UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended June 30, 2008

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period From ________ to _________

Commission File Number **001-33034**

BMB MUNAI, INC.
(Exact name of registrant as specified in its charter)

Nevada	**30-0233726**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
202 Dostyk Ave, 4th Floor Almaty, Kazakhstan	**050051**
(Address of principal executive offices)	(Zip Code)

+7 (727) 237-51-25
(Registrant's telephone number, including area code)

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

Yes ☒ No ☐

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

Large accelerated Filer ☐	Accelerated Filer ☒
Non-accelerated Filer ☐ (Do not check if a smaller reporting company)	Smaller Reporting Company ☐

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

Yes ☐ No ☒

As of August 5, 2008, the registrant had 47,864,134 shares of common stock, par value $0.001, issued and outstanding.

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PART I - FINANCIAL INFORMATION

Item 1 - Unaudited Consolidated Financial Statements

BMB MUNAI, INC.

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	Notes	June 30, 2008 (unaudited)	March 31, 2008
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	$ 23,464,258	$ 17,238,837
Trade accounts receivable		4,405,474	5,865,712
Prepaid expenses and other assets, net	4	5,981,792	3,415,261
Total current assets		33,851,524	26,519,810
LONG TERM ASSETS			
Oil and gas properties, full cost method, net	5	209,806,190	183,042,971
Inventories for oil and gas projects	6	17,493,257	11,008,898
Prepayments for materials used in oil and gas projects		455,370	11,893,451
Other fixed assets, net		6,231,700	3,134,090
Construction in progress	7	7,261,561	7,261,561
Long term VAT recoverable	8	9,759,507	8,106,397
Convertible notes issue cost		3,058,756	3,248,218
Restricted cash		622,697	622,697
Total long term assets		254,689,038	228,318,283
TOTAL ASSETS		**288,540,562**	**254,838,093**
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable		$29,334,279	$21,374,723
Taxes payable		914,199	906,909
Accrued interest		1,391,667	641,667
Accrued liabilities and other payables		313,326	302,161
Total current liabilities		31,953,471	23,225,460
LONG TERM LIABILITIES			
Convertible notes issued	9	60,731,835	60,535,455
Liquidation fund	10	3,889,897	3,728,531
Deferred taxes	16	7,544,716	7,544,716
Total long term liabilities		72,166,448	71,808,702
COMMITMENTS AND CONTINGENCIES	19	-	-
SHAREHOLDERS' EQUITY			
Preferred stock - $0.001 par value; 20,000,000 shares authorized; no shares issued or outstanding	11	-	-
Common stock - $0.001 par value; 500,000,000 shares authorized, 46,534,134 and 44,784,134 shares outstanding, respectively	11	46,534	44,784
Additional paid in capital	11	147,647,159	136,353,520
Retained earnings		36,726,950	23,405,627
Total shareholders' equity		184,420,643	159,803,931

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 288,540,562**	**$ 254,838,093**

See notes to the unaudited consolidated financial statements.

BMB MUNAI, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Notes	Three months ended June 30, 2008 (unaudited)	2007 (unaudited)
REVENUES	12	$ 34,827,224	$ 11,580,958
COSTS AND OPERATING EXPENSES			
Export duty	13	1,352,917	-
Oil and gas operating		2,340,843	1,039,889
General and administrative		4,337,641	3,306,325
Consulting expenses	14	11,727,500	-
Depletion		3,333,289	1,250,637
Amortization and depreciation		63,659	55,848
Accretion expense		95,958	28,668
Total costs and operating expenses		23,251,807	5,681,367
INCOME FROM OPERATIONS		11,575,417	5,899,591
OTHER INCOME / (EXPENSE)			
Foreign exchange gain / (loss), net		30,036	(493,238)
Disgorgement funds received	15	1,650,293	-
Interest income		130,292	91,055
Other expense, net		(64,715)	(87,720)
Total other income/(expense)		1,745,906	(489,903)
INCOME BEFORE INCOME TAXES		13,321,323	5,409,688
INCOME TAX EXPENSE	16	-	(1,527,431)
NET INCOME		$ 13,321,323	$ 3,882,257
BASIC NET INCOME PER COMMON SHARE	17	$ 0.30	$ 0.09
DILUTED NET INCOME PER COMMON SHARE	17	$ 0.30	$ 0.09

See notes to the unaudited consolidated financial statements.

BMB MUNAI, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Notes	For the Three Months Ended June 30, 2008 (unaudited)	2007 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income		$ 13,321,323	$ 3,882,257
Adjustments to reconcile net income to net cash provided by operating activities:			
Depletion	5	3,333,289	1,250,637
Depreciation and amortization		63,659	55,848
Accretion expenses	10	95,958	28,668
Stock based compensation expense		567,889	493,268
Stock issued for services	14	10,727,500	83,689
Income tax provision		-	1,527,431
Changes in operating assets and liabilities:			
Decrease/(increase) in trade accounts receivable		1,460,238	(205,731)
Increase in prepaid expenses and other assets		(2,566,531)	(686,102)
Increase in VAT recoverable		(1,653,110)	(1,013,141)
Increase in current liabilities		7,978,011	3,217,293
Net cash provided by operating activities		33,328,226	8,634,117
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of oil and gas properties	5	(28,648,905)	(14,355,806)
Purchase of other fixed assets		(3,407,622)	(152,003)
Decrease in prepayments for materials used in oil and gas projects		11,438,081	-
(Increase)/decrease in inventories for oil and gas projects		(6,484,359)	363,556
Increase in construction in progress		-	(72,603)
Net cash used in investing activities		(27,102,805)	(14,216,856)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net cash provided by financing activities		-	-
NET CHANGE IN CASH AND CASH EQUIVALENTS		6,225,421	(5,582,739)
CASH AND CASH EQUIVALENTS at beginning of period		**17,238,837**	**12,172,940**
CASH AND CASH EQUIVALENTS at end of period		**$ 23,464,258**	**$ 6,590,201**

See notes to the unaudited consolidated financial statements.

BMB MUNAI, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (CONTINUED)

	Notes	For the Three Months Ended June 30, 2008 (unaudited)	2007 (unaudited)
Non-Cash Investing and Financing Activities			
Asset retirement obligation incurred in property development	10	$ 65,408	$ -
Accrued coupon on convertible notes, capitalized as part of oil and gas properties	9	750,000	-
Accretion of discount on convertible notes, capitalized as part of oil and gas properties	9	196,380	-
Amortization of convertible notes issue costs, capitalized as part of oil and gas properties		$ 189,462	$ -

See notes to the unaudited consolidated financial statements.

NOTE 1 - DESCRIPTION OF BUSINESS

The corporation now known as BMB Munai, Inc., ("BMB Munai" or the "Company") was originally incorporated in Utah in July 1981. On February 7, 1994, the corporation changed its name to InterUnion Financial Corporation ("InterUnion") and its domicile to Delaware. BMB Holding, Inc. ("BMB Holding") was incorporated on May 6, 2003 for the purpose of acquiring and developing oil and gas fields in the Republic of Kazakhstan. On November 26, 2003, InterUnion executed an Agreement and Plan of Merger (the "Agreement") with BMB Holding. As a result of the merger, the shareholders of BMB Holding obtained control of the corporation. BMB Holding was treated as the acquiror for accounting purposes. A new board of directors was elected that was comprised primarily of the former directors of BMB Holding and the name of the corporation was changed to BMB Munai, Inc.

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

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

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

Currently the Company has completed twenty wells with an additional four wells in progress. As discussed in more detail in Note 2, the Company engages in exploration of its licensed territory pursuant to an exploration license and has not yet applied for or been granted a commercial production license.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial information included herein is unaudited, except for the balance sheet as of March 31, 2008, which is derived from the Company's audited consolidated financial statements for the year ended March 31, 2008. However, such information includes all adjustments (consisting solely of normal recurring adjustments), which are, in the opinion of management, necessary for a fair statement of the results of operations for the interim periods. The consolidated results of operations for the interim period are not necessarily indicative of the consolidated results to be expected for an entire year.

Certain information and footnote disclosures normally included in financial statements, prepared in accordance with accounting principles generally accepted in the United States, have been condensed or omitted in this Quarterly Report on Form 10-Q, pursuant to certain rules and regulations of the Securities and Exchange Commission. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in our Annual Report for the year ended March 31, 2008 on Form 10-K, as amended.

The accounting principles applied are consistent with those as set out in the Company's annual Consolidated Financial Statements for the year ended March 31, 2008.

Basis of consolidation

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

Use of estimates

The preparation of Consolidated Financial Statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the Consolidated Financial Statements and revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates and affect the results reported in these 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 and accounts receivable. The Company places its cash with high credit quality financial institutions. Substantially all of the Company's accounts receivable are from purchasers of oil and gas. Oil and gas sales are generally unsecured. The Company has not had any significant credit losses in the past and believes its accounts receivable are fully collectable. Accordingly, no allowance for doubtful accounts has been provided.

Licences and contracts

Emir Oil LLP is the operator of the Company's oil and gas fields in Western Kazakhstan. The Government of the Republic of Kazakhstan (the "Government") initially issued the license to Zhanaozen Repair and Mechanical Plant on April 30, 1999 to explore the Aksaz, Dolinnoe and Emir oil and gas fields (the "ADE

Block" or the "ADE Fields"). On June 9, 2000, the contract for exploration of the Aksaz, Dolinnoe and Emir oil and gas fields was entered into between the Agency of the Republic of Kazakhstan on Investments and the Zhanaozen Repair and Mechanical Plant. On September 23, 2002, the contract was assigned to Emir Oil LLP. On September 10, 2004 the Government extended the term of the Contract for exploration and License from five years to seven years through July 9, 2007. On February 27, 2007, the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan ("MEMR") granted a second extension of the Company's exploration contract. Under the terms of the contract extension, the exploration period was extended to July 2009 over the entire exploration contract territory. On December 7, 2004 the Government assigned to Emir Oil LLP exclusive right to explore an additional 260 square kilometers of land adjacent to the ADE Block, which is referred to as the "Extended Territory." The Extended Territory includes the Kariman, Yessen and Borly oil and gas fields and is governed by the terms of the Company's original contract. On June 24, 2008 the MEMR agreed to extend the exploration stage of the Company's contract from July 2009 to January 2013 in order to permit the Company to conduct additional exploration drilling and testing activities within the Aksaz-Dolinnoe-Emir-Yessen-Kariman-Borly block.

To move from the exploration stage to the commercial production stage, the Company must apply for and be granted a commercial production contract. The Company is legally entitled to apply for a commercial production contract and has an exclusive right to negotiate this Contract. The Government is obligated to conduct these negotiations under the Law of Petroleum in Kazakhstan. If the Company does not move from the exploration stage to the commercial production stage, it has the right to produce and sell oil, including export oil, under the Law of Petroleum for the term of its existing contract.

Major Customers

During the three months ended June 30, 2008 and 2007, sales to one customer represented 93% and 100% of total sales, respectively. At June 30, 2008 and 2007, this customer made up 100% of accounts receivable. The loss of this foregoing customer could have a material adverse affect on the Company, although there is an available market for the Company's crude oil and natural gas production from other purchasers.

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 Consolidated Statements of Operations.

Share-based compensation

The Company accounts for options granted to non-employees at their fair value in accordance with SFAS No. 123R, *Share Based Payment and EITF Abstracts Issue 96-18, Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services*. Under SFAS No. 123R, share-based compensation is determined as the fair value of the equity instruments issued. The measurement date for these issuances is the earlier of the date at which a commitment for performance by the recipient to earn the equity instruments is reached or the date at which the recipient's performance is complete. Stock options granted to the "selling agents" in the private equity placement transactions have been offset to the proceeds as a cost of capital. Stock options and stocks granted to other non-employees are recognized in the Consolidated Statements of Operations.

