

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended March 31, 2012

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-33034

**BMB MUNAL, INC.**

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of  
incorporation or organization)

324 South 400 West, Suite 250  
Salt Lake City, Utah

(Address of principal executive offices)

30-0233726

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

84101

(Zip Code)

(801) 355-2227

(Registrant's telephone number, including area code)

Securities registered under Section 12(b) of the Exchange Act: **None**

Securities registered under Section 12(g) of the Exchange Act: **Common, \$0.001 par value**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.)

Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an 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

Accelerated filer

Non-accelerated Filer  (Do not check if smaller reporting company)

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of the last business day of the registrant's most recently completed second fiscal quarter was \$48,042,275.

As of June 10, 2012, the registrant had 55,787,554 shares of common stock, par value \$0.001, issued and outstanding.

**Documents Incorporated by Reference: None**

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## BMB MUNAI, INC.

*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.*

Unless otherwise indicated by the context all dollar amounts stated in this annual report on Form 10-K are in U.S. dollars.

### **Forward-Looking Information**

This annual report on Form 10-K 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, a potential second cash distributions to our shareholders, our ability to identify or pursue other opportunities in the oil and gas industry within the Republic of Kazakhstan, or elsewhere, our results of operations, cash flows, capital resources and liquidity and future 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 known and unknown risks and uncertainties and other factors that may cause actual results and outcomes to differ materially depending on a variety of factors, many of which are not within our control. These factors include, but are not limited to, completion of all closing conditions, including receipt of all required regulatory approvals, satisfaction of outstanding obligations, costs and expenses, economic conditions, competition, legislative requirements, sufficiency of working capital, capital resources and liquidity 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.

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.

## PART I

### Item 1. Business

#### Overview

BMB Munai, Inc. is a Nevada corporation that originally incorporated in the State of Utah in 1981. From 2003 to 2011, our 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”) through a wholly-owned operating subsidiary, Emir Oil LLP, (“Emir Oil”). Emir Oil held an exploration contract that allowed exploration drilling and oil production in the Mangistau Province in the southwestern region of Kazakhstan.

On February 14, 2011 we 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 we agreed to sell all of our interest in Emir Oil to Palaeontol (the “Sale”). The initial purchase price was \$170 million, net of \$10.4 million in purchase adjustments.

On September 19, 2011 we completed the Sale. In accordance with the Purchase Agreement, we are 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 we completed the mandatory redemption (the “Redemption”) of our \$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 Purchase Agreement, we were required to place \$36 million of the proceeds of the Sale into escrow (the “Escrow”) to indemnify the buyer for losses arising from any breaches by us 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 our interest in the restricted cash or to limit potential liability. In the event that claims are successful, the balance payable to MIE subsidiary 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.

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, with the exception of Boris Cherdabayev, the chairman of our board of directors, and Toleush Tolmakov, a former executive officer of the Company, who 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. To further help fund the Escrow, Mr. Cherdabayev also agreed to an amendment to his Consulting Agreement with the Company that defers, until the Escrow amount is released, the \$5 million extraordinary event payment that would otherwise have been payable to him in connection with the Sale. 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.

The initial distribution amount was determined after giving effect to the estimated closing adjustments, Escrow amount, repayment of the Convertible Senior Notes, and after providing for the payment of or reserve for other anticipated liabilities and transaction costs.

As a result of the Sale, we voluntarily delisted our common stock from the NYSE Amex (the “Amex”), which became effective following the close of business on September 29, 2011. Our common stock is now quoted over-the-counter on the OTCQB, stock symbol “BMBM”.

In February 2012 we entered into a Management Services Agreement (“Services Agreement”) with Lakeview International, LLC (“Lakeview”). Pursuant to the Services Agreement, Lakeview is providing management, administrative and support personnel and services to us in furtherance of fulfilling our obligations under the Purchase Agreement and other activities through December 31, 2012.

### **Our Business**

Since September 2011 our principal business operations have been focused on satisfying certain post-closing undertakings to assist the MIE subsidiary with the acquisition of certain contracts, leases and transfers of rights in accordance with the Purchase Agreement and exploring 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.

We have approximately 21 total employees, all of which are full-time employees. From time to time we utilize the services of independent consultants and contractors to perform various professional services.

## Reports to Security Holders

We file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and other items with the Securities and Exchange Commission (the "Commission"). The public may read and copy any documents we file with the Commission at its Public Reference Room at 100 F Street N.E., Washington, DC 20549, on official business days during the hours of 10:00 am to 3:00 pm. The public may obtain information on the operation of the Public Reference Room by calling the Commission at 1-800-SEC-0330. The Commission maintains its Internet web site at [www.sec.gov](http://www.sec.gov), which contains reports, proxy and information statements and other information regarding issuers the file electronically with the Commission, like BMB Munai.

### Item 1A. Risk Factors

Listed below are some of the more critical or unique risk factors that we have identified as affecting or potentially affecting the Company. You should carefully consider these risks and the risks identified elsewhere in this annual report on Form 10-K and in the Notes to the Consolidated Financial Statements included in this report when evaluating our forward-looking statements and our Company. The effect of any one risk factor or a combination of several risk factors could materially affect our business and the accuracy of the forward-looking statements and other information provided this annual report on Form 10-K. These risks are not presented in order of importance or probability of occurrence.

#### ***We have limited continuing operations and assets as a result of the Sale.***

As a result of the Sale, we no longer have substantial operations or assets. Currently, we are working to (i) complete our obligations pursuant to the Purchase Agreement, (ii) respond to indemnification claims made by Palaeontol in connection with the Purchase Agreement, (iii) pay out the second distribution, if any, to our stockholders, and (iv) explore opportunities to exploit the expertise of our management staff in the oil and gas industry in Kazakhstan.

#### ***The amount of the second distribution is an estimate and the second distribution, if any, may be much lower than anticipated.***

The amount of the anticipated second distribution to our stockholders is an estimate that remains subject to various adjustments, including, but not limited to, (i) fees and expenses incurred in connection with the consummation of the Sale and transactions in furtherance thereof, (ii) payment of our other debts, obligations and liabilities, (iii) payments to Messrs. Tolmakov and Cherdabayev of their deferred distribution amounts and payment to Mr. Cherdabayev of his extraordinary event payment, and (iv) the availability of funds to be released from the Escrow, which is subject to certain indemnification claims for a minimum twelve-month period. Because of the uncertainty of these adjustments, stockholders may not receive a second distribution, or the second distribution may be considerably lower than estimated.

#### ***If we are unsuccessful in satisfying our remaining outstanding obligations under the Purchase Agreement we may have no funds available to distribute in a second distribution.***

If we are unable to fulfill the obligations still outstanding under the Purchase Agreement prior to the one-year Escrow period, the Escrow could be subject to claims from Palaeontol, which would reduce, and could possibly drain the entire Escrow amount leaving no funds available for a second distribution. Any claims made against the Escrow by Palaeontol will likely reduce the amount that would be received by our stockholders in a second distribution.

***The board of directors may determine it to be in the best interest of the Company and its stockholders to liquidate and terminate the Company's existence following the Escrow period and second distribution.***

In connection with the completion of the Escrow period and the second distribution, if any, based on the advice of management regarding potential business opportunities available to the Company, or the lack thereof, or the advice of the Company's tax, accounting, legal or other experts, our board of directors may determine it to be in the best interest of the Company and its stockholders to liquidate the Company and terminate its existence.

***If we are unsuccessful in obtaining a source of capital to meet our operating needs, we may be forced to liquidate and terminate the Company's existence.***

Following completion of the Escrow period and the second distribution, if any, we will have very limited capital to fund operations. We do not currently generate any revenue nor do we expect to do so until such time as we can make an acquisition or exploit an opportunity in the oil and gas industry in Kazakhstan that will allow us to generate revenue. We do not currently expect such to occur prior to completion of the Escrow period and second distribution.

***The financial crisis and economic conditions have and may continue to have a material adverse impact on our ability to pursue new opportunities.***

The global financial markets have experienced a period of unprecedented turmoil and upheaval characterized by extreme volatility and declines in prices of securities, diminished liquidity and credit availability, inability to access capital, bankruptcy, failure, collapse or sale of financial institutions and an unprecedented level of intervention from the governments of a number of countries. The cost of raising money in the debt and equity capital markets has increased while the availability of funds from those markets generally has diminished. As a result of the concerns about the stability of financial markets generally and the solvency of existing debtors specifically, the cost of obtaining money from credit markets has increased. Many lenders and institutional investors have increased interest rates, enacted tighter lending standards, refused to refinance existing debt at maturity and have either reduced or, in many cases, ceased to provide any new funding.

Even if we are able to identify and take advantage of other opportunities in the oil and gas industry in Kazakhstan, current economic conditions could materially adversely affect our ability to obtain credit or access the capital markets which could make it very difficult to obtain funding to pursue such opportunities.



## **Risks Relating to Our Common Stock**

*Our common stock price will continue to be volatile and will likely decline.*

We believe our stock price has settled into its current trading range based on the market's assumptions about the likelihood and anticipated amount of the second distribution to our stockholders. Upon completion of the Escrow period, in approximately September 2012, we will be better positioned to know and inform the market with regard to the amount of the second distribution, if any, and we anticipate the price of our stock to react accordingly. It is also possible that in connection with the completion of the Escrow period or any second distribution that management and the board of directors may determine that it is in the best interest of the Company and its stockholders to liquidate the Company and terminate its existence.

*If our common stock is subject to the Commission's penny stock rules, broker-dealers may experience difficulty in completing customer transactions and trading activity in our securities may be adversely affected.*

If at any time we have net tangible assets of \$5.0 million or less and our common stock has a market price per share of less than \$5.00, transactions in our common stock may be subject to the "penny stock" rules promulgated under the Exchange Act. Under these rules, broker-dealers who recommend such securities to persons other than institutional accredited investors must:

- make a special written suitability determination for the purchaser;
- receive the purchaser's written agreement to a transaction prior to sale;
- provide the purchaser with risk disclosure documents that identify certain risks associated with investing in "penny stocks" and that describe the market for the "penny stocks," as well as a purchaser's legal remedies; and
- obtain a signed and dated acknowledgement from the purchaser demonstrating that the purchase has actually received the required risk disclosure document before a transaction in a "penny stock" can be completed.

If our common stock is subject to these rules, broker-dealers may find it difficult to effect customer transactions and trading activity in our securities may be adversely affected. As a result, the market price of our securities may be depressed, and you may find it more difficult to sell our securities.

### **Item 1B. Unresolved Staff Comments**

As a smaller reporting company, as defined in Rule 12b-2 promulgated under of the Securities Exchange Act of 1934, as amended, and in Item 10(f)(1) of Regulation S-K, we are electing scaled disclosure reporting obligations and therefore are not required to provide this the information requested by this Item.

### **Item 2. Properties**

Our principal executive and corporate offices are located in Salt Lake City, Utah, at 324 South 400 West, Suite 250, Salt Lake City, Utah 84101, USA. We lease this space on a month to month basis. We believe it is sufficient to meet our needs for the foreseeable future.

Since the closing of the Sale, MIE has allowed some of our employees to use a portion of the Emir Oil offices in Almaty, Kazakhstan free of rent, while others have been working primarily from home. Our arrangement with MIE will end at the end of June 2012, at which time, pursuant to the Services Agreement, Lakeview will provide office space for our Kazakhstan-based employees through December 31, 2012.

