its principal investing and financing transactions in U.S. Dollars and the U.S. Dollar is therefore its functional currency.

Income per common share

Basic income per common share is computed by dividing net income by the weighted-average number of common shares outstanding during the period. Diluted income per share reflects the potential dilution that could occur if all contracts to issue common stock were converted into common stock, except for those that are anti-dilutive.

NOTE 3 - CASH AND CASH EQUIVALENTS

As of December 31, 2011 and March 31, 2011 cash and cash equivalents included:

	<u>December 31, 2011</u>	<u>March 31, 2011</u>
US Dollars	\$ 41,741,011	\$ 274,870
Foreign currency	15,447	151,175
Total Cash and Cash Equivalents	41,756,458	426,045
Less restricted cash	36,001,190	-
Cash and cash equivalents – unrestricted	<u>\$ 5,755,268</u>	<u>\$ 426,045</u>

In accordance with the Purchase Agreement, the Company has placed \$36 million in cash in escrow to indemnify Palaeontol and its affiliates for losses arising from the Company's breaches of representations and warranties, failure to perform covenants, ongoing litigation matters, compliance with (and validity of) Emir Oil's exploration contract, transfer of certain payables, defects in ownership of certain facilities and pipelines, or violations of applicable environmental law. The maximum indemnification obligation of the Company is limited to \$39 million except with respect to losses arising out of fraud or criminal misconduct.

BMB MUNAI, INC.

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 4 – PROMISSORY NOTES RECEIVABLE

On December 17, 2010 the Company entered into agreement with Montclair Technology, LLC (the “Borrower”) and Michael Williams (the “Guarantor”) to loan funds to the Borrower in an amount of up to \$200,000. The Guarantor owns a patent and has proprietary know-how to develop oil refining and regeneration plants and Borrower desires to grant the Company a license to use and employ the technology in Kazakhstan. As further inducement for the Company to loan funds to the Borrower, Guarantor has agreed to guarantee Borrower’s obligations under any promissory note made by Borrower pursuant to this agreement.

On December 17, 2010, Borrower issued the Company a promissory note for \$50,000 with interest rate of 18% per annum. After the first transfer in December 2010, the Company made additional transfers starting January 19, 2011 through September 27, 2011 in the amount of \$150,000. Borrower may prepay any or all accrued and unpaid interest and unpaid principal at any time without penalty. The outstanding principal and unpaid accrued interest under this promissory note is due one year after the transfer.

As a result, the Company treated the loan as a promissory note receivable in its financial statements. At December 31, 2011 promissory notes receivable amounted to \$220,875, with \$200,000 principal amount and \$20,875 representing the amount of interest accrued.

As of December 31, 2011, the initial advance of \$50,000 plus interest is in default. The timing of the collection of the promissory note is uncertain; the ability to collect the principal and interest in full is likely with either the Borrower or the Guarantor. Due to the timing uncertainty, accrual of interest income has stopped in the current quarter. Interest income will be recorded upon collection of the principal and interest in full.

BMB MUNAI, INC.**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011****NOTE 5 – DISCONTINUED OPERATIONS AND SALE OF EMIR OIL***Emir Oil LLP*

On September 19, 2011 the Company completed the sale of all of its interests in Emir Oil LLP to a subsidiary of MIE Holdings Corporation. In anticipation of the sale of Emir Oil all operations of Emir Oil have been reclassified as discontinued operations.

The sale of Emir Oil was valued at \$170 million in cash, net of \$10.4 million in purchase adjustments. In accordance with the Purchase Agreement, the Company has placed \$36 million in cash in escrow to indemnify the buyer for losses arising from the Company's breaches of representations and warranties, failure to perform covenants, litigation matters, compliance with (and validity of) Emir Oil's exploration contract, transfer of certain payables, defects in ownership of certain facilities and pipelines, or violations of applicable environmental law. Defense of such claims may result in additional costs to maintain the Company's interest in the restricted cash or to limit potential liability. In the event that claims are successful, the balance payable to the buyer may include cash amounts in excess of the \$36 million escrowed, including potentially an additional \$3 million up to a total of \$39 million under certain conditions. Accordingly, at December 31, 2011, the Company has classified the \$36 million held in escrow as restricted cash, as a current asset.