The Company has a stock option plan as described in Note 11 Compensation expense for options and stocks granted to employees is determined based on their fair values at the time of grant, the cost of which is recognized in the Consolidated Statements of Operations over the vesting periods of the respective options.

Share-based compensation incurred for the three months ended June 30, 2008 and 2007 was $11,295,389 and $576,957, respectively.

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 is built that will increase transportation capacity to the world markets; however, there is no assurance that this will happen in the near future.

Recognition of revenue and cost

Revenue and associated costs from the sale of oil are charged to the period when persuasive evidence of an arrangement exists, the price to the buyer is fixed or determinable, collectability is reasonably assured, delivery of oil has occurred or when ownership title transfers. Produced but unsold products are recorded as inventory until sold.

Export duty

The formula for determining the amount of the crude oil export duty is based on a sliding scale that is tied to several factors, including the world market price for oil. The amount of the export duty can change with fluctuations in world oil prices. The export duty fees are expensed as incurred and are classified as costs and operating expenses.

Income taxes

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

Cash and cash equivalents

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

Prepaid expenses and other assets

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

Prepayments for materials used in oil and gas projects

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

Inventories

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

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

The Company periodically assesses its inventories for obsolete or slow moving stock and records an appropriate provision, if there is any. The Company has assessed inventory at June 30, 2008 and no provision for obsolete inventory has been provided.

Oil and gas properties

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

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

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

All geological and geophysical studies, with respect to the 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.

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

Liquidation fund

Liquidation fund (site restoration and abandonment liability) is related primarily to the conservation and liquidation of the Company's wells and similar activities related to its oil and gas properties, including site restoration. Management assessed an obligation related to these costs with sufficient certainty based on internally generated engineering estimates, current statutory requirements and industry practices. The Company recognized the estimated fair value of this liability. These estimated costs were recorded as an increase in the cost of oil and gas assets with a corresponding increase in the liquidation fund 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 Consolidated Statement 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

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

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.

Convertible notes payable issue costs

In accordance with the Accounting Principles Board Opinion 21 *"Interest on Receivables and Payables"*, 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 follows the guidance in the EITF 95-13 "*Classification of Debt Issue Costs in the Statement of Cash Flows"* and classifies cash payments for bond issue costs as a financing activity, where not capitalized as part of oil and gas properties.

Restricted cash

Restricted cash includes funds deposited in a Kazakhstan bank and is restricted to meet possible environmental obligations according to the regulations of the Republic of Kazakhstan.

Functional currency

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

Income per common share

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

Recent accounting pronouncements

In May 2008, the FASB issued Statement No. 163, *"Accounting for Financial Guarantee Insurance Contracts—an interpretation of FASB Statement No. 60"*. This Statement requires that an insurance enterprise recognize a claim liability when the insurance enterprise expects, based on the present value of expected net cash outflows to be paid under the insurance contract discounted using a risk-free rate, that a claim loss will exceed the unearned premium revenue. That approach is similar to the recognition approach for some liabilities for future policy benefits relating to a long-duration insurance contract in Statement 60. An insurance enterprise is required to measure the claim liability equal to the present value of expected net cash outflows. Expected net cash outflows are probability-weighted cash flows that reflect the likelihood of all possible outcomes for payments by the insurance enterprise under the insurance contract. Under this Statement, the expected net cash outflows are developed using the insurance enterprise's own assumptions about the likelihood of all possible outcomes based on all information available to the insurance enterprise (including relevant market information). An insurance enterprise is required to provide expanded disclosures about financial guarantee insurance contracts. Those disclosures would focus, in part, on the information included in the risk-management activities used by the insurance enterprise to evaluate credit deterioration in its insured financial obligations, including (1) the groupings or categories used to track insured financial obligations with credit deterioration, (2) the insurance enterprise's policies for placing an insured financial obligation in and monitoring each grouping or category, and (3) financial information about the insured financial obligations included within those groupings and categories. This Statement is effective for financial statements issued for the fiscal years and interim periods beginning after December 15, 2008. Management does not anticipate this Statement will impact the Company's consolidated financial position or consolidated results of operations and cash flows.

In May 2008, the FASB issued Statement No. Statement No. 162, "*The Hierarchy of Generally Accepted Accounting Principles*". This Statement identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (GAAP) in the United States (the GAAP hierarchy). The Board does not expect that this Statement will result in a change in current practice. However, transition provisions have been provided in the unusual circumstance that the application of the provisions of this Statement results in a change in practice. This Statement is effective after 60 days following the SEC's approval of the PCAOB amendment to AU Section 411, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles. Management does not anticipate this Statement will impact the Company's consolidated financial position or consolidated results of operations and cash flows.

In March 2008, the FASB issued Statement No. 161, *"Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statements No. 133"*. This Statement requires that objectives for using derivative instruments be disclosed in terms of underlying risk and accounting designation. This disclosure better conveys the purpose of derivative use in terms of the risks that the entity is intending to manage. Disclosing the fair values of derivative instruments and their gains and losses in a tabular format should provide a more complete picture of the location in an entity's financial statements of both the derivative positions existing at period end and the effect of using derivatives during the reporting period. Disclosing information about credit-risk-related contingent features should provide information on the potential effect on an entity's liquidity from using derivatives. This Statement requires cross-referencing within the footnotes, which should help users of financial statements locate important information about derivative instruments. This Statement is effective for financial statements issued for the fiscal years and interim periods beginning after November 15, 2008. Management does not anticipate this Statement will impact the Company's consolidated financial position or consolidated results of operations and cash flows.

In December 2007, the FASB issued Statement No. 160, *"Non-controlling Interests in Consolidated Financial Statements"*. This Statement requires the ownership interests in subsidiaries held by parties other than the parent be clearly identified, labeled, and presented in the consolidated statement of financial position within equity, but separate from the parent's equity; the amount of consolidated net income attributable to the parent and to the non-controlling interest be clearly identified and presented on the face of the consolidated statement of income; changes in a parent's ownership interest while the parent retains its controlling financial interest in its subsidiary be accounted for consistently; when a subsidiary is deconsolidated, any retained non-controlling equity investment in the former subsidiary be initially measured at fair value; entities provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. This Statement is effective for financial statements issued for the fiscal years beginning after December 15, 2008. Management does not anticipate this Statement will impact the Company's consolidated financial position or consolidated results of operations and cash flows.

In December 2007, the FASB issued a revision of Statement No. 141, *"Business Combinations"*. This Statement establishes principles and requirements for how the acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. This Statement applies prospectively to business combinations for which the acquisition date is after the beginning of the first annual reporting period beginning after December 15, 2008. Management does not anticipate this Statement will impact the Company's consolidated financial position or consolidated results of operations and cash flows.

In February 2007, the FASB issued Statement No. 159, "*The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115*". This Statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement, which is consistent with the Board's long-term measurement objectives for accounting for financial instruments. This Statement is effective for financial statements issued for the fiscal years beginning after November 15, 2007. Management does not anticipate this Statement will impact the Company's consolidated financial position or consolidated results of operations and cash flows.

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, Fair Value Measurements, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. In February 2008, the FASB issued FASB Staff Position (FSP FIN) No. 157-2 which extended the effective date for certain nonfinancial assets and nonfinancial liabilities to fiscal years beginning after November 15, 2008. The Company does not expect the adoption of SFAS No. 157 to have a material impact on the consolidated financial statements.

NOTE 3 - CASH AND CASH EQUIVALENTS

As of June 30, 2008 and March 31, 2008 cash and cash equivalents included:

	June 30, 2008	**March 31, 2008**
US Dollars	$ 22,253,606	$ 17,088,631
Foreign currency	1,210,652	150,206
	$ 23,464,258	**$ 17,238,837**

As of June 30, 2008 and March 31, 2008 cash and cash equivalents included $7,514,022 and $14,203,574 placed in money market funds having 30 day simple yields of 1.92% and 2.58%, respectively.

NOTE 4 - PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets as of June 30, 2008 and March 31, 2008, were as follows:

	June 30, 2008	**March 31, 2008**
Advances for services	$ 5,765,280	$ 3,121,580
Other	563,489	640,658
Reserves against uncollectible advances and prepayments	(346,977)	(346,977)
	$ 5,981,792	**$ 3,415,261**

NOTE 5 - OIL AND GAS PROPERTIES

Oil and gas properties using the full cost method as of June 30, 2008 and March 31, 2008, were as follows:

	June 30, 2008	March 31, 2008
Cost of drilling wells	$ 82,381,933	$ 72,109,470
Professional services received in exploration and development activities	48,572,055	39,229,037
Material and fuel used in exploration and development activities	42,020,411	35,184,595
Subsoil use rights	20,788,119	20,788,119
Deferred tax	7,219,219	7,219,219
Geological and geophysical	6,710,465	5,595,496
Capitalized interest, accreted discount and amortized bond issue costs on convertible notes issued	4,353,983	3,218,141
Infrastructure development costs	2,796,290	2,099,444
Other capitalized costs	11,120,134	10,422,580
Accumulated depletion	(16,156,419)	(12,823,130)
	$ 209,806,190	**$ 183,042,971**

The purchase of Emir Oil LLP has been accounted for as a non-taxable business combination. Since goodwill was not recognized in this stock based subsidiary acquisition involving oil and gas properties, a recognition of a deferred tax liability related to the acquisition increases the financial reporting basis of the oil and gas properties.

NOTE 6 – INVENTORIES FOR OIL AND GAS PROJECTS

As of June 30, 2008 and March 31, 2008 inventories included:

	June 30, 2008	March 31, 2008
Construction material	$ 16,360,087	$ 10,155,334
Spare parts	35,750	35,770
Other	1,097,420	817,794
	$ 17,493,257	**$ 11,008,898**

NOTE 7 - CONSTRUCTION IN PROGRESS

On April 13, 2006 the Company entered into the Agreement on Joint Business (the "Agreement") with Ecotechnic Chemicals AG incorporated in Switzerland, ("Ecotechnic") for construction of facility on utilization of associated gas on the Company's fields (the "Facility"). After completion of the Facility construction, the Company and Ecotechnic will sign an agreement on the formation of a joint venture company, which will operate the Facility.

In accordance with terms of the Agreement, as of June 30, 2008, the Company has made payments of $7,261,561 for development of project documentation, purchase of equipment, transportation and customs, and construction of a gas pipe-line.

NOTE 8 - LONG TERM VAT RECOVERABLE

As of June 30, 2008 and March 31, 2008 the Company had long term VAT recoverable in the amount of $9,759,507 and $8,106,397, respectively. The VAT recoverable is a Tenge denominated asset due from the Republic of Kazakhstan. The VAT recoverable consists of VAT paid on local expenditures and imported goods. VAT charged to the Company is recoverable in future periods as either cash refunds or offsets against the Company's fiscal obligations, including future income tax liabilities. Management cannot estimate which part of this asset will be realized in the current year because in order to return funds or offset this tax with other taxes a tax examination must be performed by local Kazakhstan tax authorities. During the three months ended June 30, 2008 the Company received refunds of VAT in the amount of $1,069,618.

NOTE 9 - CONVERTIBLE NOTES PAYABLE

On July 16, 2007 the Company completed the private placement of $60 million in principal amount of 5.0% convertible senior notes due 2012 ("Notes") to non-U.S. persons outside of the United States in accordance with Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act") and in compliance with the laws and regulations applicable in each country where the placement took place.
The Notes carry a 5% coupon and have a yield to maturity of 6.25%. Interest is paid at a rate of 5.0% per annum on the principal amount, payable semiannually in arrears on January 13 and July 13 of each year.