In connection with the Sale, we sold all of our interest in our wholly-owned operating subsidiary, Emir Oil, including all of our right, title and interest in and to the oil and gas licenses and licensed territory owned by Emir Oil. With the sale of Emir Oil, we currently own no oil and gas properties and are not currently engaged in oil and gas producing activities.

### Item 3. Legal Proceedings

As of the date of this annual report on Form 10-K management is not aware of any material pending legal, judicial or administrative proceedings to which the Company or any of its subsidiaries is a party or of which any properties of the Company or its subsidiaries is the subject.

### Item 4. Mine Safety Disclosures

None.

## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Since September 30, 2011, our common stock has been quoted over-the-counter on the OTCQB under the symbol "BMBM." From September 21, 2006 until September 29, 2011, our common stock traded on the NYSE Amex under the symbol "KAZ."

The following table presents the high and low sales price for the fiscal year ended March 31, 2011, for the first quarter of the year ended March 31, 2012 and for the period from July 1, 2011 to September 29, 2011, the last day our common stock traded on the NYSE Amex. The table also presents the high and low bid prices for September 30, 2011 and for the third and fourth fiscal quarters of the year ended March 31, 2012. The published high and low bid quotations were furnished by the OTC Markets Group, Inc. These quotations reflect inter-dealer prices without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

Fiscal year ended March 31, 2012	High	Low
Fourth quarter	\$0.205	\$0.157
Third quarter	\$ 1.12	\$0.121
Sept. 30, 2011	\$ 1.11	\$ 1.11
July 1, 2011 – Sept. 29, 2011	\$ 1.05	\$ 0.80
First quarter	\$ 1.02	\$ 0.91
Fiscal year ended March 31, 2011		
Fourth quarter	\$ 1.18	\$ 0.86
Third quarter	\$ 0.99	\$ 0.57
Second quarter	\$ 0.62	\$ 0.52
First quarter	\$ 1.06	\$ 0.61

## Holders

As of June 10, 2012 we had approximately 363 shareholders of record holding 55,787,554 shares of our common stock. The number of record holders was determined from the records of our stock transfer agent and does not include beneficial owners of common stock whose shares are held in the names of various securities brokers, dealers, and registered clearing houses or agencies.

## Dividends

We have not declared or paid a cash dividend on our common stock during the past two fiscal years. Our ability to pay dividends is subject to limitations imposed by Nevada law. Under Nevada law, dividends may be paid to the extent that a corporation's assets exceed its liabilities and it is able to pay its debts as they become due in the usual course of business.

In connection with the Sale, on October 24, 2011 we made an initial cash distribution to our stockholders in the amount of \$1.04 per share. Subject to the availability of funds to be released from the Escrow, actual costs incurred and other factors, we also intend to make a second cash distribution to our stockholders that could range up to \$0.30 per share following termination of the Escrow. Because we did not have either current or accumulated earnings and profits, after taking into account the Sale, we anticipate the distributions will be treated as a tax-free return of the U.S. Holder's investment, to the extent of the U.S. Holder's tax basis in our common stock. While we anticipate this to be the anticipated treatment for U.S. federal income tax consequences of the distributions, there can be no assurance that the IRS will not challenge our expectations and we have not obtained and do not intend to obtain a ruling from the IRS regarding U.S. federal tax consequences or the tax consequences in any other jurisdiction.

Further, we do not undertake to provide tax advice to any shareholder and each shareholder is advised to consult his or her individual tax advisor for the appropriate tax treatment of any distribution received from the Company.

As used above, the term "U.S. Holder" means a beneficial owner of our common stock that is for U.S. federal income tax purposes:

- a citizen or individual resident of the United States, as determined for U.S. federal income tax purposes;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any political subdivision thereof;

- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if (1) a court within the United States can exercise primary supervision over its administration and one or more U.S. persons have the authority to control all its substantial decisions, or (2) the trust has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

#### **Securities Authorized for Issuance Under Equity Compensation Plans**

See Item 12 “*Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*” of this report.

#### **Performance Graph**

As a smaller reporting company, as defined in Rule 12b-2 promulgated under of the Securities Exchange Act of 1934, as amended, and in Item 10(f)(1) of Regulation S-K, we are electing scaled disclosure reporting obligations and therefore are not required to provide this the information requested by this Item.

#### **Recent Sales of Unregistered Securities**

We did not sell any unregistered securities during the quarter ended March 31, 2012.

#### **Issuer Purchases of Equity Securities**

We did not repurchase any equity securities of the Company during the quarter ended March 31, 2012.

#### **Item 6. Selected Financial Data**

As a smaller reporting company, as defined in Rule 12b-2 promulgated under of the Securities Exchange Act of 1934, as amended, and in Item 10(f)(1) of Regulation S-K, we are electing scaled disclosure reporting obligations and therefore are not required to provide this the information requested by this Item.

#### **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

As discussed in this report in Item 1. “*Business*,” and Note 6 – “*Discontinued Operations and Sale of Emir Oil*” of the Notes to our Consolidated Financial Statements accompanying this report, we sold our interest in Emir Oil, our operating subsidiary, during the 2012 fiscal year. Our stockholders approved the Sale at a special meeting of stockholders held on June 2, 2011. As a result of Sale we currently do not have substantial operations or assets. Currently, we are working to (i) complete our obligations pursuant to the Purchase Agreement, (ii) respond to indemnification claims made by Palaeontol in connection with the Purchase Agreement, (iii) pay out the second distribution, if any, to our stockholders, and (iv) explore opportunities in the oil and gas industry in the Republic of Kazakhstan to exploit the expertise of our management staff. Because of the limited continuing operations of BMB and limited capital, there is substantial doubt as to our ability to continue to operate as a going concern.

In accordance with generally accepted accounting principle in the United States, because of the Sale, the results of operations and the financial position of Emir Oil have been classified in the Consolidated Financial Statements accompanying this report as discontinued operations. 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 fiscal years ended March 31, 2012 and 2011. This discussion should be read in conjunction with the Consolidated Financial Statements and Notes to the Consolidated Financial Statements accompanying this report.

### Results of Continuing Operations

*Year ended March 31, 2012 compared to the year ended March 31, 2011.*

#### *Revenue*

We did not generate any revenue during the fiscal years ended March 31, 2012 and 2011 except from oil and gas sales through Emir Oil.

#### *Expenses*

The following table presents details of our expenses for the years ended March 31, 2012 and 2011:

	<b>For the year ended March 31, 2012</b>	<b>For the year ended March 13, 2011</b>
Costs and Operating Expenses:		
General and administrative	\$ 20,311,395	\$ 10,037,072
Interest expense	3,551,022	5,977,640
Amortization and depreciation	101,515	89,575
<b>Total</b>	<b>\$ 23,963,932</b>	<b>\$ 16,104,287</b>

*General and Administrative Expenses.* General and administrative expenses from continuing operations during the year ended March 31, 2012 were \$20,311,395 compared to \$10,037,072 during the year ended March 31, 2011. This represents a 102% increase. This increase was mainly the result of accrued termination fee expense pursuant to 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 year ended March 31, 2012. The increase in general and administrative expenses during the year ended March 31, 2012 is associated with the sale of our wholly owned subsidiary Emir Oil and we expect general and administrative expenses to significantly decrease in upcoming quarters.

*Interest Expense.* During the year ended March 31, 2012 we incurred interest expense from continuing operations of \$3,551,022 compared to interest expense of \$5,977,640 during the same period of 2011. The 41% decrease in interest expense resulted from the mandatory redemption of our Convertible Senior Notes in September 2011, which resulted in the retirement of all interest obligations. We do not expect to incur significant interest expense in future quarters unless we access the credit markets or borrow funds.

*Amortization and Depreciation.* Amortization and depreciation expense from continuing operations for the year ended March 31, 2012 increased by \$11,940 or 13% compared to the year ended March 31, 2011. The increase resulted from the purchase of fixed assets during the 2012 fiscal year. With the closing of Almaty office in May 2012 we will not incur any depreciation expenses and thus amortization and depreciation will decrease in upcoming quarters.

*Loss from Operations.* During the year ended March 31, 2012 we recognized a loss from operations of \$23,963,932 compared to loss from operations of \$16,104,287 during the year ended March 31, 2011. This increase in loss from operations during fiscal 2012 is the result of the 102% increase in general and administrative expense during fiscal 2012, which was only partially offset by 30% decrease in interest expense. As a result of the anticipated decreases in general and administrative, interest and amortization and depreciation expenses in upcoming quarters, we expect loss from operations to decrease significantly in future periods.

*Total Other Expense.* During the fiscal year ended March 31, 2012 we recognized total other expense from continuing operations of \$4,232 compared to total other expense of \$396,441 during the fiscal year ended March 31, 2011. The 99% decrease in other expense was mainly due to the 94% decrease in foreign exchange loss during the fiscal year 2012. With the Sale of our subsidiary we will not likely be involved in the operations connected with currency other than the U.S. Dollar in upcoming quarters, thus we do not anticipate recognizing foreign exchange loss or gain in future periods. As noted above, we also anticipate interest income and other expenses to decrease. As foreign exchange gain/loss, interest income and other expenses are part of total other expense/income, and we expect all of these items to be lower in upcoming fiscal periods, we likewise expect total other expense/income to decrease in upcoming periods.

*Income Tax Benefit.* During fiscal 2011 we realized an income tax benefit from continuing operations of \$1,366,631. We have not realized any income tax expense or benefit from continuing operations during the fiscal year ended March 31, 2012. The Sale of Emir Oil was accounted for net of income taxes.

*Loss from Continuing Operations.* During the fiscal year ended March 31, 2012 we realized a loss from continuing operations of \$23,968,164 compared to \$15,134,097 during the fiscal year ended March 31, 2011. This 58% increase in loss from continuing operations was primarily attributable to increased general and administrative expense. We expect the loss from continuing operations to decrease in upcoming periods.

*Loss on Sale of Emir Oil.* During the fiscal year ended March 31, 2012 we incurred a loss on the sale of Emir Oil in the amount of \$127,147,771. As more fully discussed in Note 6 – *Discontinued Operations and Sale of Emir Oil*, this loss was the result of the sale of the net assets of Emir Oil 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. As the sale of Emir Oil was a one-time event, we do not anticipate realizing a similar loss in future periods.

*Income from Discontinued Operations.* During the fiscal year ended March 31, 2012 we realized income from discontinued operations of \$11,899,714 compared to \$20,015,870 during the fiscal year ended March 31, 2011. We will not realize income from discontinued operations in future fiscal periods.

*Net (Loss)/Income.* For all of the foregoing reasons, during the year ended March 31, 2012 we realized net loss of \$139,216,221 or \$2.50 basic and diluted loss per share compared to a net income of \$4,881,773 or \$0.09 basic and diluted income per share for the year ended March 31, 2011. For the reasons discussed above, we anticipate net loss will decrease in upcoming fiscal periods.