The following is the summary of the net assets sold at September 19, 2011 and the resulting loss on sale:

	<u>September 19, 2011</u>
ASSETS	
Cash and cash equivalents	\$ 4,662,787
Trade accounts receivable	7,022,002
Prepaid expenses and other assets, net	3,118,748
Oil and gas properties, full cost method, net	271,970,791
Gas utilization facility, net	22,867,011
Inventories for oil and gas projects	12,730,177
Prepayments for materials used in oil and gas projects	1,183,499
Other fixed assets, net	3,525,297
Long term VAT recoverable	4,891,194
Restricted cash	872,270
TOTAL ASSETS	<u>\$ 332,843,776</u>
LIABILITIES	
Accounts payable	\$ (29,330,297)
Taxes payable	(6,260,625)

BMB MUNAI, INC.**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011**

Accrued liabilities and other payables	(245,554)
Liquidation fund	(5,474,984)
Deferred tax liabilities	(757,462)
Capital lease liability	(48,698)
TOTAL LIABILITIES	<u>(42,117,620)</u>
Net assets sold	<u>290,726,156</u>
Tax effect of sale	3,977,385
Adjusted sales price	<u>159,601,000</u>
Loss on sale of Emir Oil	<u>\$ (127,147,771)</u>

The assets and liabilities of Emir Oil have been classified on the balance sheet as discontinued operations. The asset and liabilities comprising the balances, as classified in our balance sheets consist of:

	December 31, 2011	March 31, 2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ -	\$ 1,345,504
Trade accounts receivable	-	13,857,331
Prepaid expenses and other assets, net	-	3,067,764
Total current assets	<u>-</u>	<u>18,270,599</u>
LONG TERM ASSETS		
Oil and gas properties, full cost method, net	-	262,951,788
Gas utilization facility, net	-	12,325,847
Inventories for oil and gas projects	-	13,964,385
Prepayments for materials used in oil and gas projects	-	2,141,928
Other fixed assets, net	-	3,798,801
Long term VAT recoverable	-	4,640,396
Restricted cash	-	885,261
Total long term assets	<u>-</u>	<u>300,708,406</u>
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 318,979,005</u>

BMB MUNAI, INC.**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011****LIABILITIES**

CURRENT LIABILITIES

Accounts payable	\$	-	\$ 20,608,547
Taxes payable		-	6,634,184
Accrued liabilities and other payables		-	344,356
Total current liabilities		<u>-</u>	<u>27,587,087</u>

LONG TERM LIABILITIES

Liquidation fund		-	5,207,842
Deferred tax liabilities		-	757,462
Capital lease liability		-	172,438
Total long term liabilities		<u>-</u>	<u>6,137,742</u>

TOTAL LIABILITIES

	\$	-	\$ 33,724,829
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The components of discontinued operations for three and nine months ended December 31, 2011 and 2010 were as follows:

	Three months ended		Nine months ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Revenue	\$ -	\$ 16,510,330	\$ 41,633,064	\$ 41,638,143
Operating expenses	-	11,124,593	29,914,188	29,039,932
Other (income)/expense	-	(1,815)	(180,838)	(17,159)
Discontinued operations	\$ -	\$ 5,383,922	\$ 11,899,714	\$ 12,615,370

*Accounting policies – Discontinued operations****Oil and gas properties***

The Company follows the full cost method of accounting for oil and gas properties. Under this method, all costs associated with acquisition, exploration and development of oil and gas properties are capitalized. Costs capitalized include acquisition costs, geological and geophysical expenditures and costs of drilling and equipping productive and non-productive wells. Drilling costs include directly related overhead costs. These costs do not include any costs related to production, general corporate overhead or similar activities. Under this method of accounting, the cost of both successful and unsuccessful exploration and development activities are capitalized as property and equipment. Proceeds from the sale or disposition of oil and gas properties are accounted for as a reduction to capitalized costs unless a significant portion of the Company's proved reserves are sold (greater than 25 percent), in which case a gain or loss is recognized.

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Capitalized costs less accumulated depletion and related deferred income taxes shall not exceed an amount (the full cost ceiling) equal to the sum of:

- a) the present value of estimated future net revenues computed by applying current prices of oil and gas reserves to estimated future production of proved oil and gas reserves, less estimated future expenditures (based on current costs) to be incurred in developing and producing the proved reserves computed using a discount factor of ten percent and assuming continuation of existing economic conditions;
- b) plus the cost of properties not being amortized;
- c) plus the lower of cost or estimated fair value of unproven properties included in the costs being amortized;
- d) less income tax effects related to differences between the book and tax basis of the properties.

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 impairment of the Company's 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 licensed territory, 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.

All capitalized costs of oil and gas properties, including the estimated future costs to develop proved reserves and estimated future costs to plug and abandon wells and costs of site restoration, less the estimated salvage value of equipment associated with the oil and gas properties, are amortized on the unit-of-production method using estimates of proved reserves as determined by independent engineers.

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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. Management believes that over the life of the project, transportation options will improve as additional pipelines and rail-related infrastructure are built that will increase transportation capacity to the world markets; however, there is no assurance that this will happen in the near future.

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, collectability is reasonably assured, delivery of oil has occurred or when ownership title transfers. Produced but unsold products are recorded as inventory until sold.

Export duty

In December 2008 the Government of the Republic of Kazakhstan issued a resolution that cancelled the export duty effective January 26, 2009 for companies operating under the new tax code.