The Notes are convertible into the Company's common shares. The initial conversion price was set at $7.2094 per share, subject to customary adjustments in certain circumstances, including but not limited to, changes of control and certain future equity financings. If the conversion price is adjusted pursuant to the conversion provisions, the conversion price shall not be adjusted below $6.95, provided that if the conversion price is adjusted due to (1) the payment of a dividend; (2) a bonus issue; (3) a consolidation or subdivision of the shares; (4) the issuance of shares, share-related securities, rights in respect of shares or rights in respect of share-related securities to all or substantially all of the shareholders as a class; (5) the issuance of other securities to substantially all shareholders as a class; or (6) other arrangements to acquire securities, then the minimum conversion price will be adjusted at the same time by the same proportion.

A change of control event occurs if an offer in respect of the Company's common shares, for which the consideration is or can be received wholly or substantially in cash, has become or been declared unconditional in all respects and the Company becomes aware that the right to cast more than 50% of the votes which may ordinarily be cast on a poll at a general meeting of the shareholders has or will become unconditionally vested in the offeror and/or any associate(s) of the offeror, or an event occurs which has a like or similar effect. If a change of control event occurs, the conversion price in respect of a conversion date that occurs after the date on which notice of such change in control event is given by the Company, but on or prior to the 60th day following the date of such notice, shall become the product of (1) the conversion price that would otherwise apply on such conversion date in the absence of a change of control event and (2) the percentage determined in accordance with the following:

Conversion Date	Percentage
On or before July 13, 2008	81.6
Thereafter, but on or before July 13, 2009	86.2
Thereafter, but on or before July 13, 2010	90.9
Thereafter, but on or before July 13, 2011	95.5
Thereafter, and until Maturity Date	100.0

If a holder of notes shall convert its notes following the date on which notice of a change in control event is given by us but on or prior to the 60th day following the date of such notice, then we shall pay to such holder the following U.S. Dollar amounts per U.S. Dollar of notes held by the holder that are to be so converted.

Conversion Date	Amount
On or before July 13, 2008	$0.12239
Thereafter, but on or before July 13, 2009	$0.07246
Thereafter, but on or before July 13, 2010	$0.02250
Thereafter, but on or before July 13, 2011	$0
Thereafter, and until Maturity Date	$0

The Notes are callable after three years at a price equal to 104% of the principal amount thereof plus any accrued and unpaid interest to the date fixed for redemption, subject to the share price trading at least 30% above the conversion price. Holders of the Notes will have the right to require the Company to redeem all or a portion of their Notes on July 13, 2010 at a price equal to 104% of the principal amount thereof plus any accrued and unpaid interest to the date fixed for redemption. Unless previously redeemed, converted or purchased and cancelled, the Notes will be redeemed by the Company at a price equal to 107.2% of the principal amount thereof on July 13, 2012. The Notes constitute direct, unsubordinated and unsecured, interest bearing obligations of the Company.

The net proceeds from the issuance of the Notes have been used for further exploration and development of the Company's oil and gas drilling and production activities in western Kazakhstan.

The Company granted a registration right to the Noteholders. The Company agreed to file, pursue to effectiveness and maintain effective a registration statement in respect of the Notes and the underlying shares of common stock issuable upon the conversion of the Notes (collectively, the "Covered Securities"), until such time as all Covered Securities:

- have been effectively registered under the Securities Act and disposed of in accordance with the registration statement relating thereto;
- may be resold without restriction pursuant to Rule 144(k) under the Securities Act or any successor provision thereto;
- (A) are not subject to the restrictions imposed by Rule 903(b)(3)(iii) under the Securities Act or any successor provision thereto and (B) may be resold pursuant to Rule 144 under the Securities Act or any successor provision thereto without being subject to the restrictions imposed by paragraphs (e), (f) and (h) of Rule 144 under the Securities Act or any successor provisions thereto; provided that the requirements set forth in paragraph (c) of Rule 144 under the Securities Act or any successor provision thereto are met as of such date; or
- have been publicly sold pursuant to Rule 144 under the Securities Act or any successor provision thereto.

On October 19, 2007 the Company filed with the U.S. Securities and Exchange Commission ("SEC") a registration statement on Form S-3, as amended on October 25, 2007 and January 23, 2008, (the "Shelf Registration Statement") registering the Covered Securities for resale. The Shelf Registration Statement was declared effective by the SEC on January 25, 2008.

As of June 30, 2008 and March 31, 2008 the Company has accrued interest of $1,391,667 and $641,667, respectively, relating to the convertible notes outstanding. The Company has also amortized the discount on the convertible notes (difference between the redemption amount and the carrying amount as of the date of issue) in the amount of $731,836 and $535,455 as of June 30, 2008 and March 31, 2008, respectively. The carrying value of convertible notes will be accreted to the redemption value of $64,323,785.

As of June 30, 2008 and March 31, 2008 the convertible notes payable amount is presented as follows:

	June 30, 2008	**March 31, 2008**
Convertible notes redemption value	$ 64,323,785	$ 64,323,785
Unamortized discount	(3,591,950)	(3,788,330)
	$ 60,731,835	**$ 60,535,455**

In accordance with SFAS No. 34, *Capitalization of Interest* and FIN 33, *Applying FASB Statement No. 34 to Oil and Gas Producing Operations Accounted for by the Full Cost Method and Interpretation of FASB Statement No. 34*, accrued interest expense in the amount of $750,000 and accretion expense relating to the discount on convertible notes (difference between the redemption amount and the carrying amount as of the date of issue) in the amount of $196,380 was capitalized to oil and gas properties for the three months ended June 30, 2008.

NOTE 10 - LIQUIDATION FUND

A reconciliation on the Liquidation Fund (Asset Retirement Obligation) at June 30, 2008 and March 31, 2008 is as follows:

	Total
At March 31, 2008	$ 3,728,531
Accrual of liability	65,408
Accretion expenses	95,958
At June 30, 2008	**$ 3,889,897**

Management believes that the liquidation fund should be accrued for future abandonment costs of 20 wells located in the Dolinnoe, Aksaz, Emir and Kariman oil fields. Management believes that these obligations are likely to be settled at the end of the production phase at these oil fields.

At June 30, 2008, undiscounted expected future cash flows that will be required to satisfy the Company's obligation by 2013 for the Dolinnoe, Aksaz and Emir fields, respectively, are $6,101,046. After application of a 10% discount rate, the present value of the Company's liability at June 30, 2008 and March 31, 2008 was $3,889,897 and $3,728,531, respectively.

NOTE 11 - SHARE AND ADDITIONAL PAID IN CAPITAL

Share-Based Compensation

During the fiscal year ended March 31, 2005 the shareholders of the Company approved an incentive stock option plan (the "2004 Plan") under which directors, officers and key personnel may be granted options to purchase common shares of the Company, as well as other stock based awards. 5,000,000 common shares were reserved for issuance under the 2004 Plan. The Board determines the terms of options and other awards made under the 2004 Plan. Under the terms of the 2004 Plan, no incentive stock options shall be granted with an exercise price at a discount to the market.

On July 17, 2008 the shareholders of the Company approved the BMB Munai, Inc. 2009 Equity Incentive Plan ("2009 Plan") to provide a means whereby the Company could attract and retain employees, directors, officers and others upon whom the responsibility for the successful operations of the Company rests through the issuance of equity awards. 5,000,000 common shares are reserved for issuance under the 2009 Plan. Under the terms of the 2009 Plan the Board determines the terms of the awards made under the 2009 Plan, within the limits set forth in the 2009 Plan guidelines.

Common Stock Grants

On March 30, 2007, the Company granted common stock to officers, employees and outside consultants of the Company under the Plan. The total number of restricted common shares granted was 950,000. The restricted stock grants were valued at $5.38 per share. The restricted stock grants were awarded on the same terms and subject to same vesting requirements. The restricted stock grants will vest to the grantees at such time as either of the following events occurs (the "Vesting Events"): i) the Company enters commercial production and is granted a commercial production license from the Republic of Kazakhstan; or ii) the occurrence of an Extraordinary Event. An "Extraordinary Event" is defined in the restricted stock agreement as 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 thirty percent (30%) or more of the outstanding stock of the Company or any of its subsidiaries, or the sale of all or substantially all of the assets of the Company or any of its subsidiaries. In the event of an Extraordinary Event, the grants shall be deemed full vested one day prior to the effective date of the Extraordinary Event. The Board of Directors shall determine conclusively whether or not an Extraordinary Event has occurred and the grantees have agreed to be bound by the determination of the Board of Directors. The grantees have the right to vote the shares, receive dividends and enjoy all other rights of ownership over the entire grant amount from the grant date, except for the right to transfer, assign, pledge, encumber, dispose of or otherwise directly or indirectly profit or share in any profit derived from a transaction in the shares prior to the occurrence of a Vesting Event. Shares will only vest to the grantee if the grantee is employed by the Company at the time a Vesting Event occurs. If a Vesting Event has not occurred at the time a grantee's employment with the Company ceases, for any reason, the entire grant amount shall be forfeited back to the Company. Compensation expense in the amount of $567,889 was recognized in the Consolidated Statement of Operations and Consolidated Balance Sheet for the three months ended June 30, 2008.

As of June 30, 2008, there was $2,271,556 of total unrecognized compensation expense related to non-vested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a weighted-average period of 1 year.

As further discussed in Note 14, the Company granted 1,750,000 common shares to consultants as the success fee for assisting the Company to obtain an extension of the time period for exploration. The shares are valued at $6.13 per share, which was the closing market price of Company’s shares on June 24, 2008.

On July 17, 2008 at the recommendation of the compensation committee of the board of directors, the Company’s board of directors approved, subject to certain vesting requirements, restricted stock awards to certain executive officers, directors, employees and outside consultants of the Company pursuant to the BMB Munai, Inc. 2004 Stock Incentive Plan (the “2004 Plan”). The total number of shares granted was 1,330,000. Grants were made to 14 people, 12 of whom are non-U.S. persons. The restricted stock grants were made without registration pursuant to Regulation S of the Securities Act Rules and/or Section 4(2) under the Securities Act of 1933. The restricted stock grants awarded to Mr. Cherdabayev, Mr. Tashtitov and Mr. Tolmakov were awarded on the same terms and subject to the same vesting requirements. More specifically, the restricted stock grants will vest to the grantees at such time as either of the following events occurs (the “Vesting Events”): i) the one-year anniversary of the grant date; or ii) the occurrence of an Extraordinary Event. An “Extraordinary Event” is defined in the restricted stock agreement as 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 thirty percent (30%) or more of the outstanding stock of the Company or any of its subsidiaries, or the sale of all or substantially all of the assets of the Company or any of its subsidiaries. In the event of an Extraordinary Event, the grants shall be deemed full vested one day prior to the effective date of the Extraordinary Event. The Board of Directors shall determine conclusively whether or not an Extraordinary Event has occurred and the grantees have agreed to be bound by the determination of the Board of Directors. The restricted stock grant awarded to Mr. Kulumbetov is subject to the same vesting requirements as those listed above. Initially, the grant to Mr. Kulumbetov included a requirement that the Company satisfactorily complete its annual work program within the Company's annual budget, as amended. This performance requirement was subsequently deleted from his stock grant. The shares representing the restricted stock grants shall be issued as soon as practicable, will be deemed outstanding from the date of grant, and will be held in escrow by the Company subject to the occurrence of a Vesting Event. The grantees will have the right to vote the shares, receive dividends and enjoy all other rights of ownership over the entire grant amount from the grant date, except for the right to transfer, assign, pledge, encumber, dispose of or otherwise directly or indirectly profit or share in any profit derived from a transaction in the shares prior to the occurrence of a Vesting Event. Shares will only vest to the grantee if the grantee is employed by the Company at the time a Vesting Event occurs. If a Vesting Event has not occurred at the time a grantee's employment with the Company ceases, for any reason, the entire grant amount shall be forfeited back to the Company.