### ***Liquidity and Capital Resources***

As noted throughout this report, in September 2011 we completed the sale of our wholly-owned operating subsidiary Emir Oil to a wholly-owned subsidiary of MIE. The initial purchase price of \$170 million 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 Convertible Senior Notes in exchange for payment to the holders of the Convertible 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 March 31, 2012 we had paid \$7.9 million in extraordinary event payments. The balance has been recorded as short-term liabilities in our Consolidated Financial Statement.

From the \$36 million placed in the Escrow for indemnification purposes, we are required to indemnify Palaeontol for losses arising from our breaches of representations and warranties, failure to perform covenants, litigation matters, compliance with (and validity of) the 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 us in funding our 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.

To increase the amount of the initial distribution available to Company stockholders, 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 our common stockholders of record on October 10, 2011. The total amount distributed to common stockholders was \$58,019,056. As of March 31, 2012, 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, as determined by the Company's board of directors, 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 Palaeontol during the indemnification period to assist with the ownership transition and to satisfy our obligations 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 year ended March 31, 2012 cash was primarily used to fund operating activities and exploration expenditures. See below for additional discussion and analysis of cash flow.

	Year ended March 31, 2012	Year ended March 31, 2011
Net cash provided by operating activities	\$ 15,278,079	\$ 35,779,349
Net cash provided by (used in) investing activities	\$ 136,255,136	\$ (35,078,949)
	\$	
Net cash used in financing activities	(109,269,699)	\$ (5,369,245)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>\$ 42,263,516</b>	<b>\$ (4,668,845)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS—CONTINUING OPERATIONS</b>	<b>\$ 38,946,233</b>	<b>\$ (2,566,347)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS—DISCONTINUED OPERATIONS</b>	<b>\$ 3,317,283</b>	<b>\$ (2,102,498)</b>

Our principal source of liquidity during the year ended March 31, 2012 was cash and cash equivalents. At March 31, 2011 cash and cash equivalents from continuing and discontinued operations totaled to approximately \$426,045. At March 31, 2012 cash and cash equivalents from continuing and discontinued operations totaled to approximately \$39.4 million, which includes \$36 million of restricted cash being held for indemnification purposes.

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 March 31, 2012, excluding current liabilities as listed on our 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 <sup>(1)</sup>	\$ 39,000,000	\$ 39,000,000	\$ -	\$ -	\$ -

<sup>(1)</sup> Pursuant to the terms of the Purchase Agreement, we are required to indemnify Palaeontol for losses arising from our breaches of representations and warranties, failure to perform covenants, litigation matters, compliance with (and validity of) the 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 Palaeontol 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. 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 March 31, 2012 we had no off-balance sheet financing arrangements.

### Critical Accounting Policies

We have identified the accounting policies below as critical to our business operations and an understanding of our financial statements. The impact of these policies and associated risks are discussed throughout Management's Discussion and Analysis where such policies affect our reported and expected financial results. A complete discussion of our accounting policies is included in Note 2 of the notes to consolidated financial statements.

#### Foreign Exchange Transactions

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 Consolidated Statements of Operations.

#### Share-Based Compensation

We account for options granted to non-employees at their fair value in accordance with FASC Topic 718. Under FASC Topic 718, 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 stock granted to other non-employees is recognized in the Consolidated Statements of Operations.

We have stock option plans as described in Note 8. Compensation expense for options and stock granted to employees is determined based on their fair value at the time of grant, the cost of which is recognized in the Consolidated Statements of Operations over the vesting periods of the respective options.

Share-based compensation incurred for the year ended March 31, 2011 was \$1,254,025. The Company did not incur any share-based compensation expense for the year ended March 31, 2012.

#### **New Accounting Pronouncements**

For details of applicable new accounting standards, please, refer to New *accounting pronouncements* in Note 2 of our Consolidated Financial Statements accompanying this report.

#### **Item 7A. Qualitative and Quantitative Disclosures about Market Risk**

As a smaller reporting company, as defined in Rule 12b-2 promulgated under of the Securities Exchange Act of 1934, as amended, and in Item 10(f)(1) of Regulation S-K, we are electing scaled disclosure reporting obligations and therefore are not required to provide this the information requested by this Item.

#### **Item 8. Financial Statements and Supplementary Data**

The Consolidated Financial Statements and supplementary data required by this Item 8 are included at page F-1 of this report.

#### **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

#### **Item 9A. 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) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act.)) Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of March 31, 2012, our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms and (ii) accumulated and communicated to our management, including our principal executive and financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

### *Management's Report on Internal Control over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, the company's principal executive officer and principal financial officer and effected by the company's board of directors, management and other personnel, 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 in the United States and includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an assessment of the effectiveness of the our internal control over financial reporting based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control - Integrated Framework*. Based on this assessment, our management concluded that as of March 31, 2012 our internal control over financial reporting is effective to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States.

### *Attestation Report of Independent Registered Public Accounting Firm*

This annual report on Form 10-K does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to an exemption for non-accelerated filers set forth in Section 989G of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

### *Changes in Internal Control over Financial Reporting*

There were no changes in our internal control over financial reporting during the quarter ended March 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### **Item 9B. Other Information**

None.

### **PART III**

#### **Item 10. Directors, Executive Officers and Corporate Governance**

The following table sets forth our directors and persons nominated or chosen to become directors and executive officers and persons chosen to become executive officers and certain significant employees, their ages, and all offices and positions held. Directors are elected for a period of three years and thereafter serve until their successor is duly elected by the stockholders and qualified.

<u>Name of Director or Executive Officer</u>	<u>Age</u>	<u>Positions with the Company</u>	<u>Director Since</u>	<u>Officer Since</u>
Boris Cherdabayev	58	Chairman of the Board of Directors	November 2003	
Jason M. Kerr	40	Independent Director	May 2008	
Troy F. Nilson	46	Independent Director	December 2004	
Leonard M. Stillman	69	Independent Director	October 2006	
Valery Tolkachev	45	Independent Director	December 2003	
Askar Tashtitov	33	President and Director	May 2008	May 2006
Evgeniy Ler	29	Chief Financial Officer		April 2009

A brief description of the background and business experience of each of the above listed individuals follows.

**Boris Cherdabayev.** Mr. Cherdabayev joined the Company's board of directors and was appointed Chairman of the board of directors in November 2003. From May 2000 to May 2003, Mr. Cherdabayev served as Director at TengizChevroil LLP multi-national oil and gas company owned by Chevron, ExxonMobil, KazMunayGas and LukOil. From 1998 to May 2000, Mr. Cherdabayev served as a member of the Board of Directors, Vice-President of Exploration and Production and Executive Director on Services Projects Development for NOC "Kazakhoil", an oil and gas exploration and production company. From 1983 to 1988 and from 1994 to 1998 he served as a people's representative at Novouzen City Council (Kazakhstan); he served as a people's representative at Mangistau Oblast Maslikhat (regional level legislative structure) and a Chairman of the Committee on Law and Order. For his achievements Mr. Cherdabayev has been awarded with a national "Kurmet" order. Mr.

Cherdabayev earned an engineering degree from the Ufa Oil & Gas Institute, with a specialization in “machinery and equipment of oil and gas fields” in 1976. Mr. Cherdabayev also earned an engineering degree from Kazakh Polytechnic Institute, with a specialization in “mining engineer on oil and gas fields’ development.” During his career he also completed an English language program in the United States, the CHAMP Program (Chevron Advanced Management Program) at Chevron Corporation offices in San Francisco, California, and the CSEP Program (Columbia Senior Executive Program) at Columbia University. Mr. Cherdabayev is not currently, nor has he in the past five years been, a director or nominee of any other SEC registrant or registered investment company. We considered Mr. Cherdabayev’s extensive experience in the oil and gas industry in the Republic of Kazakhstan in concluding that he should serve as a director of the Company.

**Jason M. Kerr.** Mr. Kerr graduated from the University of Utah in 1995 with a Bachelors of Science degree in Economics and in 1998 with a Juris Doctorate from the same university, where he was named the William H. Leary Scholar. In 2011, Mr. Kerr founded the firm Price, Parkinson & Kerr, where he practices commercial litigation. From 2006 to 2011 Mr. Kerr was the associate general counsel of Basic Research, LLC, concentrating in intellectual property litigation. Prior to joining Basic Research, Mr. Kerr was a partner with the law firm of Plant, Christensen & Kanell in Salt Lake City, Utah. Mr. Kerr was employed with Plant, Christensen & Kanell from 1996 through 2001 and from 2004 to 2006. From 2001 through 2004 Mr. Kerr was employed as a commercial litigator with the Las Vegas office of Lewis and Roca. Mr. Kerr became a Company director in May 2008. Mr. Kerr currently serves on the Company’s Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee. Mr. Kerr is not currently, nor has he in the past five years been, a nominee or director of any other SEC registrant or registered investment company. In concluding that Mr. Kerr should serve as a Company director, we considered his educational background in economics and his professional experience as an attorney.

**Troy F. Nilson, CPA.** From February 2001 to August 2010 Mr. Nilson served as an Audit Partner with Chisholm, Bierwolf, Nilson & Morrill, Certified Public Accountants, in Bountiful, Utah. Currently he is an Audit Partner with Bierwolf & Nilson PLLC. From December 2000 to February 2001, he served as an Audit Manager for Crouch, Bierwolf & Associates, Certified Public Accountants, in Salt Lake City, Utah. Prior to that time, Mr. Nilson served as the Senior Internal Auditor for Intermountain Power Agency in Salt Lake City, Utah from March 1995 to December 2000. In the past eleven years, Mr. Nilson has had extensive public and private company audit, audit review and Securities and Exchange Commission disclosure and reporting experience. Mr. Nilson received licensure as a Certified Public Accountant in 1997. Mr. Nilson earned a Master’s of Science Degree in Business Information Systems from Utah State University in December 1992, and a Bachelor of Science in Accounting from Utah State University in August 1990. Mr. Nilson became a Company director in December 2004. Mr. Nilson currently serves on the Company’s Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee. Mr. Nilson is not currently, nor has he in the past five years been, a director or nominee of any other SEC registrant or registered investment company. We considered Mr. Nilson’s experience and expertise as a U.S. certified public accountant auditing SEC reporting issuers in concluding that Mr. Nilson should serve as a director of the Company.

**Leonard M. Stillman.** Mr. Stillman received his Bachelor of Science degree in mathematics from Brigham Young University and Master's of Business Administration from the University of Utah. He began his career in 1963 with Sperry UNIVAC as a programmer developing trajectory analysis software for the Sergeant Missile system. Mr. Stillman spent many years as a designer and teacher of computer language classes at Brigham Young University, where he developed applications for the Administrative Department including the school's first automated teacher evaluation system. During that time, he was also a Vice-President of Research and Development for Automated Industrial Data Systems, Inc and the Owner of World Data Systems Company, which provided computerized payroll services for companies such as Boise Cascade. Mr. Stillman has over 40 years of extensive business expertise including strategic planning, venture capital financing, budgeting, manufacturing planning, cost controls, personnel management, quality planning and management, and the development of standards, policies and procedures. He has extensive skills in the design and development of computer software systems and computer evaluation. Mr. Stillman helped found Stillman George, Inc. in 1993 and founded Business Plan Tools, LLC in 2004. He was employed with Stillman George, Inc. until 2010 where his primary responsibilities included managing information, technical development and financial analysis projects and development as well as general company management and consulting activities. He is currently employed by Business Plan Tools, LLC which provides cloud-based SaaS business planning software and consolidates a broad variety of skills from a growing group of business professionals to provide needed support in finance, marketing, management, sales, planning, product development and more to businesses worldwide. Mr. Stillman currently serves on the Company's Corporate Governance and Nominating Committee. Mr. Stillman is not currently, nor has he in the past five years been, a director or nominee of any other SEC registrant or registered investment company. In concluding that Mr. Stillman should serve as a director of the Company, we considered his training in business management, strategic planning, corporate finance and information management.