In July 2010 the Government of the Republic of Kazakhstan issued a resolution which reenacted export duty for several products (including crude oil). The Company became subject to the export duty in September 2010. The export duty is calculated based on a fixed rate of \$20 per ton, or approximately \$2.60 per barrel exported. The export duty fees are expensed as incurred and classified as costs and operating expenses.

In January 2011 the Government of the Republic of Kazakhstan increased the fixed rate for duty from \$20 per ton to \$40 per ton, or approximately \$5.20 per barrel exported.

Mineral extraction tax

The mineral extraction tax replaced the royalty expense the Company had paid. The rate of this tax depends on annual production output. The new code currently provides for a 5% mineral extraction tax rate on production sold to the export market, and a 2.5% tax rate on production sold to the domestic market. The mineral extraction tax expense is reported as part of oil and gas operating expense.

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Rent export tax

This tax is calculated based on the export sales price and ranges from as low as 0%, if the price is less than \$40 per barrel, to as high as 32%, if the price per barrel exceeds \$190. Rent export tax is expensed as incurred and is classified as costs and operating expenses.

Prepayments for materials used in oil and gas projects

The Company periodically makes prepayments for materials used in oil and gas projects. These prepayments are presented as long term assets due to their transfer to oil and gas properties after materials are supplied and the prepayments are closed.

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.

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 which is presented as a long-term liability. 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 unaudited condensed consolidated statements of operations.

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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
Software	3-4 years
Furniture and fixtures	2-7 years

Maintenance and repairs are charged to expense as incurred. Renewals and betterments are capitalized as leasehold improvements, which are amortized on a straight-line basis over the shorter of their estimated useful lives or the term of the lease.

NOTE 6 - CONVERTIBLE NOTES PAYABLE

As of December 31, 2011 and March 31, 2011, the Senior Notes payable amount is presented as follows:

	<u>December 31, 2011</u>	<u>March 31, 2011</u>
Convertible notes redemption value	\$ -	\$ 65,824,673
Unamortized discount	-	<u>(4,120,945)</u>
	<u>\$ -</u>	<u>\$ 61,703,728</u>

As of December 31, 2011 and March 31, 2011, the Company has accrued interest of \$0 and \$1,430,108, respectively, relating to the outstanding Senior Notes outstanding. The Company has amortized the discount on the Senior Notes (difference between the redemption amount and the carrying amount as of the date of issue) in the amount of \$0 and \$1,703,728 as of December 31, 2011 and March 31, 2011, respectively. During the nine months ended December 31, 2011 and December 31, 2010 the Company recorded interest expense in the amount of \$3,551,022 and \$4,431,142, respectively.

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On September 21, 2011 the Company completed the mandatory Redemption of its \$61.4 million in principal amount of 10.75% Convertible Senior Notes due 2013, pursuant to the Amended and Restated Indenture, dated as of March 4, 2011, between the Company and The Bank of New York Mellon, as trustee. Pursuant to the Amended and Restated Indenture, the Redemption was triggered by the closing of the Sale. The total amount paid in connection with the Redemption was \$62,646,557, representing 100% of the Senior Notes' outstanding principal amount, plus all accrued and unpaid interest thereon through the date of the Redemption. All of the Company's obligations arising under the Amended and Restated Indenture, which governed the terms of the Senior Notes, were satisfied and discharged as of September 21, 2011.

NOTE 7 - SHAREHOLDERS' EQUITY

Cash distribution

In connection with the Sale, Boris Cherdabayev, the chairman of the Company's board of directors, and Toleush Tolmakov, a former executive officer of the Company, agreed to contribute into the escrow at closing the entirety of the cash distribution, approximately \$13 million, they otherwise would have been entitled to receive from the Company in the initial cash distribution. On the record date Messrs. Cherdabayev and Tolmakov were the record or beneficial holders of 6,248,727 shares and 6,251,960 shares of Company common stock, respectively. Messrs. Cherdabayev and Tolmakov agreed to defer until the anticipated second cash distribution, if any, their portion of the initial cash distribution and have put at risk the entire value of their common stock for the Company's indemnification purposes.

On October 24, 2011, the Company made an initial cash distribution of \$1.04 per share to common stockholders of record on October 10, 2011. The total amount distributed to common stockholders was \$58,019,056. As of December 31, 2011, the amount paid was \$43,002,499 with \$2,015,842 payable and \$13,000,714 deferred until the release of the escrow; these payables have been accrued and included in deferred consulting and distribution payments on the balance sheet.

The initial distribution amount was determined after giving effect to the estimated closing adjustments and escrow amount and the repayment of the Company's 10.75% Convertible Senior Notes and after providing for the payment of or reserve for other anticipated liabilities and transaction costs.

BMB MUNAI, INC.

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Common Stock Grants

On January 1, 2010, the Company entered into Restricted Stock Grant Agreements with certain executive officers, directors, employees, and outside consultants of the Company. The stock grants were approved by the Company's board of directors and recommended by the compensation committee of the Company's board of directors. The total number of shares granted was 1,500,000.