Stock Options

Stock options outstanding and exercisable as of June 30, 2008, were as follows:

	Number of Shares	Weighted Average Exercise Price
As of March 31, 2008	**1,170,583**	**$ 5.33**
Granted	-	-
Exercised	-	-
Expired	-	-
As of June 30, 2008	**1,170,583**	**$ 5.33**

Additional information regarding outstanding options as of June 30, 2008, was as follows:

Options Outstanding				Options Exercisable	
Range of Exercise Price	Options	Weighted Average Exercise Price	Weighted Average Contractual Life (years)	Options	Weighted Average Exercise Price
$ 4.00 – $ 7.40	1,170,583	$ 5.33	4.66	1,170,583	$ 5.33

Warrants

Warrants outstanding and exercisable as of June 30, 2008 were as follows:

	Number of Shares	Weighted Average Exercise Price
As of March 31, 2008	**52,380**	**$ 3.50**
Granted	-	-
Exercised	-	-
Expired	-	-
As of June 30, 2008	**52,380**	**$ 3.50**

Additional information regarding warrants outstanding as of June 30, 2008 is as follows:

Warrants Outstanding				Warrants Exercisable	
Range of Exercise Price	Warrants	Weighted Average Exercise Price	Weighted Average Contractual Life (years)	Warrants	Weighted Average Exercise Price
$ 3.50	52,380	$3.50	5.01	52,380	$3.50

NOTE 12 – REVENUES

The Company exports oil for sale to the world markets via the Aktau sea port. Sales prices at the port locations are based on the average quoted Brent crude oil price from Platt's Crude Oil Marketwire for the three days following the bill of lading date less discount for transportation expenses, freight charges and other expenses borne by the customer.

Since July 2007, the Company's production volume has exceeded its export quota. The Company has been selling this excess production to the domestic market in Kazakhstan. Oil prices in the domestic market are regulated by the government of Kazakhstan. Historic and current sales prices in the domestic market have and currently are significantly lower than the prevailing world market price.

	Three months ended	
	June 30, 2008	**June 30, 2007**
Export sales	$ 34,321,767	$ 11,580,958
Domestic sales	505,457	-
	$ 34,827,224	$ 11,580,958

NOTE 13 – EXPORT DUTY

On April 18, 2008 the government of the Republic of Kazakhstan introduced an export duty on several products (including crude oil). The Company became subject to the duty beginning in June 2008. The export duty for June 2008 amounted to $1,352,917, which is being reported as a part of operating expenses. The formula for determining the amount of the crude oil export duty is based on a sliding scale that is tied to several factors, including the world market price for oil. The amount of export duty can change with fluctuations in world oil prices. The Company anticipates that the accrual of export duty in future fiscal quarters will lead to a significant increase in operating expenses.

NOTE 14 - CONSULTING EXPENSES

On November 19, 2007 the Company entered into the consulting agreement with Caspian Energy Consulting Ltd (“Consultant”). Upon the execution of the consulting agreement, the Company paid the consultant $1,000,000. The consulting agreement also provided that in the event the Consultant was successful in negotiating an extension of the term of the Company’s existing exploration contract beyond July 2009, the Company would issue 500,000 common shares for each additional year of exploration status extension granted beyond July 2009.

On June 24, 2008, the Company was granted an extension of its existing exploration contract from July 2009 to January 2013. The compensation expenses for consulting services were recorded in the amount of $11,727,500, which represents $1,000,000 paid upon the execution of consulting agreement and non-cash share based compensation in the amount of $10,727,500 as the successful fee for extension of time period for exploration. The share based compensation represents 1,750,000 (500,000 shares for each additional year of exploration status extension) valued at $6.13 per share which was the closing market price of Company’s shares on June 24, 2008.

NOTE 15 – DISGORGEMENT FUNDS RECEIVED

In June 2008 the Company received a letter from a shareholder of the Company stating that the shareholder was returning realized profits from their trades of shares of the Company's common stock during the six month period preceding May 22, 2008 (the "Timeframe"). The shareholder also stated in the letter that during this Timeframe the shareholder was subject to Section 16 of the United States Security Exchange Act of 1934 (the "Exchange Act") because they owned more than 10% of the shares of Company common stock. As such, the shareholder decided to voluntarily comply with Section 16(b) of the Exchange Act by returning the realized profits to the Company in the amount of $1,650,293, (the "Disgorgement Amount") which is net of amounts paid for brokerage commissions on each of the executed trades during the Timeframe. The Company had received the Disgorgement Amount in full before June 30, 2008.

NOTE 16 – INCOME TAXES

The Company's consolidated pre-tax income is comprised primarily from operations in the Republic of Kazakhstan. Pre-tax losses from United States operations are also included in consolidated pre-tax income.

According to the Exploration Contract in the Republic of Kazakhstan, for income tax purposes the Company can capitalize the exploration and development costs and deduct all revenues received during the exploration stage to calculate taxable income. Therefore, the Exploration Contract allows the Company to be exempt from Kazakhstan corporate income tax for the period of the exploration phase.

Earnings of the Company's foreign subsidiaries, since acquisition, have been undistributed. Those earnings are considered to be indefinitely reinvested and, accordingly, no U.S. federal and state income taxes have been provided thereon. Upon distribution of those earnings, in the form of dividends or otherwise, the Company would be subject to both U.S. income taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable to the Republic of Kazakhstan. Determination of the amount of unrecognized deferred U.S. income tax liability is not practical because of the complexities associated with its hypothetical calculation; however, unrecognized foreign tax credits may be available to reduce a portion of the U.S. tax liability.

No provision for income taxes has been recorded by the Company for the three months ended June 30, 2008.

NOTE 17 - EARNINGS PER SHARE INFORMATION

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

	Three months ended June 30, 2008	Three months ended June 30, 2007
Net income	$ 13,321,323	$ 3,882,257
Basic weighted-average common shares outstanding	44,899,519	44,690,657
Effect of dilutive securities		
Warrants	20,988	54,595
Stock options	211,570	201,175
Dilutive weighted average common shares outstanding	45,132,077	44,946,427
Basic income per common share	$ 0.30	$ 0.09
Dilutive income per common share	$ 0.30	$ 0.09

The dilutive weighted average common shares outstanding for the three months ended June 30, 2008 and 2007, respectively, does not include the effect of the potential conversion of the Notes because conversion of the Notes is not contingent upon any market event. Rather, the Notes are convertible to common stock upon the first to occur of (a) the tenth New York business day following the Shelf Registration Statement Effective Date and (b) 13 July 2008.

NOTE 18 - RELATED PARTY TRANSACTIONS

The Company leases ground fuel tanks and other oil fuel storage facilities and warehouses from Term Oil LLC. The lease expenses for the three months ended June 30, 2008 and 2007, totaled to $60,882 and $65,829, respectively. Also the Company had accounts payable to Term Oil LLC in the amount of $80,561 and $53,624 as of June 30, 2008 and March 31, 2008, respectively. One of our significant shareholders and the director of Emir Oil LLP is the owner of Term Oil LLC.

NOTE 19 - COMMITMENTS AND CONTINGENCIES

Consulting Agreement

In November 2007 the Company entered into a consulting agreement with Caspian Energy Consulting Ltd. ("Consultant"). The consulting agreement provides that in the event the Consultant is successful in execution and delivery to the Company of a new exploration contract for a new contract territory, the Company will pay the amount of $4,000,000. The consulting agreement shall remain in force until terminated by either party. As of June 30, 2008 the Consultant has not obtained a new exploration contract for a new contract territory and no payment was due as of June 30, 2008.

Historical Investments by the Government of the Republic of Kazakhstan

The Government of the Republic of Kazakhstan made historical investments in the ADE Block and the Extended Territory of $5,994,200 and $5,350,680, respectively. When and if, the Company applies for and, when and if, it is granted commercial production rights for the ADE Block and Extended Territory, the Company will be required to begin repaying these historical investments to the Government. The terms of repayment will be negotiated at the time the Company is granted commercial production rights.

Capital Commitments

Prior to the extension of the exploration period granted to Emir Oil LLP in June 2008, the terms of its subsurface exploration contract, required Emir Oil to spend a total of $48.8 million in exploration activities on the ADE Block and the Extended Territory through July 2009. Through June 30, 2008 the Company had spent a total of $219.8 million in exploration activities.

In connection with the extension granted in June 2008, the Company's capital expenditure requirements have been revised. To retain its rights under the contract, the Company must spend $8.5 million by July 9, 2008. As of June 30, 2008, the Company had already satisfied this obligation. From July 9, 2009 through January 9, 2010 the Company must spend $6.9 million. The Company must spend an additional $12.7 between January 10, 2010 and January 9, 2011, $18.7 million between January 10, 2011 and January 9, 2012 and $6.3 million between January 10, 2012 and January 9, 2013.

In addition to the minimum capital expenditure requirement, the Company must also comply with the other terms of the work program associated with the contract, which includes the drilling of at least seven additional new wells by January 9, 2013. The failure to meet the minimum capital expenditures or to comply with the terms of the work program could result in the loss of the subsurface exploration contract.

Litigation

In December 2003, a complaint was filed in the 15th Judicial Court in and for Palm Beach County, Florida, naming, among others, the Company and former directors, Georges Benarroch and Alexandre Agaian, as defendants. The plaintiffs, Brian Savage, Thomas Sinclair and Sokol Holdings, Inc. allege claims of breach of contract, unjust enrichment, breach of fiduciary duty, conversion and violation of a Florida trade secret statute in connection with a business plan for the development of the Aksaz, Dolinnoe and Emir oil and gas fields owned by Emir Oil, LLP. The parties mutually agreed to dismiss this lawsuit without prejudice.

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

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

The Company has retained the law firm of Bracewell & Giuliani LLP in New York, New York to represent us in the lawsuit. The Company moved for dismissal of the amended complaint or for a stay pending arbitration in Kazakhstan. That motion was denied, without prejudice to renewing it, to enable defendants to produce documents to plaintiffs relating to the issues raised in the motion. Following completion of document production, the motion was renewed. Briefing on the motion was completed on August 24, 2006.

On June 14, 2007, the court ruled on our motion. The court (a) denied the motion to dismiss on the ground that Kazakhstan is a more convenient forum; (b) denied the motion to dismiss in favor of litigation in New York state court; (c) denied the motion to stay pending arbitration in Kazakhstan; and (d) denied the motion to dismiss on the ground that Mr. Tolmakov is an indispensable party. The court also (a) denied the motion (by defendants other than the Company) to dismiss for lack of personal jurisdiction and (b) granted the motion (by defendants other than the Company) to dismiss several claims for relief alleging breach of fiduciary duty, tortious interference with fiduciary duty and aiding and abetting breach of fiduciary duty. The court dismissed as moot the Company's cross-motion to stay discovery and instructed the parties to comply with the Magistrate Judge's discovery schedule.

The Company has appealed the court's refusal to stay the litigation pending arbitration in Kazakhstan. The Company moved for an order to stay all proceedings in the lower court while the aforementioned appeal is pending. This motion was denied by the lower court and we have made a similar motion before the Court of Appeals. Oral argument on the appeal was held on October 26, 2007. The Court of Appeals has not yet rendered a decision on the appeal or the ancillary motion to stay all proceedings pending a decision on the appeal. Therefore, discovery in the case is ongoing.