**Valery Tolkachev.** Valery Tolkachev, Director. Since June 2011 Mr. Tolkachev has served and the First Deputy Chairman of the Managing Board of Taurus Bank. From 2009 to May 2011 Mr. Tolkachev served in various top executive positions with Moscow-based Bank-T (f.k.a MaxWellBank), including Chairman of the Managing Board, President, member of the board of directors and Chairman of the Credit Committee. In May 2011 he sold his interest and left his employment with, the bank. Mr. Tolkachev is currently unemployed. From August 2008 to March 2009, Mr. Tolkachev was employed with Slavyansky Bank in Moscow, Russia, where he served as the Deputy Chairman. From 1991 to 2008, Mr. Tolkachev served in top positions, such as Managing Director of Development Department, Managing Director of Capital Markets Department, Chairman of Investment Banking Committee, Vice President of Strategic Development Department, and Deputy Director of Customer Relations Department with UniCredit Securities (f.k.a. UniCreditAton, former ATON Broker. Mr. Tolkachev has also served in various positions with various employers including MDM Bank, InkomBank, InkomCapital and others. Mr. Tolkachev graduated with Honors from the High Military School in Kiev, USSR in 1989. In 2005 he completed his studies at the Academy of National Economy, as a qualified lawyer. Mr. Tolkachev serves on the Compensation Committee and the Corporate Governance and Nominating Committee of the Company. Mr. Tolkachev became a Company director in December 2003. Mr. Tolkachev also serves as a director of Caspian Services, Inc., an SEC registrant. During the past five years, Mr. Tolkachev also served as a director of Bekem Metals, Inc., which was an SEC registrant during the time Mr. Tolkachev served as a director. Other than as disclosed herein, Mr. Tolkachev is not currently, nor has he in the past five years been, a director or nominee of any other SEC registrant or registered investment company. We took into account Mr. Tolkachev's extensive investment experience and his related finance and banking background in concluding that he should serve as a director of the Company.

**Askar Tashtitov.** Mr. Tashtitov has been with the Company since 2004 and has served as President since May 2006 and as a director since May 2008. Prior to joining the Company, from 2002 to 2004, Mr. Tashtitov was employed by PA Government Services, Inc. Mr. Tashtitov worked as a management consultant specializing in oil and gas projects. In May 2002, Mr. Tashtitov earned a Bachelor of Arts degree from Yale University majoring in Economics and History. Mr. Tashtitov passed the AICPA Uniform CPA Examination in 2006. Mr. Tashtitov is not, nor has he in the past five years been, a director or nominee of any other SEC registrant or registered investment company. We considered Mr. Tashtitov's detailed understanding of the Company's operations and strategic goals in concluding that he should serve as a director of the Company.

**Evgeniy Ler.** Mr. Ler has been with the Company since 2006. Prior to being appointed CFO, Mr. Ler served in other capacities with the Company including Finance Manager and Reporting Manager. Since the closing of the Sale, Mr. Ler has also been serving as the Deputy Director of Internal Controls for Emir Oil, LLP. Prior to joining the Company, from 2002 to 2006, Mr. Ler was employed by Deloitte & Touche where he held the position of Senior Auditor in Financial Services & Industries Group, Audit. In that position he led large engagements for banks, financial institutions and oil and gas companies. In 2003 Mr. Ler was awarded a Bachelors degree in Financial Management from the Kazakh-American University located in Almaty, Kazakhstan. In 2008 Mr. Ler passed the AICPA Uniform CPA Examination. Mr. Ler has also completed trainings in London on oil and gas financial reporting in accordance with IFRS and US GAAP and internal Deloitte trainings on audit, financial reporting and due diligence.

#### **Family Relationships**

There are no family relationships among our directors, executive officers and/or nominees.

#### **Involvement in Certain Legal Proceedings**

On April 8, 2011 the United States Securities and Exchange Commission issued an order instituting public administrative and cease-and-desist proceedings pursuant to Section 4C and 21C of the Securities Exchange Act of 1934 and Rule 102(e) of the Commission's Rules of Practice, making findings, and imposing remedial sanctions and a cease-and-desist order against Troy Nilson, one of our directors. Pursuant to the cease-and-desist order, it was ordered, effective immediately, that:



- Mr. Nilson cease and desist from committing or causing any violations and any future violations of Section 10A(a)(1) and 10A(a)(3) of the Exchange Act.
- Mr. Nilson cease and desist from committing or causing any violations and any future violations of Section 13(a) of the Exchange Act and Rules 13a-1, 13a-13 and 12b-20 promulgated thereunder.
- Mr. Nilson is denied the privilege of appearing or practicing before the Commission as an accountant.
- After five years from the date of the order, Mr. Nilson may request that the Commission consider his reinstatement by submitting an application to resume appearing or practicing before the Commission.

The board of directors believes Mr. Nilson continues to be capable to serve on the Company's board of directors.

Other than the foregoing, during the past ten years none of our executive officers or directors has been subject to or involved in any of the following events that could be material to an evaluation of his ability or integrity, including:

(1) A petition under the Federal bankruptcy laws or any state insolvency law was filed against, or a receiver, fiscal agent or similar officer was appointed by a court for the business or property of such person, or any partnership in which he was a general partner at or within two year before the time of such filing, or any corporation or business association of which he was an executive officer at or within two years before the time of such filing;

(2) Any conviction in a criminal proceeding or being named a subject of a pending criminal proceeding (excluding traffic violations and other minor offenses);

(3) Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from, or otherwise limiting the following activities:

- (i) Acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, and other person regulated by the Commodity Futures Trading Commission ("CFTC"), or an associated person of any of the foregoing, or as an investment adviser, underwriter, broker or dealer in securities, or as an affiliate person, director or employee of any investment company, bank savings and loan association or insurance company, or engaging in or continuing any conduct or practice in connection with such activity;
- (ii) Engaging in any type of business practice; or
- (iii) Engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of Federal or State securities laws or Federal commodities laws.

(4) Being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any Federal or State authority barring, suspending or otherwise limiting for more than 60 days the rights of such person to engage in any activity described in (3)(i) above, or to be associated with persons engaged in any such activity.

(5) Being found by a court of competent jurisdiction in a civil action or by the Securities and Exchange Commission to have violated any Federal or State securities law, and the judgment in such civil action or finding by the Commission has not be subsequently reversed, suspended or vacated.

(6) Being found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any Federal commodities law, and the judgment in such civil action or finding by the Commodity Futures Trading Commission has not been subsequently reversed, suspended, or vacated.

(7) Being the subject of, or a party to any Federal or State judicial or administrative order, judgment, decree or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of:

- (i) Any Federal or State securities or commodities law or regulations; or
- (ii) Any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or

(8) Being the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act (15 U.S.C. 78c(a)(26))), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29))), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

#### **Compliance with Section 16(a) of the Exchange Act**

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers, and any persons who own more than 10% of the common stock of the Company to file with the Securities and Exchange Commission reports of beneficial ownership and changes in beneficial ownership of common stock. Officers and directors are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file. Based solely on review of the copies of such reports furnished to us or written representations that no other reports were required, we believe that during fiscal 2012 all filing requirements applicable to our officers, directors were met on a timely basis.

## Code of Ethics

We have adopted a code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar duties. The code is designed to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, timely, accurate and understandable disclosure in reports and documents that we file with, or submit to the Commission and in our other public communications;
- compliance with applicable governmental laws, rules and regulations;
- prompt internal reporting of violations of the code to an appropriate person or persons identified in the code; and
- accountability for adherence to the code.

A copy of our code of ethics was filed with the Commission as Exhibit 14.1 to the Company's Annual Report on Form 10-KSB for the fiscal year ended March 31, 2004. A copy of the code of ethics will be provided to any person without charge upon written request to our Corporate Secretary at 324 South 400 West, Suite 250, Salt Lake City, Utah 84101.

## Committees of the Board of Directors

The board has standing audit, compensation, and corporate governance and nominating committees. The board has adopted written charters for each of these committees. Copies of these charters will be provided to any person without charge upon written request to our Corporate Secretary at 324 South 400 West, Suite 250, Salt Lake City, Utah 84101.

### Audit Committee

Our board of directors has adopted an audit committee charter and established an audit committee, as defined in accordance with section 3(a)(58)(A) of the Exchange Act and the rules of NYSE Amex, whose principal functions are to:

- assist the board in the selection, review and oversight of our independent registered public accounting firm;
- approve all audit, review and attest services provided by the independent registered public accounting firm;
- assess the integrity of our reporting practices and evaluate of our internal controls and accounting procedures; and
- resolve disagreements between management and the independent registered public accountants regarding financial reporting.

The audit committee has the sole authority to retain and terminate our independent registered public accounting firm and to approve the compensation paid to our independent registered public accounting firm. The audit committee is responsible for the pre-approval of all non-audit services provided by our independent registered public accounting firm. Non-audit services are only provided by our independent registered public accounting firm to the extent permitted by law. The audit committee is comprised of two independent directors Troy Nilson and Jason Kerr. Mr. Nilson has and will continue to act as chairman of the committee. Our board of directors has determined that Mr. Nilson qualifies as an "audit committee financial expert" under the rules of the SEC adopted pursuant to the requirements of the Sarbanes-Oxley Act of 2002. As discussed above, our board of directors has also determined that Mr. Nilson and Mr. Kerr each qualifies as "independent" in accordance with the applicable regulations of the NYSE Amex for audit committee members.

Our board may establish other committees from time to time to facilitate our management.

#### Board Diversity

While we do not have a formal policy regarding the consideration of diversity in identifying and evaluating potential director candidates, the board considers the interplay of a candidate's knowledge, expertise, skills and experience with that of the other members of the board of directors in order to build a board of directors that is effective, collegial and responsive to the needs of the Company. We believe this analysis results in a board of directors that is diverse in knowledge, expertise, skills, experience and viewpoint.

#### **Procedures for Security Holders to Nominate Candidates to the Board of Directors**

There have been no material changes to the procedures set forth in our proxy statement filed with the SEC on November 18, 2009, by which security holders may recommend nominees to our board of directors.

#### **Board Leadership Structure and Role in Risk Oversight**

We do not have a policy regarding the separation or combination of the roles of the Chairman of the board of directors and chief executive officer and believe that the separation or combination of these offices is a matter for discussion and determination by the board. The board believes that it should be able to select the Chairman of the board based on the criteria that the board deems to be in the best interests of the Company and its stockholders.

Currently we have separate individuals serving as Chairman of the board of directors and as President. Askar Tashtitov, our President, is responsible for setting the strategic direction of the Company and managing the leadership and performance of the Company. Boris Cherdabayev, the Chairman of our board of directors, provides guidance to the President, sets the agenda for meetings of the board and presides over meetings of the full board. At this time, the board believes this structure strengthens the role of the board in fulfilling its oversight responsibility and fiduciary duties to the Company's shareholders while recognizing the management direction of the Company.