All of the restricted stock grants were awarded on the same terms and subject to the same vesting requirements which vesting requirements, except as disclosed below, were satisfied by all grantees during the quarter ended March 31, 2011.

One of the employees left the Company on June 30, 2010. According to the vesting terms, his restricted stock grant was forfeited back to the Company and non-cash compensation expense of \$14,225 related to those restricted stock grants was reversed at June 30, 2010.

Non-cash compensation expense in the amount of \$1,254,025, which is net of the expense reversal discussed above, was recognized in the condensed consolidated statements of operations and condensed consolidated balance sheets for the nine months ended December 31, 2010.

Consulting Agreement

In October 2008, the MEMR increased Emir Oil's contract territory from 460 square kilometers to 850 square kilometers. In connection with this extension, a Consultant was paid shares of Company restricted common stock for resources and reserves associated with any acquisition.

On July 20, 2010, the Company incurred an obligation to issue 3,947,539 common shares to the Consultant as the success fee for assisting the Company to obtain an extension of the territory for exploration. The shares were valued at \$0.56 per share, which was the closing market price of Company's shares on July 20, 2010. As a result of this transaction \$2,214,569 was capitalized to oil and gas properties. These 3,947,539 common shares were issued to the Consultant on November 18, 2010.

NOTE 8 - EARNINGS PER SHARE INFORMATION

The calculation of the basic earnings per share is based on the following data:

BMB MUNAI, INC.**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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	Three months ended		Nine months ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Net loss from continuing operations	\$ (304,217)	\$ (4,020,606)	\$ (150,747,934)	\$ (10,936,606)
Net income from discontinued operations	-	5,383,922	11,899,714	\$ 12,615,370
Basic weighted-average common shares outstanding	55,787,554	53,685,060	55,787,554	52,465,539
Basic loss per common share from continuing operations	<u>\$ (0.01)</u>	<u>\$ (0.07)</u>	<u>\$ (2.70)</u>	<u>\$ (0.21)</u>
Basic income per common share from discontinued operations	<u>\$ -</u>	<u>\$ 0.10</u>	<u>\$ 0.21</u>	<u>\$ 0.24</u>
Total basic income per common share	<u>\$ (0.01)</u>	<u>\$ 0.03</u>	<u>\$ (2.49)</u>	<u>\$ 0.03</u>

Options, warrants, and restricted stock grants were not included in the calculation of earnings per common share for the periods ended December 31, 2010, as the effect of their inclusion would be anti-dilutive.

The table below provides total potential shares outstanding, including those that are anti-dilutive, at each balance sheet date:

	December 31, 2011	December 31, 2010
Shares issuable under common stock warrants associated with the convertible notes payable	-	30,700,000
Shares issuable under stock options	-	100,000

NOTE 9 - COMMITMENTS AND CONTINGENCIES – CONTINUING OPERATIONS*Consulting Agreement with Boris Cherdabayev*

On December 31, 2009, the Company entered into a Consulting Agreement with Boris Cherdabayev, the Chairman of the Company's board of directors. The Consulting Agreement became effective on January 1, 2010. Pursuant to the Consulting Agreement, in addition to his services as Chairman of the board of directors, Mr. Cherdabayev was to provide such consulting and other services as may reasonably be requested by Company management.

BMB MUNAI, INC.

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The Consulting Agreement provides for an extraordinary event payment equal to the greater of \$5,000,000 or the base compensation fee for the remaining initial term of the Consulting Agreement. Pursuant to the terms of the Consulting Agreement the Sale constituted an extraordinary event.

In February 2011 Mr. Cherdabayev agreed to an amendment to his Consulting Agreement that will defer, until the escrow amount is released, the \$5,000,000 extraordinary event payment that would otherwise have been payable to him in connection with the Sale. The amendment provides further, that the extraordinary event payment will be limited to the amount remaining in escrow if less than \$5,000,000, with the possibility of it being reduced to \$0 if the escrow amount is depleted entirely. Payment of this liability will be paid to Mr. Cherdabayev, if at all, before any escrow funds are otherwise distributed, as would have been the case had Mr. Cherdabayev not agreed to the amendment. As of December 31, 2011, the \$5,000,000 has been accrued and included in deferred consulting and distribution payments on the balance sheet.

NOTE 10 - FINANCIAL INSTRUMENTS

As of December 31, 2011 and March 31, 2011 cash and cash equivalents included deposits in Kazakhstan banks in the amount \$31,972 and \$224,163, respectively, and deposits in U.S. banks in the amount of \$5,723,296 and \$201,882, respectively. Kazakhstan banks are not covered by FDIC insurance, nor does the Republic of Kazakhstan have an insurance program similar to FDIC. Therefore, the full amount of the Company's deposits in Kazakhstan banks was uninsured as of December 31, 2011 and March 31, 2011. The Company's deposits in U.S. banks are also in non-FDIC insured accounts which means they too are not insured to the \$250,000 FDIC insurance limit. To mitigate this risk, the Company has placed all of its U.S. deposits in a money market account that invests in U.S. Government backed securities.