NOTE 20 - FINANCIAL INSTRUMENTS

As of June 30, 2008 and March 31, 2008 cash and cash equivalents included deposits in Kazakhstan banks in the amount $9,267,984 and $2,211,352, respectively, and deposits in U.S. banks in the amount of $14,196,274 and $15,027,484, 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 our deposits in Kazakhstan banks was uninsured as of June 30, 2008 and March 31, 2008. The Company's deposits in U.S. banks are also in non-FDIC insured accounts which means they too are not insured to the $100,000 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. As of June 30, 2008 and March 31, 2008 the Company made advance payments to Kazakhstan companies and government bodies in the amount $16,189,052 and $21,266,329, respectively. As of June 30, 2008 and March 31, 2008 restricted cash reflected in the long-term assets consisted of $622,697, deposited in a Kazakhstan bank and restricted to meet possible environmental obligations according to the regulations of Kazakhstan. Furthermore, the primary asset of the Company is Emir Oil LLP; an entity formed under the laws of the Republic of Kazakhstan.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion is intended to assist you in understanding our results of operations and our present financial condition. Our Consolidated Financial Statements and the accompanying notes included in this Form 10-Q contain additional information that should be referred to when reviewing this material and this document should be read in conjunction with the Form 10-K of the Company for the year ended March 31, 2008.

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

Cautionary Note Regarding Forward-Looking Statements

This report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Rule 175 promulgated thereunder, that involve inherent risks and uncertainties. Words such as "expect," "anticipate," "intend," "plan," "believe," "estimate," "seek," "could," "should," "predict," "continue," "future," "may" and variations of such words and similar expressions are intended to identify such forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties, assumptions, estimates and other factors that could cause actual results, performance or events to differ materially from any results, performance or events expressed or implied by such forward-looking statements. All forward-looking statements are qualified in their entirety by reference to the factors discussed in this report and identified from time to time in our filings with the SEC including, among others, the following risk factors:

- substantial or extended decline in oil prices;
- inaccurate reserve estimates;
- twenty-two percent of our proven properties are undeveloped;
- inability to enter a new contract with the Republic of Kazakhstan;
- drilled prospects may not yield oil or natural gas in sufficient quantities;
- substantial losses or liability claims as a result of operations;
- complex laws that could affect the cost of doing business;
- substantial liabilities to comply with environmental laws and regulations;
- the need to replenish older depleting oil and natural reserves with new oil and natural gas reserves;
- inadequate infrastructure in the region where our properties are located;
- unavailability or high cost of drilling rigs, equipment, supplies, personnel and oil field services;
- unavailability or high price of transportation systems;
- competition in the oil and gas industry; and
- adverse government actions, political risks, expropriation of assets and risks of civil war, primarily in the Republic of Kazakhstan.

This list of factors that may affect future results, performance, events and the accuracy of any forward-looking statement. This list is illustrative but not exhaustive. In addition, new risks and uncertainties may arise from time to time. Accordingly, readers should not place undue reliance on any forward-looking statement.

Any forward-looking statement speaks only as of the date on which it is made and is expressly qualified by these cautionary statements. Except as may be required by law, we undertake no obligation to publicly update or revise any forward-looking statement for any reason or to update the reasons actual results could differ materially from those anticipated in such forward-looking statements, even if new information becomes available in the future.

Overview

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

Exploration Stage Activities

Under the statutory scheme in Kazakhstan prospective, oil fields are developed in two stages. The first stage is exploration stage. During this stage the primary focus is on the search for commercial discoveries, i.e., discoveries of sufficient quantities of oil and gas to make it commercially feasible to pursue execution of, or transition to, a commercial production contract with the government.

As discussed above, we are currently engaged in exploration of our properties and are working to satisfy the requirements to move to commercial production. Based on discussions with the MEMR, the MEMR expects a contract holder to engage in three primary activities during exploration stage before it will be granted commercial production rights. These activities fall within three primary areas:

- fulfillment of minimum work program commitments;
- establishment of the existence of commercially producible reserves; and
- preparation, submission and receipt of approval of a development plan prepared by a third-party petroleum institute in Kazakhstan for the exploitation of the established commercial reserves.

Minimum Work Program Requirements

In order to be assured that adequate exploration activities are undertaken during exploration stage, the MEMR establishes an annual mandatory minimum work program to be accomplished in each year of the exploration contract. Under the minimum work program the contractor is required to invest a minimum dollar amount in exploration activities on the contract territory, which may include geophysical studies, construction of field infrastructure or drilling activities. During the exploration stage, the contractor is also required to drill sufficient wells in each field to establish the existence of commercially producible reserves in any field for which it seeks a commercial production license. Failure to complete the minimum work program requirements for any particular field during the term of the exploration contract could preclude the contractor from receiving a longer-term production contract for such field, regardless the success of the contractor in proving commercial reserves during the partial fulfillment of the minimum work program.

The contract we hold follows the above format. The contract sets the minimum dollar amount we must expend during each year of our work program. Under our exploration license our work program year ends on July 9 each year until July 9, 2009. Thereafter our work program year will end on January 9 of each year. Therefore our work program year does not coincide with our fiscal fear. As a result these timing differences, the amounts reflected in this table as “Actually Made” may differ from amounts disclosed elsewhere in our Management’s Discussion and Analysis or Consolidated Financial Statements, which present figures based on our fiscal year rather than our work program year.

Amount of Expenditure	Mandated by Contract	Actually Made
Prior to July 2007	$40,200,000	$104,750,000
July 2007 to July 2008	$8,480,000	$115,040,000*
July 2008 to July 2009	$70,000	$ -
July 2009 to January 2010	$6,790,000	$ -
January 2010 to January 2011	$12,690,000	$ -
January 2011 to January 2012	$18,690,000	$ -
January 2012 to January 2013	$6,270,000	$ -
Total	$93,190,000	$219,790,000

* Investment as of June 30, 2008.

As reflected in the above table, in connection with the extension of the term of our exploration contract, we agreed to expend not less than $44.5 million dollars in additional work program activities through January 9, 2013.

Under the rules of the MEMR there is an option for expenditures above the minimum requirements in one period to be carried over to meet minimum obligations in future periods. As the above chart shows we have significantly exceeded the minimum expenditure requirement in each period of the contract and have more than doubled the total minimum capital expenditure requirement during the exploration stage.

In addition to mandatory minimum capital expenditures in each year, exploration contracts typically require the contract holder to drill a certain number of wells in each structure for which it plans to seek commercial production rights.

In Kazakhstan, typically, one exploratory well and two appraisal wells are sufficient to support a claim of commercially producible reserves in a particular field, although in some cases, commercial reserves have been demonstrated with fewer wells. The total number of wells the MEMR requires during exploration stage is generally determined by the number of fields or structures identified by the seismic studies done on a territory. The 3D seismic studies of our contract territory, as extended, have identified six potential fields or structures. Therefore, if we wish to apply for commercial production rights on all six fields we anticipate the need to drill at least three wells in each field, or at least 18 wells during exploration stage, as reflected in the top half of the following chart:

Structures	Aksaz	Dolinnoe	Emir	Kariman	Borly	Yessen
Exploratory Wells	1	1	1	1	1	1
Appraisal Wells	2	2	2	2	2	2
Existing Wells	3	5	3	9	0	0
Wells in Progress	2	1	0	1	0	0
Remaining Wells to Drill by 2013	0	0	0	0	3	3

The bottom half of the above chart shows our current drilling progress. As the chart shows, we have completed drilling of twenty wells in four fields and are currently drilling four additional wells.

Pursuant to the terms of the extension of our exploration contract, we are required to drill not less than seven new wells, in addition to those that are currently in progress, by January 9, 2013, to determine the existence of commercially producible reserves within the various structures in our license territory.

Establishing the Existence of Commercially Producible Reserves

Establishing the existence of commercially producible reserves is accomplished through drilling wells and engaging in test production of those wells during the exploration stage. We have established the presence of oil and/or natural gas in each of the Aksaz, Dolinnoe, Emir and Kariman fields and are engaged in testing to gather the necessary data and to determine whether commercially producible reserves exist in each of those fields. We have not drilled wells in the Borly and Yessen fields. The failure to establish commercially producible reserves within any particular field would not preclude us from applying for commercial production rights to other fields within our contract territory where we establish commercially producible reserves.

Preparation, Submission and Approval of a Development Plan

Our goal during exploration stage is to study the geology and geophysical characteristics of each field and individual well, with a view to qualifying for a longer-term production contract. Once we complete drilling of a well, our emphasis focuses on an extended period of testing the well's production characteristics and capacities to determine the best method for producing oil from the well and to gain insight into the further development of the entire field. During this stage of exploration, oil production is subject to wide fluctuations caused by varying pressures commonly experienced by new wells and by significant periods of well closure to accommodate various mandatory testing. The data gathered during these testing procedures will be submitted by us to a third-party independent petroleum institute in Kazakhstan and will be the basis for preparing a development plan. The development plan, which is submitted to the MEMR for review and approval, sets forth the parameters and guidelines for the future commercial production and ongoing development of each field.

Taxes, Royalties and Duties

During exploration stage, we have the right to sell the oil and natural gas we recover during test production. As noted above, under our old exploration contract, we had been granted tax stability and were not required to pay rent export tax. We were, however, required to pay a royalty of 2%. In connection with the extension of the term of our exploration contract and the adoption of a new tax code in the Republic of Kazakhstan, we will be require to renegotiate the taxes and royalties we pay. We expect we will lose our tax stability and will be required to pay rent export tax on all sales outside of the Kazakhstan domestic market. Until the new tax code is adopted, it is difficult to predict the rate at which we will be taxed and what royalty we will be required to pay. Under the current tax regime, however, rent export tax rate is tied to the Brent oil price. Rent export tax also increases on a sliding scale. At the present time the rate is 33% of net revenues. Royalty rates are established by the taxing authorities of the ROK and are based on production rates. The rate increases on a sliding scale. Current royalty rates range from 2% to 6%.

As noted above, in June 2008 we became subject to a crude oil export duty on all oil sold outside the Kazakhstan domestic market. The formula for determining the amount of the crude oil export duty is based on a sliding scale that is tied to several factors, including the world market price for oil. The amount of export duty can change with fluctuations in world oil prices. In June 2008 we paid export duty of $1,352,917.

We anticipate the imposition of the crude oil duty and the rent export tax will have a significant impact on our results of operations in the future.

Drilling Operations

We completed drilling operations on three wells: Kariman 7, 8 and 10 during the quarter ended June 30, 2008 and have commenced testing operations and test production.

During the quarter ended June 30, 2008, we have been engaged in drilling operations on 2 wells: Aksaz 2 and Dolinnoe 7. We also spudded two new wells, Aksaz 6 and Kariman 11, during the quarter ended June 30, 2008. We plan to complete drilling of these wells and commence testing operations during the second and third fiscal quarters 2009.

We completed drilling of the Kariman 6 well in February 2008 and Dolinnoe 5 well in March 2008 and have commenced extensive testing operations coupled with geophysical and geological studies on the wells.

Well Performance and Production

The following table sets forth the number of oil and natural gas wells in which we owned an interest as of June 30, 2008.

	Company-operated		Non-operated		Total	
	Gross	Net	Gross	Net	Gross	Net
Oil	20	20	-	-	20	20
Natural Gas	-	-	-	-	-	-
Total	20	20	-	-	20	20

As noted in the chart above, as of the fiscal quarter ended June 30, 2008, we had twenty wells in workover, testing or test production

According to the laws of the republic of Kazakhstan, we are required to test every prospective target on our properties separately, this includes the completion of well surveys on different modes with various choke sizes on each horizon.

In the course of well testing, when the transfer from target to target occurs, the well must be shut in; oil production ceases for the period of mobilization/demobilization of the workover rig, pull out of the hole, run in the hole, perforation, packer installation time, etc. This has the effect of artificially diminishing production rates averaged over a set period of time.

Following is a brief description of the current production status of each of our 20 wells.