Board-level risk oversight is primarily performed by our full board. Our risk oversight process includes an ongoing dialogue between management and the board, intended to identify and analyze risks that face the Company. Through these discussions with management and their own business experience and knowledge, our directors are able to identify material risks for which a full analysis and risk mitigation plan are necessary. With respect to risks related to internal controls, financial and accounting matters the board monitors risk mitigation action plans developed by management, in order to ensure such plans are implemented and are effective in reducing the targeted risk.

#### Item 11. Executive Compensation

The table below summarizes compensation paid to or earned by all individuals serving as our principal executive officer or acting in a similar capacity during the last completed fiscal year (“PEO”) regardless of compensation level and the only other individuals who earned in excess of \$100,000 during the last completed fiscal year. These individuals are referred to herein collectively as our “named executive officers” or “NEOs.”

**Summary Compensation Table**

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	All Other Compensation <sup>(1)</sup> (\$)	Total (\$)
<b>Askar Tashtitov</b> President (PEO) <sup>(2)</sup>	2012	43,934	-0-	-0-	3,018,547	3,062,481
	2011	121,943	-0-	-0-	37,902	159,845
<b>Gamal Kulumbetov</b> Former CEO <sup>(2)</sup>	2012	29,290	-0-	-0-	399,985	429,275
	2011	95,619	-0-	-0-	34,444	130,063
<b>Evgeniy Ler</b> CFO	2012	27,459	-0-	-0-	376,230	403,688
	2011	97,083	-0-	-0-	33,334	130,417
<b>Boris Cherdabayev</b> Chairman of the Board of Directors	2012	71,995	-0-	-0-	31,510	103,505
	2011	192,000	-0-	-0-	63,164	255,164

<sup>(1)</sup> For details regarding All Other Compensation awarded to the NEOs, please see the “*All Other Compensation*” table below.

<sup>(2)</sup> On August 8, 2011, Askar Tashtitov became the Principal Executive Officer of the Company when Gamal Kulumbetov ceased serving as the Chief Executive Officer (Principal Executive Officer) of the Company.

#### All Other Compensation

The table below provides additional information regarding all other compensation awarded to the named executive officers as disclosed in the “All Other Compensation” column of the “*Summary Compensation Table*” above.

Name	Year	Income Tax	Social Tax	Health Insurance	Pension Fund	Extraordinary Event/ Termination Benefit <sup>(1)</sup>
Askar Tashtitov	2012	\$ 8,038	\$ 7,394	\$ 381	\$ 2,735	\$3,000,000
	2011	15,965	15,510	279	6,148	-0-
Gamal Kulumbetov	2012	\$ 6,190	\$ 5,037	\$ 381	\$ 2,656	\$ 385,722
	2011	13,722	12,389	279	8,054	-0-
Evgeniy Ler	2012	\$ 5,238	\$ 4,847	\$ 381	\$ 2,646	\$ 363,118
	2011	13,311	11,690	279	8,054	-0-
Boris Cherdabayev	2012	\$ 15,092	\$ 12,105	\$1,352	\$ 2,960	\$ -0-
	2011	28,452	25,665	993	8,054	-0-

<sup>(1)</sup> The Sale constituted an extraordinary event under the employment agreements of Messrs. Tashtitov, Kulumbetov and Ler, resulting in the termination of such agreements. As a result of such termination due to the occurrence of an extraordinary event, the Company was required to make severance payment to each of these individuals.

#### *Employment Agreements*

As noted above, the employment agreements of Messrs. Tashtitov, Ler and Kulumbetov have terminated. Mr. Kulumbetov is no longer with the Company. Messrs. Tashtitov and Ler are employed by the Company at will and currently have no employment agreements with the Company.

We have consulting agreement with Boris Cherdabayev (the "Consulting Agreement") the Chairman of the Company's board of directors. Pursuant to the Consulting Agreement, in addition to his services as Chairman of the board of directors, Mr. Cherdabayev will provide such consulting and other services as may reasonably be requested by Company management. The Consulting Agreement became effective on January 1, 2010 and expires on December 31, 2014, unless earlier terminated. The Consulting Agreement may be terminated for Mr. Cherdabayev's death or disability and by the Company for cause. The Consulting Agreement provides for a base compensation fee of \$192,000 per year.

The Consulting Agreement originally provided 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 in the event of any consolidation or merger of the Company or any of its subsidiaries with another person, or any acquisition of the Company or any of its subsidiaries by any person or group of persons, acting in concert, equal to fifty percent (50%) or more of the outstanding stock of the Company or any of its subsidiaries, or the sale of forty percent (40%) or more of the assets of the Company or any of its subsidiaries, or if one or more persons, acting alone or as a group, acquires fifty percent (50%) or more of the total voting power of the Company.

The Sale constitutes an extraordinary event under the Consulting Agreement, which would have triggered the payment of the \$5,000,000 extraordinary event payment. In connection with the Sale, however, Mr. Cherdabayev agreed to an amendment to the Consulting Agreement to defer until the Escrow funds are released. Payment of this liability to Mr. Cherdabayev will be made, if there are funds available, before any Escrow funds are distributed to our stockholder in the second distribution.

## Outstanding Equity Awards at Fiscal Year End

As of March 31, 2012 none of our NEOs held outstanding stock options, unvested restricted stock grants or other shares of stock, units or other rights awarded under any equity incentive plan that have not vested or that have not been earned.

### Compensation of Directors

We compensate the non-employee members of our board of directors. Employee members of our board of directors do not receive additional compensation for board service.

#### *Director Fees*

Members of the board of directors who are not employees or consultants of the Company are paid a stipend for serving on the board. During the current fiscal year the board of directors reduced the stipend from \$40,000 per year to \$25,000 per year.

#### *Meeting Fees*

We also pay the non-employee members of our board of directors \$1,000 for each directors meeting or shareholder meeting attended in person, plus airfare and hotel expenses.

#### *Equity Compensation*

We do not currently have a fixed plan for the award of equity compensation to our non-employee directors. Equity compensation of independent directors, if any, is typically recommended by the compensation committee or management and is subject to approval of the full board of directors. All equity grants to directors are granted at a price equal to the fair market value of our common stock on the date of the grant.

### Director Compensation Table

The following table sets forth a summary of the compensation we paid to our non-employee directors for services on our board during our 2012 fiscal year.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Jason Kerr	31,793	-0-	-0-	-0-	-0-	-0-	31,793
Troy Nilson	31,793	-0-	-0-	-0-	-0-	-0-	31,793
Leonard Stillman	31,793	-0-	-0-	-0-	-0-	-0-	31,793
Valery Tolkachev	31,793	-0-	-0-	-0-	-0-	-0-	31,793
Daymon Smith	27,392	-0-	-0-	-0-	-0-	-0-	27,392

## Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth as of June 10, 2012 the persons known to us to be the beneficial owners of more than five percent (5%) of the 55,787,554 shares of our outstanding common stock, other than directors and officers whose beneficial ownership is described in a subsequent table below.

<b>Title of Class</b>	<b>Name and Address of Beneficial Owner</b>	<b>Amount &amp; Nature of Beneficial Ownership</b>	<b>% of Class</b>
Common	Caspian Energy Consulting Ltd. P.O. Box 664 Owen Sound, ON N4K 5R4	5,197,539	9.3%
Common	Toleush Tolmakov Daulet Village, oil storage depot Aktau, Kazakhstan 466200	6,251,960 <sup>(1)</sup>	11.2%
<b>TOTAL</b>		<b>11,449,499</b>	<b>20.5%</b>

<sup>(1)</sup> Mr. Tolmakov passed away in December 2011. His estate is currently being probated in the Republic of Kazakhstan. The shares attributed to the estate of Mr. Tolmakov include 3,265,365 shares held of record by Mr. Tolmakov and 2,986,595 shares held of record by Simage Limited. Simage Limited is a company that was owned by Mr. Tolmakov.

The following table sets forth, as of June 10, 2012 names and the number of shares of our 55,787,554 shares of outstanding common stock held of record beneficially by each director and of all officers and directors as a group.

<b>Title of Class</b>	<b>Name of Beneficial Owner</b>	<b>Amount &amp; Nature of Beneficial Ownership</b>	<b>% of Class</b>
Common	Boris Cherdabayev	6,248,727 <sup>(1)</sup>	11.2%
Common	Jason Kerr	-0-	*
Common	Evgeniy Ler	190,000	*
Common	Troy Nilson	-0-	*
Common	Leonard M. Stillman	-0-	*
Common	Askar Tashtitov	480,000	*
Common	Valery Tolkachev	81,579	*
Officers and Directors as a Group: (7 persons)		7,000,306	12.5%

\* Less than 1%.

<sup>(1)</sup> The shares attributed to Mr. Cherdabayev include 4,128,601 shares held of record by Mr. Cherdabayev, 2,106,126 shares held by or for the benefit of Westfall Group Limited and 14,000 shares held of record by Asael T. Sorensen for the benefit of Boris Cherdabayev. Mr. Cherdabayev is the sole owner of Westfall Group Limited.



Mr. Tashtitov and Mr. Ler are officers of the Company. Mr. Cherdabayev, Mr. Kerr, Mr. Nilson, Mr. Stillman, Mr. Tashtitov and Mr. Tolkachev comprise the board of directors of the Company.

### Change in Control

To the knowledge of management, there are no present arrangements or pledges of our securities the operation of which may at a subsequent date result in a change in control of the Company.

### Securities Authorized for Issuance Under Equity Compensation Plans

As of June 10, 2012 no shares of our common stock were subject to issuance upon the exercise of outstanding options or warrants as set forth below.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in columns (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	-0-	-	4,025,000
Equity compensation plans not approved by security holders	-0-	-	-
Total	-0-	-	4,025,000

### Item 13. Certain Relationships and Related Transactions and Director Independence

#### Related Party Transactions

On February 2, 2012 we entered into the Services Agreement with Lakeview. Pursuant to the Agreement, Lakeview is providing us with management, administrative and support personnel and services in furtherance of fulfilling our 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 former Company director Daymon Smith.

The 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 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 Agreement. The 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 Agreement is terminated.

On March 31, 2011 Emir Oil entered into an agreement for the Conduction of 3D Seismic Survey with Geo Seismic Service LLP (“Geo Seismic”) to carry out 3D seismic exploration activities of the Begesh, Aday, North Aday and West Aksaz structures, an area of approximately 96 square kilometers within the Company’s Northwest Block. In exchange for these services, Emir Oil will pay Geo Seismic 570,000,000 Kazakh tenge (\$3,800,000) after closing of the Purchase Agreement. At the time of the transaction, Toleush Tolmakov was a 30% owner of Geo Seismic.