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 unaudited condensed consolidated financial statements and the accompanying notes included in this quarterly report on Form 10-Q contain additional information that should be referred to when reviewing this material and this document should be read in conjunction with our annual report on Form 10-K for the year ended March 31, 2011.

Cautionary Note Regarding Forward-Looking Statements

This quarterly report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") that are based on management's beliefs and assumptions and on information currently available to management. For this purpose any statement contained in this report that is not a statement of historical fact may be deemed to be forward-looking, including, but not limited to, statements about a potential second cash distributions to our shareholders, our results of operations, cash flows, capital resources and liquidity, actions, intentions, plans, strategies and objectives. Without limiting the foregoing, words such as "expect," "project," "estimate," "believe," "anticipate," "intend," "budget," "plan," "forecast," "predict," "may," "should," "could," "will" or comparable terminology are intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties and actual results may differ materially depending on a variety of factors, many of which are not within our control. These factors include, but are not limited to, costs and expenses, economic conditions, claims against escrow funds, sufficiency of funds 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.

Forward-looking statements are predictions and not guarantees of future performance or events. Forward-looking statements are based on current industry, financial and economic information, which we have assessed but which by their nature are dynamic and subject to rapid and possibly abrupt changes. Our actual results could differ materially from those stated or implied by such forward-looking statements due to risks and uncertainties associated with our business. We hereby qualify all our forward-looking statements by these cautionary statements.

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.

Throughout this report, unless otherwise indicated by the context, references herein to the "Company", "BMB", "we", "our" or "us" means BMB Munai, Inc., a Nevada corporation, and its corporate subsidiaries and predecessors. Throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations all references to dollar amounts (\$) refers to U.S. dollars unless otherwise indicated.

The following discussion should be read in conjunction with our financial statements and the related notes contained elsewhere in this report and in our other filings with the Securities and Exchange Commission.

Overview

As more fully discussed in this report in Note 1 – “*Description of Business*”, the subsections entitled “*Business Condition*” of Note 2 – “*Significant Accounting Policies*” and the subsection entitled “*Emir Oil LLP*” of Note 5 – “*Discontinued Operations*” of the notes to our unaudited condensed consolidated financial statements accompanying this report, on September 19, 2011 we sold all of our interest in our wholly-owned operating subsidiary Emir Oil LLP to a subsidiary of MIE Holdings Corporation.

Historically, the assets and operations of Emir Oil have represented the major portion of our consolidated total assets and results of operations. The results of our operations, that are solely operations of BMB Munai, excluding the operations of Emir Oil, will be reported and further discussed as results of continuing operations. This discussion and analysis of financial condition and results of operations has been retroactively reclassified and subdivided to results from continuing operations and results from discontinued operations.

This discussion summarizes the significant factors affecting our continuing and discontinued operating results, financial condition, liquidity and capital resources during the quarters ended December 31, 2011 and 2010. This discussion should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto accompanying this report.

Results of Continuing Operations

Three months ended December 31, 2011 compared to the three months ended December 31, 2010.

Revenue

We did not generate any revenue during the three months ended December 31, 2011 and 2010 except from oil and gas sales through Emir Oil.

Expenses

The following table presents details of our expenses for the three months ended December 31, 2011 and 2010:

	For the three months ended December 31, 2011	For the three months ended December 31, 2010
Costs and Operating Expenses:		
General and administrative	\$ 283,857	\$ 1,846,823
Interest expense	-	2,228,010
Amortization and depreciation	29,408	21,161
Total	\$ 313,265	\$ 4,095,994

General and Administrative Expenses. General and administrative expenses from continuing operations during the three months ended December 31, 2011 were \$283,857 compared to \$1,846,823 during the three months ended December 31, 2010. This represents a 85% increase. The decrease was mainly due to the staff reduction in Almaty office and reduction in legal and consulting expenses.

Interest Expense. During the three months ended December 31, 2010 we incurred interest expense from continuing operations of \$2,228,010. We did not incur any interest expense during the three months ended December 31, 2011 since the convertible notes were retired during the quarter ended September 30, 2011.

Amortization and Depreciation. Amortization and depreciation expense from continuing operations for the three months ended December 31, 2011 increased by \$8,247 or 39% compared to the three months ended December 31, 2010. The increase resulted from the acquisition of vehicles at the beginning of the current fiscal year. We anticipate amortization and depreciation expense to remain on the same level during upcoming fiscal quarters.

Loss from Operations. During the three months ended December 31, 2011 we recognized a loss from continuing operations of \$313,265 compared to loss from continuing operations of \$4,095,994 during the three months ended December 31, 2010. This decrease in loss from continuing operations during three months ended December 31, 2011 is the result of the 85% decrease in general and administrative expenses and the 100% decrease in interest expense.