Well	Current Single Interval Production Rate	Diameter Choke Size
Aksaz -1	63 -132 bpd	4 mm
Aksaz -3	352 bpd	4 mm
Aksaz -4	63 bpd	4 mm
Dolinnoe -1	145- 214bpd	8 mm
Dolinnoe -2	57 bpd	2 mm
Dolinnoe -3	126-302 bpd	5 mm
Dolinnoe -5	-0-(1)	-
Dolinnoe -6	57-101 bpd	14 mm
Emir -1	-0-(2)	-
Emir - 2	-0-(3)	-
Emir -6	6-12 bpd	-
Kariman -1	44-120 bpd(4)	-
Kariman -2	717-849 bpd	5 mm
Kariman -3	6 – 57 bpd	-
Kariman -4	352-380 bpd	14 mm
Kariman -5	38 bpd	12 mm
Kariman -6	642-818 bpd	5 mm
Kariman -7	535-660 bpd	8 mm
Kariman -8	475 bpd	10 mm
Kariman -10	377-503 bpd	7 mm

(1) A first target was tested on 27th of March, 2008. A first week’s production was 110 bpd and in April it dropped to 63 bpd. For a couple of days the well was shut-in for a pressure build-up. After that the production was 26 bpd. We carried out an acid injection and hydro-impulsive cleaning and aeration, however, it hasn’t showed any result. We plan to make a bottom-hole zone cleaning to stimulate oil flow in August, 2008.
(2) This well currently is not producing because it is undergoing workover operations. Single interval production from this well prior to workover was 5 to 6 bpd.
(3) This well was completed during the quarter ended March 31, 2008. We have done testing activities and currently it is undergoing workover operations for a bottom-hole zone cleaning to stimulate oil flow.
(4) We carried out a hydraulic fracturing (breakdown) on this well during the quarter ended June 30, 2008. Production from this well prior to the breakdown was 3-6bpd. We plan to make a bottom-hole zone cleaning to stimulate oil flow in July 2008.

Pursuing Profitable Acquisitions

While our emphasis in fiscal 2009 is anticipated to focus on the further development of our existing properties, we continue to look for properties with both existing cash flow from production and future development potential. We intend to pursue acquisitions of properties that we believe will provide attractive rates of return on capital invested. We work with consultants and our staff of experienced geological/geophysical engineers and financial managers to identify and evaluate acquisition opportunities.

Results of Operations

Three months ended June 30, 2008, compared to the three months ended June 30, 2007.

Revenue and Production

The following table summarizes production volumes, average sales prices and operating revenue for our oil and natural gas operations for the three months ended June 30, 2008 and the three months ended June 30, 2007.

	For the three months ended June 30, 2008	For the three months ended June 30, 2007	Three months ended June 30, 2008 to the three months ended June 30, 2007 $ Increase (Decrease)	% Increase (Decrease)
Production volumes:				
Natural gas (Mcf)	-	-	-	-
Natural gas liquids (Bbls)	-	-	-	-
Oil and condensate (Bbls)	328,369	199,172	129,197	65%
Barrels of Oil equivalent (BOE)	328,369	199,172	129,197	65%
Sales volumes:				
Natural gas (Mcf)	-	-	-	-
Natural gas liquids (Bbls)	-	-	-	-
Oil and condensate (Bbls)	327,757	197,573	130,184	66%
Barrels of Oil equivalent (BOE)	327,757	197,573	130,184	66%
Average Sales Price (1)				
Natural gas ($ per Mcf)	-	-	-	-
Natural gas liquids ($ per Bbl)	-	-	-	-
Oil and condensate ($ per Bbl)	$ 106.26	$ 58.62	$ 47.64	81%
Barrels of Oil equivalent ($ per BOE)	$ 106.26	$ 58.62	$ 47.64	81%
Operating Revenue:				
Natural gas	-	-	-	-
Natural gas liquids	-	-	-	-
Oil and condensate	$ 34,827,224	$11,580,958	$ 23,246,266	201%
Gain on hedging and derivatives (2)	-	-	-	-

(1) At times, we may produce more barrels than we sell in a given period. The average sales price is calculated based on the average sales price per barrel sold, not per barrel produced.
(2) We did not engage in hedging transactions, including derivatives during the three months ended June 30, 2008, or the three months ended June 30, 2007.

Revenues. We generate revenue under our exploration contract from the sale of oil recovered during test production. During the three months ended June 30, 2008 our oil production increased 65% compared to the three months ended June 30, 2007. This significant increase in production is primarily attributable to the fact that we had twenty wells in testing or test production during all or some portion of the three months ended June 30, 2008 compared to eight wells during all or some portion of the three months ended June 30, 2007.

During the three months ended June 30, 2008 we realized revenue from oil sales of $34,827,224 compared to $11,580,958 during the three months ended June 30, 2007. One contributing factor to the 201% increase in revenue was a 66% increase in sales volume. Another factor contributing to the increase in revenues was an 81% increase in the price per barrel we received for oil sales during the three months ended June 30, 2008 compared to the three months ended June 30, 2007. During the three months ended June 30, 2008 and 2007 we exported 93% and 100% of our oil, respectively to the world markets and realized the world market price for those sales. Revenue from oil sold to the world markets made up 99% and 100% of total revenue, respectively, during the three months ended June 30, 2008 and 2007. We anticipate production to remain fairly constant until we complete the new wells that are currently being drilled and begin test production at those wells.

As discussed above, our revenue is sensitive to changes in prices received for our oil. Oil prices fluctuate in response to many factors that are outside our control. Imbalances in the supply and demand for oil can have a dramatic effect on the price we receive for our production. We have been exporting most of our oil to the world markets. In connection with our contract extension, however, the MEMR may now require us to sell up to 20% of our oil production to the domestic market in Kazakhstan. If the MEMR enforces this provision of the addendum to our exploration contract, if we were denied an export quota or if our export quota were significantly reduced and we are required to sell a significant portion of our production to the domestic market in Kazakhstan, we anticipate the price we would receive per barrel of oil would be much lower than the price we currently realize which would lead to a significant decrease in revenues. Political instability, the economy, weather and other factors outside our control could also impact supply, demand and market prices.

Costs and Operating Expenses

The following table presents details of our expenses for the three months ended June 30, 2008 and 2007:

	For the three months ended June 30, 2008	For the three months ended June 30, 2007
Expenses:		
Export duty	$ 1,352,917	$ -
Oil and gas operating(1)	2,340,843	1,039,889
General and administrative	4,337,641	3,306,325
Depletion(2)	3,333,289	1,250,637
Accretion expenses	95,958	28,668
Amortization and depreciation	63,659	55,848
Consulting expenses	11,727,500	-
Total	**$ 23,251,807**	**$ 5,681,367**
Expenses ($ per BOE):		
Oil and gas operating(1)	7.14	5.26
Depletion (2)	10.17	6.33

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

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

Export Duty. On April 18, 2008 the government of the Republic of Kazakhstan introduced an export duty on several products (including crude oil). We became be subject to the duty in June 2008. The export duty for June 2008 amounted to $1,352,917. The formula for determining the amount of the crude oil export duty is based on a sliding scale that is tied to several factors, including the world market price for oil. The amount of the export duty can change with fluctuations in world oil prices. We anticipate that the accrual of export duty for the future fiscal quarters will lead to a significant increase in operating expenses.

Oil and Gas Operating Expenses. During the three months ended June 30, 2008 we incurred $2,340,843 in oil and gas operating expenses compared to $1,039,889 during the three months ended June 30, 2007. This significant increase is primarily the result of several factors, including increased royalty, salary and transportation expenses.

During the three months ended June 30, 2008 royalty paid to the Government increased by $644,875 or 251% compared to the three months ended June 30, 2007. The primary reason for the increase in royalty is two-fold. During the three months ended June 30, 2008 oil production increased 65% and our average sales price per barrel increased 81% as a result of exporting nearly all of our oil to the world markets. While royalty expenses increased significantly, as a percentage of total revenue, royalty expense remained nearly unchanged. We anticipate that royalty expenses will continue to fluctuate in proportion to production volume and realized sales price.

During the three months ended June 30, 2008 payroll and related payments to production personnel increased $81,877 or 68% compared to the three months ended June 30, 2007. As a result of increased production volume, we retained more production personnel during the three months ended June 30, 2008 than during the three months ended June 30, 2007.

Transportation expenses increased $574,202 or 87% as a result of the increased volume of oil we produced and transported. We anticipate transportation expenses will continue to increase with increases in production.

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

While oil and gas operating expenses increased 125% during the three months ended June 30, 2008 compared to the three months ended June 30, 2007, expense per BOE increased 36% during the three months ended June 30, 2007. Expense per BOE increased as a result of increased production expenses. During the three months ended June 30, 2007 we sold 197,573 barrels of oil, during the three months ended June 30, 2008 we sold 327,757 barrels of oil. As expense per BOE is a function of total expense divided by the number of barrels of oil sold, the 66% increase in sales volume less than offset the 125% increase in expenses resulting in a 36%, or $1.88, increase in oil and gas operating expense per BOE.

General and Administrative Expenses. General and administrative expenses during the three months ended June 30, 2008 were $4,337,648 compared to $3,306,325 during the three months ended June 30, 2007. This represents a 31% increase in general and administrative expenses. This increase in general and administrative expenses was the result of several factors such as increased payroll and related costs, rent expense, taxes and professional services.

We recognized compensation expense of $567,889 during the three months ended June 30, 2008 resulting from restricted stock grants made to employees and outside consultants. By comparison, during the three months ended June 30, 2007 we recognized the compensation expense in the amount of $576,957 for restricted stock grants issued to employees and outside consultants.

The increase in general and administrative expense during the three months ended June 30, 2008 compared to the three months ended June 30, 2007 was primarily the result of:

- a 44% increase in payroll and related costs as we hired additional administrative personnel to fulfill business needs, increased employee pay rates for existing employees;
- a 48% increase in rent expense from renting special equipment, apartments and additional vehicles;
- a 338% increase in taxes resulting from environmental payments; and
- a 15% increase in professional services resulting from legal fees incurred in our ongoing litigation.

These increases more than offset the 2% decrease in compensation expense realized during the three months ended June 30, 2008.

Depletion. Depletion expense for the three months ended June 30, 2008 increased by $2,082,652 compared to the three months ended June 30, 2007. The major reason for this increase in depletion expense was a 66% increase in sales volume during in the three months ended June 30, 2008 compared to the three months ended June 30, 2007. The increase in depletion expense was also attributable to the fact that we drilled additional wells, continued workover on existing wells and developed additional infrastructure during the three months ended June 30, 2008.

Depreciation and Amortization. Depreciation and amortization expense for the three months ended June 30, 2008 increased 14% compared to the three months ended June 30, 2007. The increase resulted from purchases of fixed assets during the quarter.

Income from Operations. During the three months ended June 30, 2008 we realized income from operations of $11,575,417 compared to an income from operations of $5,899,591 during the three months ended June 30, 2007. This increase in income from operations during the three months ended June 30, 2008 is the result of the 201% increase in revenue, which increase was only partially offset by a 309% increase in total expenses.

Other Income. During the fiscal three months ended June 30, 2008 we realized total other income of $1,745,906 compared to expense $489,903 during the three months ended June 30, 2007. This increase is largely attributable to $1,650,293 we received from a shareholder of the Company as disgorgement of profits earned in violation of the short-swing profit rules of Section 16b of the Securities Exchange Act of 1934.

Net Income. For all of the foregoing reasons, during the three months ended June 30, 2008 we realized net income of $13,321,323 or $0.30 per share compared to a net income of $3,882,257 or $0.09 for the three months ended June 30, 2007.

Liquidity and Capital Resources

Funding for our activities has historically been provided by funds raised through the sale of our common stock and debt securities. From inception on May 6, 2003 through June 30, 2008 we have raised approximately $94.6 million through the sale of our common stock. Additionally during the quarter ended September 30, 2007 we completed the placement of $60 million in principal amount of 5.0% convertible senior notes due in 2012.

Our need for capital is primarily to fund our ongoing operations to meet the drilling requirements of our minimum work program. For the period from inception through June 30, 2008, we have incurred capital expenditures of $209,806,190 for exploration, development and acquisition activities.