#### **Interests of Related Parties in the Sale of Emir Oil**

In connection with the Sale Messrs. Cherdabayev and Tolmakov agreed to contribute into escrow at closing to form part of the Escrow the entirety of the cash distributions they would otherwise have received in the initial distribution to stockholders in respect of their shares of Company common stock. At the record date for the initial distributions, Messrs. Cherdabayev and Tolmakov were the record or beneficial holder of 6,248,727 shares and 6,251,960 shares of common stock, respectively. As a result these two stockholders put at risk the entire value of their common stock for Company indemnification purposes, deferring until the anticipated second stockholder distribution, if any, their portion of the initial stockholder distribution. By doing so, we were able to pay to our other stockholders at the initial distribution the amount of cash that otherwise would have been paid to Messrs. Cherdabayev and Tolmakov.

The Sale constitutes an extraordinary event under the Consulting Agreement. Mr. Cherdabayev agreed, however, to an amendment to his Consulting Agreement to defer until the Escrow fund is released the \$5 million extraordinary event payment that would otherwise have been payable to him upon our entering into the Purchase Agreement. In connection with the amendment to the Consulting Agreement, it was also agreed that the extraordinary event payment amount would be limited to the amount remaining in the Escrow if less than \$5 million, with the possibility of it being reduced to zero if the Escrow is depleted entirely prior to the anticipated second stockholder distribution date. 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. Like the contributions of the initial cash distributions that would have otherwise been received by Messrs. Cherdabayev and Tolmakov discussed above, the deferral of the extraordinary event payment will have the effect of accelerating \$5 million of the Sale proceeds to our other stockholders that would have otherwise been required to fund the Escrow.

Upon release of the Escrow (after payment to Mr. Cherdabayev of any amounts due to him at that time 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 the other stockholders the initial distributions 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, pro rata in accordance with their shares of common stock. Due to the deferral of the extraordinary event payment and contribution of initial distributions to the Escrow the remaining stockholders received a larger initial distribution than they would otherwise have received and the risk associated with the escrowed funds has disproportionately fallen on Messrs. Cherdabayev and Tolmakov.

The Sale constituted an extraordinary event under the employment agreements we had with various Company executives, resulting in a termination of such agreements. As a result of such termination due to the occurrence of the extraordinary event, the Company made severance payments in the following amounts to each of the following officers: Gamal Kulumbetov (former Chief Executive Officer), \$385,722, Askar Tashtitov (President), \$3,000,000, Evgeny Ler (Chief Financial Officer), \$363,118, and Anuarbek Baimoldin (former Chief Operating Officer), \$363,118.

#### *Director Independence*

The board of directors has determined that Boris Cherdabayev the Chairman of our board of directors and Askar Tashtitov, our Company president would not be considered “independent directors” as that term is defined in the listing standards of the NYSE Amex. The board of directors has determined that Jason Kerr, Troy Nilson, Leonard Stillman and Valery Tolkachev are “independent directors” as that term is defined in the listing standards of the NYSE Amex. Such independence definition includes a series of objective tests, including that the director is not an employee of the company and has not engaged in various types of business dealings with the company. In addition, as further required by NYSE Amex listing standards, the board of directors has made a subjective determination as to each independent director that no relationships exist which, in the opinion of the board of directors, would interfere with the exercise of independent judgment in carrying out their responsibilities of a director.

#### **Item 14. Principal Accountant Fees and Services**

Hansen, Barnett and Maxwell, P.C. served as the Company’s independent registered public accounting firm for the years ended March 31, 2012 and 2011 and is expected to serve in that capacity for the 2012 fiscal year. Principal accounting fees for professional services rendered for us by Hansen, Barnett & Maxwell, P.C. for the years ended March 31, 2012 and 2011, are summarized as follows:

	<u>Fiscal 2012</u>	<u>Fiscal 2011</u>
Audit	\$ 111,933	\$ 360,788
Audit related	-	22,490
Tax	4,565	16,367
All other	-	-
<b>Total</b>	<u>\$116,498</u>	<u>\$ 399,645</u>

*Audit Fees.* Audit fees were for professional services rendered in connection with the audit of the financial statements included in our annual report on Form 10-K and review of the financial statements included in our quarterly reports of Form 10-Q and for services normally provided by our independent registered public accounting firm in connection with statutory and regulatory filings or engagements and fees for Sarbanes-Oxley 404 audit work.

*Audit Related Fees.* Audit related fees include due diligence and audit services related to certain attest services. The fees for 2011 included costs related to responding to SEC comments.

*Tax Fees.* Hansen Barnett & Maxwell, P.C. billed us an aggregate of \$4,565 and \$16,367 for professional services rendered for tax compliance, tax advice and tax planning within the United States for the fiscal years ended March 31, 2012 and 2011.

*Audit Committee Pre-Approval Policies and Procedures.* The Audit Committee had not, as of the time of filing this annual report on Form 10-K with the Commission, adopted policies and procedures for pre-approving all audit services and permitted non-audit services to be performed by our independent auditors. Instead, the Audit Committee has adopted a practice to meet as a whole to pre-approve any such services prior to the time they are performed. In the future, our Audit Committee may adopt pre-approval policies and procedures to approve the services of our independent registered public accounting, provided the policies and procedures are detailed as to the particular service, the Audit Committee is informed of each service, and such policies and procedures do not include delegation of the Audit Committee's responsibilities to our management.

The Audit Committee has determined that the provision of services by Hansen, Barnett & Maxwell, P.C. described above are compatible with maintaining Hansen, Barnett & Maxwell, P.C.'s independence as our independent registered public accounting firm.

#### **Item 15. Exhibits, Financial Statement Schedules**

(a) The following documents are filed as part of this report:

##### **Financial Statements**

Report of Independent Registered Public Accounting Firm – Hansen, Barnett & Maxwell, P.C. dated June 25, 2012

Consolidated Balance Sheets as of March 31, 2012 and 2011

Consolidated Statements of Operations for the years ended March 31, 2012 and 2011

Consolidated Statements of Shareholders' Equity for the years ended March 31, 2012 and 2011

**Financial Statement Schedules**

Schedules are omitted because the required information is either inapplicable or presented in the Consolidated Financial Statements or related Notes.

**Exhibits**

<u>Exhibit No.</u>	<u>Exhibit Description</u>
2.1	Participation Interest Purchase Agreement, dated February 14, 2011, by and among the Company, MIE Holdings Corporation and Palaeontol B.V. <sup>(1)</sup>
3.1	Articles of Incorporation of BMB Munai, Inc. <sup>(2)</sup>
3.2	Amendment to Articles of Incorporation of BMB Munai, Inc. <sup>(3)</sup>
3.3	By-Laws of BMB Munai, Inc. (as amended through July 8, 2010) <sup>(4)</sup>
4.1	BMB Munai, Inc. 2004 Stock Incentive Plan <sup>(5)</sup>
4.2	BMB Munai, Inc. 2009 Equity Incentive Plan <sup>(6) +</sup>
10.1	Consulting Agreement, dated December 31, 2009, between BMB Munai, Inc. and Boris Cherdabayev <sup>(7) +</sup>
10.2	Amendment to the Consulting Agreement and Waiver Agreement, dated February 14, 2011, between BMB Munai, Inc. and Boris Cherdabayev <sup>(8) +</sup>
14.1	Code of Ethics <sup>(9)</sup>
21.1	Subsidiaries*
31.1	Certification of the Chief Executive Officer Pursuant to Rule 13a-14(a)*
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a)*
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350*
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350*
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

\* Filed herewith.

+ Indicates management contract, compensatory plan or arrangement of the Company.

- (1) Incorporated by reference to Registrant's Current Report on Form 8-K filed with the Commission on February 18, 2011.
  - (2) Incorporated by reference to Registrant's Current Report on Form 8-K filed with the Commission on January 18, 2005.
  - (3) Incorporated by reference to Registrant's Current Report on Form 8-K filed with the Commission on June 26, 2006.
  - (4) Incorporated by reference to Registrant's Current Report on Form 8-K filed with the Commission on July 13, 2010.
  - (5) Incorporated by reference to Registrant's Definitive Proxy Statement on Schedule 14A filed with the Commission on September 20, 2004.
  - (6) Incorporated by reference to Registrant's Revised Definitive Proxy Statement on Schedule 14A filed with the Commission on June 23, 2008.
  - (7) Incorporated by reference to Registrant's Current Report on Form 8-K filed with the Commission on January 6, 2010.
  - (8) Incorporated by reference to Registrant's Annual Report on Form 10-K filed with the Commission on June 29, 2011.
  - (9) Incorporated by reference to Registrant's Annual Report on Form 10-KSB filed with the Commission on June 29, 2004.
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## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed by the undersigned, thereunto duly authorized.

### BMB MUNAI, INC.

Date: June 25, 2012

By: /s/ Askar Tashtitov  
Askar Tashtitov  
President  
(Duly Authorized Representative)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dated indicated.

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Askar Tashtitov</u> Askar Tashtitov	President and Director	June 25, 2012
<u>/s/ Evgeny Ler</u> Evgeny Ler	Chief Financial Officer	June 25, 2012
<u>/s/ Boris Cherdabayev</u> Boris Cherdabayev	Chairman of the Board of Directors	June 25, 2012
<u>/s/ Jason Kerr</u> Jason Kerr	Director	June 25, 2012
<u>/s/ Troy Nilson</u> Troy Nilson	Director	June 25, 2012
<u>/s/ Leonard Stillman</u> Leonard Stillman	Director	June 25, 2012
<u>/s/ Valery Tolkachev</u> Valery Tolkachev	Director	June 25, 2012

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED MARCH 31, 2012 AND 2011**

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and  
Stockholders of BMB Munai, Inc.

We have audited the accompanying consolidated balance sheets of BMB Munai, Inc. and subsidiary as of March 31, 2012 and 2011, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the two-year period ended March 31, 2012. BMB Munai, Inc.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of BMB Munai, Inc. and subsidiary as of March 31, 2012 and 2011, and the results of its operations and its cash flows for each of the years in the two-year period ended March 31, 2012 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that BMB Munai, Inc. will continue as a going concern. As a result of the sale of Emir Oil LLP, BMB Muni, Inc. will have no continuing operations that result in positive cash flow, which raises substantial doubt about its ability to continue as a going concern. Management's assessment concerning this matter is described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### HANSEN, BARNETT & MAXWELL, P.C.