Total Other Income. During the three months ended December 31, 2011 we recognized total other income from continuing operations of \$9,048 compared to total other income of \$75,388 during the three months ended December 31, 2010.

Loss from Continuing Operations. During the three months ended December 31, 2011 we recognized a loss from continuing operations of \$304,217 compared to a loss from continuing operations of \$4,020,606 during the three months ended December 31, 2010. This reduction in loss from continuing operations was primarily attributable to the reductions in general and administrative expenses and interest expense during the three months ended December 31, 2011.

Income from Discontinued Operations. During the three months ended December 31, 2011 we realized no income from discontinued operations compared to \$5,383,922 during the three months ended December 31, 2010. With the completion of the Sale during the quarter ended September 30, 2011, we will no longer realize income from discontinued operations in future periods.

Net Loss/Income. For all of the foregoing reasons, during the three months ended December 31, 2011 we incurred net loss of \$304,217 or \$0.01 basic loss per share compared to a net income of \$1,363,316 or \$0.03 basic income per share for the three months ended December 31, 2010. While we anticipate our expenses to be lower in future periods, with the sale of Emir Oil, we are no longer generating revenues. Therefore, we expect to continue to realize net losses in the future.

Nine months ended December 31, 2011 compared to the nine months ended December 31, 2010.

Revenue

We did not generate any revenue during the nine months ended December 31, 2011 and 2010 except from oil and gas sales through Emir Oil.

Expenses

The following table presents details of our expenses for the nine months ended December 31, 2011 and December 31, 2010:

	For the nine months ended December 31, 2011	For the nine months ended December 31, 2010
Costs and Operating Expenses:		
General and administrative	\$ 19,964,085	\$ 6,450,284
Interest expense	3,551,022	4,431,142
Amortization and depreciation	72,533	69,002
Total	\$ 23,587,640	\$ 10,950,428

General and Administrative Expenses. General and administrative expenses from continuing operations during the nine months ended December 31, 2011 were \$19,964,085 compared to \$6,450,284 during the nine months ended December 31, 2010. This represents a 210% increase. This increase was mainly the result of termination payments in the total amount of \$7,886,648 accrued and paid to executive officers of the Company, upon termination of employment agreements, coupled with the accrued termination fee expense for Mr. Cherdabayev's Consulting Agreement in the amount of \$5,000,000 and selling expenses in the amount of \$3,989,531 incurred and paid during the nine months ended December 31, 2011. The increase in general and administrative expenses during the nine months ended December 31, 2011 is associated with the sale of our wholly owned subsidiary Emir Oil.

Interest Expense. During the nine months ended December 31, 2011 we incurred interest expense from continuing operations of \$3,551,022 compared to interest expense of \$4,431,142 during the nine months ended December 31, 2010. The 20% decrease in interest expense was due to the fact that we did not incur any interest expense during the three months ended December 31, 2011 since the convertible notes were retired during the quarter ended September 30, 2011.

Amortization and Depreciation. Amortization and depreciation expense from continuing operations for the nine months ended December 31, 2011 increased by \$3,531 or 5% compared to the nine months ended December 31, 2010. The increase resulted from the purchase of fixed assets during the nine months ended December 31, 2011 of the fiscal year 2012.

Loss from Operations. During the nine months ended December 31, 2011 we recognized a loss from operations of \$23,587,640 compared to loss from operations of \$10,950,428 during the nine months ended December 31, 2010. This increase in loss from operations during nine months ended December 31, 2011 is the result of the 210% increase in general administrative expenses during nine months ended December 31, 2011.

Total Other Loss/Income. During the nine months ended December 31, 2011 we recognized total other loss from continuing operations of \$12,523 compared to total other income of \$13,822 during the nine months ended December 31, 2010. The 191% change from total other income to loss was mainly due to increase in foreign exchange loss and increase in other expenses.

Loss from Continuing Operations. During the nine months ended December 31, 2011 we realized a loss from continuing operations of \$23,600,163 compared to \$10,936,606 during the nine months ended December 31, 2010. This 116% increase in loss from continuing operations was primarily attributable to increased general and administrative expenses discussed above.

Loss on Sale of Emir Oil. During the nine months ended December 31, 2011 we incurred a loss on the sale of Emir Oil in the amount of \$127,147,771. As more fully discussed in Note 5 – Discontinued Operations, this loss was the result of the sale of the net assets of Emir Oil LLP which totaled \$290,726,156, for net proceeds from the sale of \$159,601,000 (after giving effect to purchase adjustments) and recognizing the tax effect of the sale of \$3,977,385.

Income from Discontinued Operations. During the nine months ended December 31, 2011 we realized income from discontinued operations of \$11,899,714 compared to \$12,615,370 during the nine months ended December 31, 2010. The 6% decrease was due to a 7% increase in operating expenses. With the completion of the Sale during the nine months ended December 31, 2011, we will not realize income from discontinued operations in future periods.