We will need to expend a minimum of $44.5 million by January 2013 to satisfy the minimum capital expenditure requirements of our exploration license. We anticipate that required financial resources will be derived from our current and future production revenues and commercial debt.

As noted above, on July 16, 2007 we completed the private placement of US$60 million in principal amount of 5.0% convertible senior notes due 2012 to non-U.S. persons outside of the United States in accordance with Regulation S under the Securities Act and in compliance with the laws and regulations applicable in each country where the placement took place. The Notes carry a 5% coupon and have a yield to maturity of 6.25%. Interest is paid at a rate of 5.0% per annum on the principal amount, payable semiannually in arrears on January 13 and July 13 of each year.

The Notes are convertible into shares of our common stock. The initial conversion price was set at US$7.2094 per share, subject to customary adjustments in certain circumstances, including but not limited to, changes of control and certain future equity financings, but shall not be adjusted below US$6.95.

The Notes are callable after three years at a price equal to 104% of the principal amount thereof plus any accrued and unpaid interest to the date fixed for redemption, subject to the share price trading at least 30% above the conversion price. Holders of the Notes will have the right to require us to redeem all or a portion of their Notes on July 13, 2010 at a price equal to 104% of the principal amount thereof plus any accrued and unpaid interest to the date fixed for redemption. Unless previously redeemed, converted or purchased and cancelled, the Notes will be redeemed by us at a price equal to 107.2% of the principal amount thereof on July 13, 2012. The Notes constitute direct, unsubordinated and unsecured, interest bearing obligations of the Company.

We granted a registration right to the Noteholders to register the Notes and the underlying shares of common stock issuable upon the conversion of the Notes (collectively, the “Covered Securities”) for resale pursuant to the Securities Act. On January 25, 2008 the SEC declared effective the shelf registration statement filed by the Company on behalf of the Noteholders registering the resale of the Covered Securities.

For additional detail regarding the Notes, including adjustments to the initial conversion price and the registration right of the Noteholders and see *Note 9* to the *Notes to the Unaudited Consolidated Financial Statements, June 30, 2008.*

The net proceeds from the Note issuance of approximately $56.2 million have been used to continue our drilling program. We anticipate that even with these funds and anticipated revenue from operations we will need to obtain additional funding to finance our operations.

In the event we are unable to obtain sufficient funding to fully explore our entire exploration contract territory, we may forego exploration of one or more of the potential fields within the Extended Territory. The failure to explore a particular field by the end of our exploration contract would terminate our rights to explore that field in the future and would preclude us from making application for a commercial production contract for that field.

Cash Flows

During the three months ended June 30, 2008 cash was primarily used to fund exploration expenditures. See below for additional discussion and analysis of cash flow.

	Three months ended June 30, 2008	Three months ended June 30, 2007
Net cash provided by operating activities	$ 33,328,226	$ 8,997,673
Net cash used in investing activities	$ (27,102,805)	$ (14,580,412)
Net cash provided by financing activities	$ -	$ -
NET CHANGE IN CASH AND CASH EQUIVALENTS	**$ 6,225,421**	**$ (5,582,739)**

Our principal source of liquidity during the quarter ended June 30, 2008 was cash and cash equivalents. At March 31, 2008 cash and cash equivalents totaled approximately $17.2 million. At June 30, 2008 cash and cash equivalents had increased to approximately $23.5 million. During the three months ended June 30, 2008 we spent approximately $28.6 million to fund our drilling and development activities.

While we anticipate revenue to increase in upcoming quarters as new wells are completed and put into test production, at this time we cannot predict how much our production, and correspondingly, our revenue might increase. Moreover, with the imposition of the export duty in June 2008, we anticipate revenue from production may be significantly impacted. At current production rates, we expect that we will need to seek additional debt financing if we are to drill the additional wells we need to support our claims of commercially producible reserves in each field within our contract territory by the end of the term of our exploration contract. While we are in preliminary negotiations with a party to provide us a revolving credit facility, we have not at this time executed any definitive agreements. There is no guarantee that we will be able to secure additional funding on acceptable terms, or at all.

Certain operating cash flows are denominated in local currency and are translated into U.S. dollars at the exchange rate in effect at the time of the transaction. Because of the potential for civil unrest, war and asset expropriation, some or all of these matters, which impact operating cash flow, may affect our ability to meet our short-term cash needs.

Contractual Obligations and Contingencies

The following table lists our significant commitments at June 30, 2008, excluding current liabilities as listed on our consolidated balance sheet:

Contractual obligations	Total	Payments Due By Period Less than 1 year	1-3 years	4-5 years	After 5 years
Capital Expenditure Commitment(1)	$ 44,510,000	$ 70,000	$ 28,825,000	$ 15,615,000	$ -
Due to the Government of the Republic of Kazakhstan(2)	11,344,880	-	-	11,344,880	-
Liquidation Fund	3,889,897	-	3,889,897	-	-
Consultant Fee(3)	4,000,000	4,000,000	-	-	-
Total	$ 63,744,777	$ 4,070,000	$ 32,714,897	$ 26,959,880	$ -

(1) Under the terms of our subsurface exploration contract we are required to spend a total of $93.2 million in exploration activities on our properties, including a minimum of $70 thousand till July 2009, $6.8 million till January 2010, $12.7 million till January 2011, $18.7 million till January 2012 and $6.3 million till January 2013. As of June 30, 2008, we have spent a total of $219.8 million in exploration activities.

(2) In connection with our acquisition of the oil and gas contract covering the ADE Block and the Extended Territory, we are required to repay the ROK for historical costs incurred by it in undertaking geological and geophysical studies and infrastructure improvements. Our repayment obligation for the ADE Block is $5,994,200 and our repayment obligation for the Extended Territory is $5,350,680. The terms of repayment of these obligations, however, will not be determined until such time as we apply for and are granted commercial production rights by the ROK. Should we decide not to pursue a commercial production rights, we can relinquish the ADE Block and/or the Extended Territory to the ROK in satisfaction of their associated obligations.

(3) In November 2007 we entered into a consulting agreement with Caspian Energy Consulting Ltd. ("Consultant"). The consulting agreement provides that in the event the Consultant is successful in execution and delivery to us of a new exploration contract for a new contract territory, the Company will pay the amount of $4,000,000. The consulting agreement shall remain in force until terminated by either party. As of June 30, 2008 the Consultant has not obtained a new exploration contract for a new contract territory.

Off-Balance Sheet Financing Arrangements

As of June 30, 2008, we had no off-balance sheet financing arrangements.

Item 3. Qualitative and Quantitative Disclosures About Market Risk

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

Commodity Price Risk

Our revenues, profitability and future growth depend substantially on prevailing prices for crude oil. Prices also affect the amount of cash flow available for capital expenditures and our ability to either borrow or raise additional capital. Price affects our ability to produce crude oil economically and to transport and market our production either through export to international markets or within Kazakhstan. Our crude oil sales in the international market during our first fiscal quarter 2009 were based on prevailing market prices at the time of sale less applicable discounts due to transportation.

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

Foreign Currency Risk

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required financial disclosures. Because of inherent limitations, our disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of such disclosure controls and procedures are met.

As of the end of the period covered by this report we conducted an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rules 13a-15(b) and 15d-15(b). Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of June 30, 2008.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2008 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1A. Legal Proceedings

See *Note 18 "Commitments and Contingencies"* to the *Notes to the Consolidated Financial Statements* under Part I – Item 1of this Form 10-Q.

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report, you should carefully consider the risks discussed in our 2008 Annual Report on Form 10-K, as amended, including under the heading "Item 1A. Risk Factors" of Part I, which risks could materially affect our business, financial condition or future results. These risks are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

Item 2. Unregistered Sales of Equity Securities

On July 17, 2008 at the recommendation of the compensation committee of the board of directors, the Company's board of directors approved, subject to certain vesting requirements, restricted stock awards to certain executive officers, directors, employees and outside consultants of the Company pursuant to the BMB Munai, Inc. 2004 Stock Incentive Plan (the "2004 Plan") The total number of shares granted was 1,330,000. Among the parties receiving restricted stock grants were the following:

Name	Position with Company	Restricted Stock Granted
Boris Cherdabayev	Chairman of the Board of Directors	300,000
Gamal Kulumbetov	Chief Executive Officer	100,000
Askar Tashtitov	President	140,000
Toleush Tolmakov	Director Emir Oil LLP	150,000

Grants were made to 14 people, 12 of whom are non-U.S. persons. The restricted stock grants were made without registration pursuant to Regulation S of the Securities Act Rules and/or Section 4(2) under the Securities Act of 1933.

The restricted stock grants awarded to Mr. Cherdabayev, Mr. Kulumbetov, Mr. Tashtitov and Mr. Tolmakov were awarded on the same terms and subject to the same vesting requirements. More specifically, the restricted stock grants will vest to the grantees at such time as either of the following events occurs (the "Vesting Events"): i) the one-year anniversary of the grant date; or ii) the occurrence of an Extraordinary Event.

An "Extraordinary Event" is defined in the restricted stock agreement as 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 thirty percent (30%) or more of the outstanding stock of the Company or any of its subsidiaries, or the sale of all or substantially all of the assets of the Company or any of its subsidiaries. In the event of an Extraordinary Event, the grants shall be deemed full vested one day prior to the effective date of the Extraordinary Event. The Board of Directors shall determine conclusively whether or not an Extraordinary Event has occurred and the grantees have agreed to be bound by the determination of the Board of Directors.

The shares representing the restricted stock grants shall be issued as soon as practicable, will be deemed outstanding from the date of grant, and will be held in escrow by the Company subject to the occurrence of a Vesting Event. The grantees will have the right to vote the shares, receive dividends and enjoy all other rights of ownership over the entire grant amount from the grant date, except for the right to transfer, assign, pledge, encumber, dispose of or otherwise directly or indirectly profit or share in any profit derived from a transaction in the shares prior to the occurrence of a Vesting Event. Shares will only vest to the grantee if the grantee is employed by the Company at the time a Vesting Event occurs. If a Vesting Event has not occurred at the time a grantee's employment with the Company ceases, for any reason, the entire grant amount shall be forfeited back to the Company.

The description of the terms of restricted stock grants to Mr. Cherdabayev, Mr. Tashtitov, Mr. Tolmakov and Mr. Kulumbetov contained in this report are summaries only and are qualified in their entirety by reference to the form restricted stock grant agreement, a copy of which is attached as an exhibit to this report.

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

On July 17, 2008, we held our annual meeting of stockholders to vote on the following matters:

- to elect directors to our Board of Directors;
- to approve and adopt the BMB Munai, Inc. 2009 Equity Incentive Plan (the "Plan"); and
- to ratify the appointment of Hansen, Barnett & Maxwell, P.C. as the independent registered public accounting firm of the Company for the 2009 fiscal year.

The number of shares outstanding and entitled to vote upon these matters was 44,784,134. The number of shares represented at the annual meeting of stockholders, present or by proxy was 33,229,845.

At the meeting three individuals, Troy Nilson, Valery Tolkachev and Askar Tashtitov were nominated to fill directorships for a period of three years and until their successors are elected and qualified. Following are the results of voting in the election of directors:

	Votes For	Votes Withheld
Troy Nilson	30,963,934	2,150,011
Valery Tolkachev	26,735,597	6,378,348
Askar Tashtitov	26,999,388	6,114,557

21,135,008 shares voted to approve and adopt the Plan, 5,986,960 shares voted against the Plan and 1,726,013 shares abstained from voting.

31,398,418 shares voted to ratify the appointment of Hansen, Barnett & Maxwell, P.C. as our independent registered public accounting firm for the 2009 fiscal year, 200 shares voted against and 1,715,328 shares abstained from voting on the matter.