Salt Lake City, Utah  
June 25, 2012



Registered with the Public Company  
Accounting Oversight Board

5 Triad Center, Suite 750, Salt Lake City, Utah 84180-1128  
TEL 801-532-2200 FAX 801-532-7944 www.hbmcpcas.com

ADDING VALUE | NOT COMPLEXITY

**BMB MUNAI, INC.****CONSOLIDATED BALANCE SHEETS**

	Notes	<u>March 31, 2012</u>	<u>March 31, 2011</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	\$ 3,370,177	\$ 426,045
Promissory notes receivable	4	220,875	154,725
Prepaid expenses and other assets, net	5	1,616,915	74,041
Restricted cash	3	36,002,101	-
Current assets from discontinued operations	6	-	18,270,599
Total current assets		<u>41,210,068</u>	<u>18,925,410</u>
<b>LONG TERM ASSETS</b>			
Other fixed assets, net		214,280	162,488
Convertible notes issue cost	7	-	738,062
Long term assets from discontinued operations	6	-	300,708,406
Total long term assets		<u>214,280</u>	<u>301,608,956</u>
<b>TOTAL ASSETS</b>		<b><u>\$ 41,424,348</u></b>	<b><u>\$ 320,534,366</u></b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable		\$ 18,712	\$ 767,489
Accrued coupon payment	7	-	1,430,108
Taxes payable, accrued liabilities and other payables		11,497	317,968
Deferred consulting and distribution payments	8	20,016,556	-
Current liabilities from discontinued operations	6	-	27,587,087
Total current liabilities		<u>20,046,765</u>	<u>30,102,652</u>
<b>LONG TERM LIABILITIES</b>			
Convertible notes issued, net	7	-	61,703,728
Deferred taxes	12	-	3,977,385
Long term liabilities from discontinued operations	6	-	6,137,742
Total long term liabilities		<u>-</u>	<u>71,818,855</u>
COMMITMENTS AND CONTINGENCIES	10	-	-
<b>SHAREHOLDERS' EQUITY</b>			
Preferred stock - \$0.001 par value; 20,000,000 shares authorized; no shares issued or outstanding	8	-	-
Common stock - \$0.001 par value; 500,000,000 shares authorized, 55,787,554 and 55,787,554 shares outstanding, respectively	8	55,788	55,788
Additional paid in capital	8	106,099,585	164,118,640
(Accumulated deficit) / Retained earnings		(84,777,790)	54,438,431
Total shareholders' equity		<u>21,377,583</u>	<u>218,612,859</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b><u>\$ 41,424,348</u></b>	<b><u>\$ 320,534,366</u></b>

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

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

	Notes	Year ended March 31, 2012	Year ended March 31, 2011
REVENUES		\$ -	\$ -
<b>COSTS AND OPERATING EXPENSES</b>			
General and administrative		20,311,395	10,037,072
Interest expense	7	3,551,022	5,977,640
Amortization and depreciation		101,515	89,575
Total costs and operating expenses		<u>23,963,932</u>	<u>16,104,287</u>
LOSS FROM OPERATIONS		(23,963,932)	(16,104,287)
<b>OTHER EXPENSE</b>			
Foreign exchange loss, net		(26,807)	(415,803)
Interest income		32,125	11,388
Other income / (expense), net		(9,550)	7,974
Total other expense		<u>(4,232)</u>	<u>(396,441)</u>
LOSS BEFORE INCOME TAXES		(23,968,164)	(16,500,728)
INCOME TAX BENEFIT	12	-	1,366,631
LOSS FROM CONTINUING OPERATIONS		<u>(23,968,164)</u>	<u>(15,134,097)</u>
Loss on sale of Emir Oil, net of income taxes	6	(127,147,771)	-
Income from discontinued operations	6	11,899,714	20,015,870
INCOME (LOSS) FROM DISCONTINUED OPERATIONS		<u>(115,248,057)</u>	<u>20,015,870</u>
NET INCOME (LOSS)		<u>\$ (139,216,221)</u>	<u>\$ 4,881,773</u>
BASIC NET LOSS PER COMMON SHARE FROM CONTINUING OPERATIONS	9	\$ (0.43)	\$ (0.28)
DILUTED NET LOSS PER COMMON SHARE FROM CONTINUING OPERATIONS	9	\$ (0.43)	\$ (0.28)
BASIC NET INCOME (LOSS) PER COMMON SHARE FROM DISCONTINUED OPERATIONS	9	\$ (2.07)	\$ 0.38
DILUTED NET INCOME (LOSS) PER COMMON SHARE FROM DISCONTINUED OPERATIONS	9	\$ (2.07)	\$ 0.38

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

**BMB MUNAI, INC.****CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

	Notes	Common Stock		Additional paid-in capital	Retained earnings	Total
		Shares	Amount			
<b>At March 31, 2010</b>		<b>51,865,015</b>	<b>\$ 51,865</b>	<b>\$ 160,653,969</b>	<b>\$ 49,556,658</b>	<b>\$ 210,262,492</b>
Expense related to vesting stock-based compensation	8	-	-	1,254,025	-	1,254,025
Stock refunds from employees	8	(25,000)	(25)	25	-	-
Debt conversion	8	3,947,539	3,948	2,210,621	-	2,214,569
Net income for the year		-	-	-	4,881,773	4,881,773
<b>At March 31, 2011</b>		<b>55,787,554</b>	<b>\$ 55,788</b>	<b>\$ 164,118,640</b>	<b>\$ 54,438,431</b>	<b>\$ 218,612,859</b>
Shareholder distribution	8	-	-	(58,019,055)	-	(58,019,055)
Net loss for the year		-	-	-	(139,216,221)	(139,216,221)
<b>At March 31, 2012</b>		<b>55,787,554</b>	<b>\$ 55,788</b>	<b>\$ 106,099,585</b>	<b>\$ (84,777,790)</b>	<b>\$ 21,377,583</b>

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

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

	Notes	Year ended March 31, 2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net (loss)/income		\$ (139,216,221)	\$ 4,881,773
Adjustments to reconcile net income to net cash provided by operating activities:			
Income from discontinued operations	6	(11,899,714)	(20,015,870)
Depreciation and amortization		101,515	89,575
Interest expense	7	3,551,022	5,977,640
Loss on sale of Emir Oil	6	127,147,771	-
Loss on disposal of fixed assets		-	26,297
Income tax benefit	12	-	(1,366,631)
Stock based compensation expense		-	1,254,025
Changes in operating assets and liabilities			
Increase in prepaid expenses and other assets		(1,542,873)	(37,986)
(Decrease)/increase in accounts payable		(748,777)	534,901
Decrease in taxes payables and accrued liabilities		4,817,730	117,734
Net cash used in operating activities – continuing operations		(17,789,547)	(8,538,542)
Net cash provided by operating activities – discontinued operations	6	33,067,626	44,317,891
Net cash provided by operating activities		15,278,079	35,779,349
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investment in short term notes receivable	4	(66,150)	(154,725)
Proceeds from sale of Emir Oil	6	159,601,000	-
Purchase of other fixed assets		(153,307)	(47,317)
Net cash provided by/(used by) investing activities – continuing operations		159,381,543	(202,042)
Net cash used in investing activities – discontinued operations	6	(23,126,407)	(34,876,907)
Net cash provided by/(used in) investing activities		136,255,136	(35,078,949)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Payment related to redemption of convertible notes	7	(61,400,000)	-
Cash paid for convertible notes coupon	7	(4,546,796)	(4,200,000)
Shareholder distribution		(43,002,498)	-
Repayment of convertible notes issued		-	(1,000,000)
Intercompany advances <sup>(1)</sup>		6,303,531	11,374,237
Net cash provided by/(used in) financing activities – continuing operations		(102,645,763)	6,174,237
Net cash used in financing activities – discontinued operations <sup>(2)</sup>	6	(6,623,936)	(11,543,482)
Net cash used in financing activities		(109,269,699)	(5,369,245)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		42,263,516	(4,668,845)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS from discontinued operations</b>		3,317,283	(2,102,498)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS from continuing operations</b>		38,946,233	(2,566,347)
<b>CASH AND CASH EQUIVALENTS at beginning of period</b>		426,045	2,992,392
<b>CASH AND CASH EQUIVALENTS at end of period</b>		<b>\$ 39,372,278</b>	<b>\$ 426,045</b>

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

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

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

	<u>March 31, 2012</u>	<u>March 31, 2011</u>
<b>Reconciliation of cash and cash equivalents at end of period to Consolidated Balance Sheet</b>		
Cash and cash equivalents	\$ 3,370,177	\$ 426,045
Restricted cash	36,002,101	-
<b>Cash and cash equivalents at end of period</b>	<u><b>\$ 39,372,278</b></u>	<u><b>\$ 426,045</b></u>

	<u>Year ended March 31, 2012</u>	<u>Year ended March 31, 2011</u>
<b>Non-Cash Investing and Financing Activities</b>		
Transfer of inventory and prepayments for materials used in oil and gas projects to oil and gas properties	6 \$ 1,198,675	\$ 2,946,704
Issuance of common stock for services, capitalized to oil and gas properties	8 -	2,214,569
Depreciation on other fixed assets capitalized as oil and gas properties	6 479,227	561,871
Shareholder distribution accrued and not yet paid	6 15,016,556	-
<b>Supplemental Cash Flow Information</b>		
Cash paid for interest	7 \$ 4,200,000	\$ 4,200,000

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

## **BMB MUNAI, INC.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **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 voluntarily 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".

Since September 2011 our principal business operations have been focused on satisfying certain post-closing undertakings to assist the MIE subsidiary with the acquisition of certain contracts, leases and transfers of rights in accordance with the Purchase Agreement and exploring 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.



## **BMB MUNAI, INC.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

##### *Basis of presentation*

The Company's 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 audited consolidated financial statements.

Certain reclassifications have been made in the financial statements for the year ended March 31, 2011 to conform to the March 31, 2012 classification of discontinued operations. These classifications were made because of the sale of Emir Oil.

##### *Use of estimates*

The preparation of audited 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 audited 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 audited consolidated financial statements.

##### *Concentration of credit risk and accounts receivable*

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

##### *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.

##### *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 audited consolidated statements of operations.

## **BMB MUNAI, INC.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### ***Share-based compensation***

The Company accounts for options granted to non-employees at their fair value in accordance with Financial Accounting Standards Codification (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 audited consolidated statements of operations.

The Company has a stock option plan as described in Note 8. 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 audited consolidated statements of operations over the vesting periods of the respective options.

Share-based compensation incurred for the year ended March 31, 2011 was \$1,245,025. The Company did not incur any share-based compensation expense for the year ended March 31, 2012.

#### ***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, notes 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.

## BMB MUNAI, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### *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.

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 March 31, 2012, 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.

#### *Income (Loss) per common share*

Basic income (loss) per common share is computed by dividing net income (loss) by the weighted-average number of common shares outstanding during the period. Diluted income (loss) 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.

## BMB MUNAI, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### *Subsequent event*

In accordance with FASC 855-10 Company management reviewed all material events through the date of issuance and there are no material subsequent events to report.

#### *New accounting policies*

Disclosures about Fair Value Measurements – In January 2010, the Financial Accounting Standards Board (FASB) issued new authoritative guidance regarding “Improving Disclosures about Fair Value Measurements and Disclosures” that requires additional disclosure of transfers in and out of Level 1 and 2 measurements and the reasons for the transfers, and a gross presentation of activity within the Level 3 roll forward. The guidance also includes clarifications to existing disclosure requirements on the level of disaggregation and disclosures regarding inputs and valuation techniques. The guidance is effective for the first interim or annual reporting period beginning after December 15, 2009, except for the gross presentation of the Level 3 roll forward information, which is required for annual reporting periods beginning after December 15, 2010 and for interim reporting periods within those years. The Company adopted the guidance on April 1, 2010, except for requirements regarding the gross presentation of Level 3 roll forward information, which the Company will adopt on April 1, 2011. Because this guidance only requires additional disclosures, it did not have a significant impact on the Company’s financial statements, nor is it expected to have an impact in future periods.

### NOTE 3 - CASH AND CASH EQUIVALENTS

As of March 31, 2012 and 2011 cash and cash equivalents included:

	<u>March 31, 2012</u>	<u>March 31, 2011</u>
US Dollars	\$ 39,363,094	\$ 274,870
Foreign currency	9,184	151,175
Total Cash and Cash Equivalents	<u>39,372,278</u>	<u>426,045</u>
Less restricted cash	36,002,101	-
Cash and cash equivalents – unrestricted	<u>\$ 3,370,177</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 CONSOLIDATED FINANCIAL STATEMENTS

#### 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 March 31, 2012 promissory notes receivable amounted to \$220,875, with \$200,000 principal amount and \$20,875 representing the amount of interest accrued.