Net Loss/Income. For all of the foregoing reasons, during the nine months ended December 31, 2011 we realized net loss of \$ 138,848,220 or \$ 2.49 basic loss per share compared to a net income of \$1,678,764 or \$ 0.03 basic income per share for the nine months ended December 31, 2010.

Liquidity and Capital Resources

As noted throughout this report, on September 19, 2011 we completed the sale of our wholly-owned operating subsidiary Emir Oil, LLP to a wholly-owned subsidiary of MIE Holdings Corporation. The initial purchase price of \$170 million. The initial purchase price was subject to various closing adjustments of \$10.4 million, selling expenses of \$4 million and the deposit of \$36 million in escrow to be held for a period of twelve months following the closing for indemnification purposes.

In connection with the closing of the Sale, on September 21, 2011 we completed the mandatory redemption and retirement of all of our outstanding Senior Notes in exchange for payment to the holders of the Senior Notes in the aggregate amount of \$62.6 million.

As a result of the Sale we were also contractually obligated to make extraordinary event payments to our executive officers and certain employees and consultants of the Company in the aggregate amount of \$7.9 million, exclusive of the extraordinary event payment owed to Boris Cherdabayev discussed in more detail below. As of December 31, 2011 we had paid \$5 million in extraordinary event payment. The balance has been recorded as short-term liabilities in Condensed Consolidated Financial Statement.

From the \$36 million placed in escrow for indemnification purposes, we are required to indemnify the buyer of Emir Oil for losses arising from our breaches of representations and warranties, failure to perform covenants, litigation matters, compliance with (and validity of) Emir Oil's existing exploration contract, transfer of certain payables, defects in ownership of certain facilities and pipelines, or violations of applicable environmental laws. The representations, warranties and covenants of the Company survive for a period of twelve months following the closing date, except in the case of fraud or criminal misconduct on our part, in which case survival is without limitation. Our maximum indemnification obligation is limited to \$39 million.

To assist the Company in funding its indemnification obligations, Boris Cherdabayev, the chairman of our board of directors, and Toleush Tolmakov, a former executive officer of the Company, agreed to contribute into the escrow (to form part of the \$36 million in escrow funds) the entirety of the cash distribution, approximately \$13 million, they otherwise would have been entitled to receive from us in the initial stockholder distribution. As of the record date Mr. Cherdabayev was the record or beneficial holder of 6,248,727 shares of our common stock and Mr. Tolmakov was the record or beneficial holder of 6,251,960 shares of our common stock. As a result these individuals have agreed to defer until the anticipated second stockholder distribution, if any, their portion of the initial stockholder distribution and have put at risk the entire value of their common stock for our indemnification purposes. By doing so, they enabled us to pay to the remaining Company stockholders at the initial distribution the amount of cash that otherwise would have been paid to Messrs. Cherdabayev and Tolmakov at the initial distribution.

In order to increase the amount of the initial distribution available to Company shareholders, Mr. Cherdabayev also agreed to amend his consulting contract with the Company to defer until twelve months following the closing a \$5 million extraordinary event payment owed to him at the closing. In connection with the amendment, it was agreed that the extraordinary event payment amount would be limited to the amount remaining in escrow if less than \$5 million. Payment of this liability to Mr. Cherdabayev will be made, if at all, before any escrow funds are distributed to our stockholders, as would have been the case had he not agreed to the amendment

On October 24, 2011 we paid an initial cash distribution of \$1.04 per share to Company common stockholders of record on October 10, 2011. The total amount distributed to common stockholders was \$58,019,056. As of December 31, 2011, the amount paid was \$43,002,499 with \$2,015,842 payable and \$13,000,714 deferred until the release of the escrow.

Upon release of the escrow funds (after payment to Mr. Cherdabayev of any amounts due to him under his amended consulting agreement in respect of the extraordinary event payment), if any, Messrs. Cherdabayev and Tolmakov will receive, prior to any distributions to other stockholders, the initial distribution that they contributed into escrow, to the extent remaining, with the balance of any remaining escrow and other available funds to be distributed thereafter to all of our stockholders, including Messrs. Cherdabayev and Tolmakov, pro rata in accordance with their shares of common stock held as of the record date for the second distribution.

We will continue to operate the Company until at least September 2012 and will continue to work with the buyer during the indemnification period to assist with the ownership transition and to satisfy our obligations to the buyer under the Purchase Agreement. We intend to continue to explore opportunities to exploit the expertise of our management staff within the oil and gas sector in the Republic of Kazakhstan.

While we continue to work to satisfy our obligations under the Purchase Agreement, these efforts do not generate revenue for the Company. We do not anticipate generating revenue until such time as we are able to identify and exploit new business opportunities. This raises substantial doubt about our ability to continue as a going concern.

Cash Flows

During the nine months ended December 31, 2011, cash was primarily used to fund exploration expenditures. See below for additional discussion and analysis of cash flow.

	Nine months ended December 31, 2011	Nine months ended December 31, 2010
Net cash provided by operating activities	\$ 17,662,260	\$ 23,299,231
Net cash used in investing activities	\$ 136,255,135	\$ (21,904,292)
	\$	
Net cash used in financing activities	(109,269,699)	\$ (1,620,492)
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ 44,647,696	\$ (225,553)
NET CHANGE IN CASH AND CASH EQUIVALENTS—CONTINUING OPERATIONS	\$ 41,330,413	\$ 221,884
NET CHANGE IN CASH AND CASH EQUIVALENTS—DISCONTINUED OPERATIONS	\$ 3,317,283	\$ (447,437)

Our principal source of liquidity during the nine months ended December 31, 2011 was cash and cash equivalents. At March 31, 2011 cash and cash equivalents from continuing operations totaled \$426,045. At December 31, 2011 cash and cash equivalents from continuing operations had increased to approximately \$41.3 million, which includes \$36 million of restricted cash being held for indemnification purposes.

Contractual Obligations and Contingencies

The following table lists our significant commitments at December 31, 2011, excluding current liabilities as listed on our condensed consolidated balance sheet:

Contractual obligations	Payments Due By Period				
	Total	Less than 1 year	2-3 years	4-5 years	After 5 years
Cash distribution from escrow account ⁽¹⁾	\$ 39,000,000	\$ 39,000,000	\$ -	\$ -	\$ -

(1) Pursuant to the terms of the Purchase Agreement, we are required to indemnify the buyer of Emir Oil for losses arising from our breaches of representations and warranties, failure to perform covenants, litigation matters, compliance with (and validity of) Emir Oil's exploration contract, transfer of certain payables, defects in ownership of certain facilities and pipelines, or violations of applicable environmental laws. The representations, warranties and covenants of the buyer and the Company survive for a period of twelve months following the closing date, except in the case of fraud or criminal misconduct on our part, in which case survival is without limitation. Our maximum indemnification obligation is limited to \$39 million. To help satisfy this obligation we were required by the Purchase Agreement to escrow \$36 million of the proceeds from the Sale for a period of twelve months following the Closing.

The initial cash distribution owed to Messrs Cherdabayev and Tolmakov and Mr. Cherdabayev's Consulting Agreement extraordinary event payment constitute part of this escrow account. Any portion of the escrow remaining following the expiration of the one-year period will be distributed pro-rata to our shareholders following payments to Messrs. Cherdabayev and Tolmakov as disclosed above.

Off-Balance Sheet Financing Arrangements

As of December 31, 2011, we had no off-balance sheet financing arrangements.

Item 3. Qualitative and Quantitative Disclosures about Market Risk

As a Smaller Reporting Company as defined by Rule 12b-2 of the Exchange Act and in Item 10(f)(1) of Regulation S-K, we are electing scaled disclosure reporting obligations and therefore are not required to provide the information requested by this Item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of December 31, 2011. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2011, our disclosure controls and procedures were effective in (1) recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports that we file or submit under the Exchange Act and (2) ensuring that information disclosed by us in such reports is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting during the quarter ended December 31, 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1A. Risk Factors

We believe there are no additions to the risk factors disclosed in our annual report on Form 10-K for the year ended March 31, 2011.

Item 6. Exhibits

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
Exhibit 31.1	Certification of Principal Executive Officer Pursuant to Rule 13a-14(a)
Exhibit 31.2	Certification of Principal Financial Officer Pursuant to Rule 13a-14(a)
Exhibit 32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350
Exhibit 32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350
Exhibit 101.INS	XBRL Instance Document
Exhibit 101.SCH	XBRL Taxonomy Extension Schema Document
Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
Exhibit 101.DEF	XBRL Taxonomy Definition Linkbase Document
Exhibit 101.LAB	XBRL Taxonomy Extension Label Linkbase Document
Exhibit 101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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: February 14, 2012

/s/ Askar Tashtitov

Askar Tashtitov
President

Date: February 14, 2012

/s/ Evgeniy Ler

Evgeniy Ler
Chief Financial Officer

EXHIBIT 31.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934**

I, Askar Tashtitov, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of BMB Munai, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2012

/s/ Askar Tashtitov
Askar Tashtitov
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934**

I, Evgeniy Ler, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of BMB Munai, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 14, 2012

/s/ Evgeniy Ler
Evgeniy Ler
Chief Financial Officer
(Principal 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 Quarterly Report of BMB Munai, Inc. (the "Company") on Form 10-Q for the period ended December 31, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "*Report*"), I, Askar Tashtitov, President 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: February 14, 2012

/s/ Askar Tashtitov
Askar Tashtitov
President
(Principal 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 Quarterly Report of BMB Munai, Inc. (the "Company") on Form 10-Q for the period ended December 31, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "*Report*"), I, Evgeniy Ler, 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: February 14, 2012

/s/ Evgeniy Ler

Evgeniy Ler
Chief Financial Officer
(Principal Financial Officer)