As of March 31, 2012 the initial advance of \$150,000 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 quarter ended December 31, 2011. Interest income will be recorded upon collection of the principal and interest in full.

#### NOTE 5 - PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets as of March 31, 2012 and 2011 were as follows:

	<u>March 31, 2012</u>	<u>March 31, 2011</u>
Advances for services	\$ 1,616,915	\$ 31,375
Other	-	42,666
	<u>\$ 1,616,915</u>	<u>\$ 74,041</u>

## **BMB MUNAI, INC.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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.

At March 31, 2012 the Company has accrued and expensed consulting services in the amount of \$339,204, the remaining \$1,608,296 has been treated as prepaid expense and will be further accrued and expensed through December 31, 2012.

#### **NOTE 6 – 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 March 31, 2012, the Company has classified the \$36 million held in escrow as restricted cash, as a current asset.

**BMB MUNAI, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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>
<b>ASSETS</b>	
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
<b>TOTAL ASSETS</b>	<b><u>\$ 332,843,776</u></b>
<b>LIABILITIES</b>	
Accounts payable	\$ (29,330,297)
Taxes payable	(6,260,625)
Accrued liabilities and other payables	(245,554)
Liquidation fund	(5,474,984)
Deferred tax liabilities	(757,462)
Capital lease liability	(48,698)
<b>TOTAL LIABILITIES</b>	<b><u>(42,117,620)</u></b>
<b>Net assets sold</b>	<b><u>290,726,156</u></b>
Tax effect of sale	3,977,385
<b>Net sale value</b>	<b><u>159,601,000</u></b>
<b>Loss on sale of Emir Oil</b>	<b><u>\$ (127,147,771)</u></b>

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:

**BMB MUNAI, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

	<u>March 31, 2012</u>	<u>March 31, 2011</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
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>
<b>LONG TERM ASSETS</b>		
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>
<b>TOTAL ASSETS</b>	<u><b>\$ -</b></u>	<u><b>\$ 318,979,005</b></u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
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>
<b>LONG TERM LIABILITIES</b>		
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>
<b>TOTAL LIABILITIES</b>	<u><b>\$ -</b></u>	<u><b>\$ 33,724,829</b></u>



**BMB MUNAI, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

The components of discontinued operations for the years ended March 31, 2012 and 2011 were as follows:

	<b>Year ended</b>	
	<b><u>March 31, 2012</u></b>	<b><u>March 31, 2011</u></b>
Revenue	\$ 41,633,064	\$ 64,417,933
Operating expenses	(29,914,188)	(43,619,517)
Other income	180,838	354,550
Income tax expense	-	(1,137,096)
<b>Income from discontinued operations</b>	<b><u><u>\$ 11,899,714</u></u></b>	<b><u><u>\$ 20,015,870</u></u></b>

*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.

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.

## **BMB MUNAI, INC.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Given the volatility of oil and gas prices, it is reasonably possible that the estimate of discounted future net cash flows from proved oil and gas reserves could change. If oil and gas prices decline, even if only for a short period of time, it is possible that 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, were amortized on the unit-of-production method using estimates of proved reserves as determined by independent engineers.

#### ***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.

## **BMB MUNAI, INC.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### ***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.

#### ***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.

## **BMB MUNAI, INC.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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 audited consolidated statements of operations.

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

## BMB MUNAI, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 7 - CONVERTIBLE NOTES PAYABLE

As of March 31, 2012 and March 31, 2011, the Senior Notes payable amount is presented as follows:

	<u>March 31, 2012</u>	<u>March 31, 2011</u>
Convertible notes redemption value	\$ -	\$ 65,824,673
Unamortized discount	-	(4,120,945)
	<u>\$ -</u>	<u>\$ 61,703,728</u>

As of March 31, 2012 and March 31, 2011, the Company has accrued interest of \$0 and \$1,430,108, respectively, relating to the outstanding Senior Notes. 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 March 31, 2012 and March 31, 2011, respectively. During the years ended March 31, 2012 and March 31, 2011 the Company recorded interest expense in the amount of \$3,551,022 and \$5,977,640, respectively.

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.

## **BMB MUNAI, INC.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **NOTE 8 - SHAREHOLDERS' EQUITY**

##### **Shareholder 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 March 31, 2012, 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.

##### **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 year 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.

## BMB MUNAI, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Non-cash compensation expense in the amount of \$1,254,025, which is net of the expense reversal discussed above, was recognized in the consolidated statements of operations and consolidated balance sheets for the year ended March 31, 2011.

#### *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 9 - EARNINGS PER SHARE INFORMATION

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

	Year ended	
	<u>March 31, 2012</u>	<u>March 31, 2011</u>
Net loss from continuing operations	\$ (23,968,164)	\$ (15,134,097)
Net income (loss) from discontinued operations	(115,248,057)	20,015,870
Basic weighted-average common shares outstanding	55,787,554	53,284,666
Basic loss per common share from continuing operations	<u>\$ (0.43)</u>	<u>\$ (0.28)</u>
Basic income (loss) per common share from discontinued operations	<u>\$ (2.07)</u>	<u>\$ 0.38</u>
Total basic income/(loss) per common share	<u>\$ (2.50)</u>	<u>\$ 0.09</u>

Options and warrants were not included in the calculation of earnings per common share for the period ended March 31, 2011, as the effect of their inclusion would be anti-dilutive.

## BMB MUNAI, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	<u>March 31, 2012</u>	<u>March 31, 2011</u>
Shares issuable under common stock warrants associated with the convertible notes payable	-	30,700,000

The warrants outstanding at March 31, 2011 were cancelled with the redemption of the associated Senior Notes payable. As of March 31, 2012 there were no options or warrants outstanding.

#### NOTE 10 - 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.

The Consulting Agreement provided 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 March 31, 2012, the \$5,000,000 has been accrued and included in deferred consulting and distribution payments on the balance sheet.

#### NOTE 11 - FINANCIAL INSTRUMENTS

As of March 31, 2012 and March 31, 2011 cash and cash equivalents included deposits in Kazakhstan banks in the amount \$15,755 and \$224,163, respectively, and deposits in U.S. banks in the amount of \$3,354,422 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 March 31, 2012 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.



**BMB MUNAI, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****NOTE 12 – INCOME TAXES**

Pre-tax losses from continuing operations, comprised of Almaty and Salt Lake City operations were \$23,968,164 and \$16,500,728, for the years ended March 31, 2012 and 2011, respectively. Prior to the Sale of Emir Oil, the Company's consolidated pre-tax income was comprised primarily from operations in the Republic of Kazakhstan.

With the completion of the Sale of Emir Oil, the Company does not have either current or accumulated earnings and profits in order to cause the distributions made after the Sale to be treated as dividends for U.S. federal tax purposes.

Net operating losses of the Company in its U.S. tax jurisdiction for the year ended March 31, 2012 totalled \$23,968,164. This loss has been offset with the recognized intercompany loan interest income of \$29,587,028 which resulted in an adjusted net operating income of \$5,618,864.

Losses before income taxes derived from United States operations are for the year ended March 31, 2012 and 2011 amounted \$23,968,164 and \$16,500,728, respectively.

The income tax benefit in the Consolidated Statements of Operations is comprised of:

	<u>Year ended March 31, 2012</u>	<u>Year ended March 31, 2011</u>
Current tax expense	\$ -	\$ -
Deferred tax benefit	-	(1,366,631)
	<u>\$ -</u>	<u>\$ (1,366,631)</u>

The difference between the income tax benefits reported and amounts computed by applying the U.S. Federal rate to pretax income consisted of the following:

	<u>Year ended March 31, 2012</u>	<u>Year ended March 31, 2011</u>
Tax at federal statutory rate (34%)	\$ (4,171,791)	\$ (1,850,382)
Effect of lower foreign tax rates	-	57,382
Non-deductible expenses	-	426,369
Valuation allowance	4,171,791	-
	<u>\$ -</u>	<u>\$ (1,366,631)</u>

**BMB MUNAI, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As of March 31, 2012 the Company had net operating loss carry forwards for income tax purposes of \$12,269,974, which if unused, will begin to expire in years 2024 through 2032. A valuation allowance is recorded against the deferred tax assets resulting from Net Operating Loss.

Deferred taxes reflect the estimated tax effect of temporary differences between assets and liabilities for financial reporting purposes and those measured by tax laws and regulations. The components of deferred tax assets and deferred tax liabilities are as follows:

	<u>March 31, 2012</u>	<u>March 31, 2011</u>
Deferred tax assets:		
Tax losses carried forward	\$ 4,171,791	\$ 6,082,205
Valuation allowance	(4,171,791)	-
	-	6,082,205
Deferred tax liabilities:		
Accrued interest income	-	10,059,590
	-	10,059,590
Net deferred tax liability	<u>\$ -</u>	<u>\$ 3,977,385</u>

The Company has deferred income taxes only in US jurisdiction.

*Accounting for Uncertainty in Income Taxes* - In accordance with generally accepted accounting principles, the Company has analyzed its filing positions in all jurisdictions where it is required to file income tax returns. The Company's U.S. federal income tax returns for the fiscal years ended March 31, 2007 through 2011 remain subject to examination. The Company currently believes that all significant filing positions are highly certain and that all of its significant income tax filing positions and deductions would be sustained upon an audit. Therefore, the Company has no reserves for uncertain tax positions. No interest or penalties have been levied against the Company and none are anticipated, therefore no interest or penalties have been included in the provision for income taxes.

## EXHIBIT INDEX

<b>Exhibit No.</b>	<b>Exhibit Description</b>
21.1	Subsidiaries
31.1	Certification of the Chief Executive Officer Pursuant to Rule 13a-14(a)
31.2	Certification of the Chief Financial Officer Pursuant to Rule 13a-14(a)
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350

**EXHIBIT 21.1**

**LIST OF SUBSIDIARIES**

As of March 31, 2012, the Company does not have any subsidiaries.

**EXHIBIT 31.1**

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

I, Askar Tashtitov, certify that:

1. I have reviewed this annual report on Form 10-K 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 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 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: June 25, 2012

By: s/ Askar Tashtitov

Askar Tashtitov  
President

**EXHIBIT 31.2**

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

I, Evgeniy Ler, certify that:

1. I have reviewed this annual report on Form 10-K 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 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 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: June 25, 2012

By: s/ Evgeniy Ler  
Evgeniy Ler  
Chief Financial Officer

**EXHIBIT 32.1**

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

In connection with this annual report of BMB Munai, Inc. (the "Company") on Form 10-K for the year ended March 31, 2012, 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: June 25, 2012

By: /s/ Askar Tashtitov

Askar Tashtitov

President

**EXHIBIT 32.2**

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

In connection with this annual report of BMB Munai, Inc. (the "Company") on Form 10-K for the year ended March 31, 2012, 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: June 25, 2012

By: /s/ Evgeniy Ler  
Evgeniy Ler  
Chief Financial Officer