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

Item 6. Exhibits

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

Exhibit 10.1	Form Restricted Stock Grant Agreement
Exhibit 10.2	Employment Agreement – Leonard Stillman
Exhibit 12.1	Computation of Earnings to Fixed Charges
Exhibit 31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes Oxley Act of 2002
Exhibit 31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.2	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

BMB MUNAI, INC.

Date: August 11, 2008

/s/ Gamal Kulumbetov

Gamal Kulumbetov
Chief Executive Officer

Date: August 11, 2008

/s/ Leonard Stillman

Leonard Stillman
Interim Chief Financial Officer

BMB MUNAI, INC.
RESTRICTED STOCK AGREEMENT

This Agreement, dated as of July 17, 2008 (“Grant Date”) by and between BMB Munai, Inc. a Nevada Corporation (the “Employer”), and _____________ (the “Grantee”), is entered into as follows:

RECITALS

The Board of Directors of BMB Munai, Inc., a Nevada Corporation, has determined that the Grantee be granted shares of the Employer’s ($0.001 par value Common Stock) (“Stock”) subject to restrictions stated below;

AGREEMENT

The parties, intending to be legally bound, agree as follows:

1. GRANT OF STOCK

The Grantee is hereby granted, effective on the Grant Date and subject to the terms and conditions of this Agreement, _________ shares of Restricted stock, said number of shares being determined at market value on the Grant Date.

2. ISSUANCE OF STOCK

As soon as practicable, the Employer shall cause the shares of Restricted Stock to be issued in the Grantee’s name. The Restricted Stock shall be held in the custody of the Employer or its designee for the Grantee’s account. The Restricted Stock shall be subject to the restrictions described herein. The Restricted Stock shall bear appropriate legends with respect to the restrictions described herein.

3. VESTING

The interest of the Grantee in the Stock shall on the one-year anniversary of the Grant Date.

4. RESTRICTIONS

(a) No portion of the Restricted Stock or rights granted hereunder may be sold, transferred, assigned, pledged or otherwise encumbered or disposed of by the Grantee until such portion of the Restricted Stock becomes vested in accordance with Section 3 of this Agreement. The period of time between the date hereof and the date all Restricted Stock becomes vested is referred to herein as the “Restriction Period.”

(b) If the Grantee’s employment with the Employer is terminated, the balance of any restricted stock subject to the provisions of this Agreement, which has not vested pursuant to Section 3 above at the time of the Grantee’s termination of employment shall be forfeited and ownership transferred back to the Employer.

5. GRANTEE SHAREHOLDER RIGHTS

During the Restriction Period, the Grantee shall have all the rights of a shareholder with respect to the Restricted Stock except the right to transfer the Restricted Stock, as set forth in Section 4 of this Agreement. Accordingly, the Grantee shall have the right to vote the Restricted Stock and to receive any cash dividends paid to or made with respect to the Restricted Stock, provided, however, that dividends paid, if any, with respect to that Restricted Stock which has not vested at the time of the dividend payment shall be held in the custody of the Employer and shall be subject to the same restrictions that apply to the corresponding Restricted Stock.

6. CHANGES IN STOCK

(a) In the event of any stock dividend, stock split, capital reorganization or reclassification of the Stock of the Employer, the Grantee in his capacity as owner of the unvested shares of Restricted Stock which have been awarded to him (the “Prior Stock”) shall be entitled to as many new or additional or different shares, securities or assets, equal to the amount of new or additional or different shares, securities or assets, as if the Prior Stock had been fully vested Stock, such new or additional or different shares, securities, assets shall thereupon be considered to be unvested Restricted Stock and shall be subject to all of the conditions and restrictions which were applicable to the Prior Stock pursuant to this Agreement.

(b) In the event of any consolidation or merger of the Employer or any of its subsidiaries with another person, or any acquisition of the Employer or any of its subsidiaries by any person or group of persons, acting in concert, equal to thirty percent (30%) or more of the outstanding stock of the Employer or any of its subsidiaries, or the sale of all or substantially all of the assets of the Employer or any of its subsidiaries, hereinafter referred to as an “Extraordinary Event,” any unvested Restricted Stock subject to this Restricted Stock Agreement shall be deemed to be fully vested one day prior to the effective date of the Extraordinary Event. The Board of Directors shall determine conclusively whether or not an Extraordinary Event has occurred and the Grantee agrees to be bound by the determination of the Board of Directors for all purposes.

7. TAXES

The Grantee shall be liable for any and all taxes, including withholding taxes, arising out of this grant or the vesting of Restricted Stock hereunder. The Grantee may elect to satisfy such withholding tax obligation by having the Employer retrain Restricted Stock having a fair market value equal to the Employer's minimum withholding obligation.

8. MISCELLANEOUS

(a) The Employer shall not be required (i) to transfer on its books any shares of Restricted Stock which shall have been sold or transferred in violation of any of the provisions set forth in this Agreement, or (ii) to treat as owner of such shares or to accord the right to vote as such owner or to pay dividends to any transferee to whom such shares shall have been so transferred.

(b) The parties agree to execute such further instruments and to take such action as may reasonably be necessary to carry out the intent of this Agreement.

(c) Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon delivery to the Grantee at his address then on file with the Employer.

(d) This Agreement shall not be construed so as to grant the Grantee any right to remain in the employ of the Employer.

(e) This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date above first written above.

EMPLOYER: BMB Munai, Inc.

By:____
Boris Cherdabayev, Chairman of the Board

GRANTEE:

____
____

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") is made as of June 16, 2008 by BMB Munai, Inc., a Nevada corporation (the "Employer"), and Leonard Stillman, an individual resident in Mountain Green, Utah (the "Executive").

RECITALS

The Employer and the Executive desire the Executive's employment with the Employer, and the Executive wishes to accept such employment, upon the terms and conditions set forth in this Agreement.

AGREEMENT

The parties, intending to be legally bound, agree as follows:

1. DEFINITIONS

For the purposes of this Agreement, the following terms have the meanings specified or referred to in this Section 1.

"Agreement"--this Employment Agreement as amended from time to time.

"Basic Compensation"--Salary and Benefits.

"Benefits"--as defined in Section 3.1(B).

"Board of Directors"--the board of directors of the Employer.

"Confidential Information"--any and all:

(A) trade secrets concerning the business and affairs of the Employer, product specifications, data, know-how, formulae, compositions, processes, designs, sketches, photographs, graphs, drawings, samples, inventions and ideas, past, current, and planned research and development, current and planned manufacturing or distribution methods and processes, customer lists, current and anticipated customer requirements, price lists, market studies, business plans, computer software and programs (including object code and source code), computer software and database technologies, systems, structures, and architectures (and related formulae, compositions, processes, improvements, devices, know-how, inventions, discoveries, concepts, ideas, designs, methods and information, and any other information, however documented, that is a trade secret within the meaning of the Utah's Uniform Trade Secrets Act, Title 13 Chapter 24; and

(B) information concerning the business and affairs of the Employer (which includes historical financial statements, financial projections and budgets, historical and projected sales, capital spending budgets and plans, the names and backgrounds of key personnel, personnel training and techniques and materials, however documented); and

(C) notes, analysis, compilations, studies, summaries, and other material prepared by or for the Employer containing or based, in whole or in part, on any information included in the foregoing.

"disability"--as defined in Section 6.2.

"Effective Date"--the date stated in the first paragraph of the Agreement.

"Employee Invention"--any idea, invention, technique, modification, process, or improvement (whether patentable or not), any industrial design (whether registerable or not), any mask work, however fixed or encoded, that is suitable to be fixed, embedded or programmed in a semiconductor product (whether recordable or not), and any work of authorship (whether or not copyright protection may be obtained for it) created, conceived, or developed by the Executive, either solely or in conjunction with others, during the Employment Period, or a period that includes a portion of the Employment Period, that relates in any way to, or is useful in any manner in, the business then being conducted or proposed to be conducted by the Employer, and any such item created by the Executive, either solely or in conjunction with others, following termination of the Executive's employment with the Employer, that is based upon or uses Confidential Information.

"Employment Period"--the term of the Executive's employment under this Agreement.

"Fiscal Year"--the Employer's fiscal year, as it exists on the Effective Date or as changed from time to time.

"for cause"--as defined in Section 6.3.

"for good reason"--as defined in Section 6.4.

"Incentive Compensation"--as defined in Section 3.2.

"person"--any individual, corporation (including any non-profit corporation), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, or governmental body.

"Post-Employment Period"--as defined in Section 8.2(D).

"Proprietary Items"--as defined in Section 7.2(A)(iv).

"Salary"--as defined in Section 3.1(A).

2. EMPLOYMENT TERMS AND DUTIES

2.1 EMPLOYMENT

The Employer hereby employs the Executive, and the Executive hereby accepts employment by the Employer, upon the terms and conditions set forth in this Agreement.

2.2 TERM

Subject to the provisions of Section 6, the term of the Executive's employment under this Agreement will be from June 16, 2008 through March 31, 2009, beginning on the Effective Date and ending on March 31, 2009.

2.3 DUTIES

The Executive will have such duties as are assigned or delegated to the Executive by the Board of Directors or Chief Executive Officer, and will serve as Interim Chief Financial Officer of the Employer. The Executive is also a director of the Employer, and if the Executive is elected as a director or officer of any of its affiliates, the Executive will fulfill his duties as such director or officer without additional compensation.

3. COMPENSATION

3.1 BASIC COMPENSATION

(A) Salary. The Executive will be paid a gross monthly salary of $15,000, (the "Salary"), which will be payable in equal periodic installments according to the Employer's customary payroll practices, but no less frequently than monthly.

(B) Benefits. The Executive will, during the Employment Period, be permitted to participate in such pension, profit sharing, bonus, life insurance, hospitalization, major medical, and other employee benefit plans of the Employer that may be in effect from time to time, to the extent the Executive is eligible under the terms of those plans (collectively, the "Benefits").

3.2 INCENTIVE COMPENSATION

Executive shall be eligible on the Board of Directors' sole discretion for performance bonuses in accordance with terms specified by the Board of Directors.

4. FACILITIES AND EXPENSES

The Employer will furnish the Executive office space, equipment, supplies, and such other facilities and personnel as the Employer deems necessary or appropriate for the performance of the Executive's duties under this Agreement. The Executive must file expense reports with respect to such expenses in accordance with the Employer's policies.

5. VACATIONS AND HOLIDAYS

The Executive will be entitled to ten (10) days of vacation each Term in accordance with the vacation policies of the Employer in effect for its executive officers from time to time. Vacation must be taken by the Executive at such time or times as approved by the Chairman of the Board or Chief Executive Officer. The Executive will also be entitled to the paid holidays and other paid leave set forth in the Employer's policies. Vacation days and holidays during any Term that are not used by the Executive during such Term may not be used in any subsequent Term and will expire.

6. TERMINATION

6.1 EVENTS OF TERMINATION

The Employment Period, the Executive's Basic Compensation and Incentive Compensation, and any and all other rights of the Executive under this Agreement or otherwise as an employee of the Employer will terminate (except as otherwise provided in this Section 6):

(A) upon the death of the Executive;

(B) upon the disability of the Executive (as defined in Section 6.2) immediately upon notice from either party to the other;

(C) for cause (as defined in Section 6.3), immediately upon notice from the Employer to the Executive, or at such later time as such notice may specify; or

(D) for good reason (as defined in Section 6.4) upon not less than thirty days' prior notice from the Executive to the Employer.

6.2 DEFINITION OF DISABILITY

For purposes of Section 6.1, the Executive will be deemed to have a "disability" if, for physical or mental reasons, the Executive is unable to perform the Executive's duties under this Agreement for 120 consecutive days, or 180 days during any twelve month period, as determined in accordance with this Section 6.2. The disability of the Executive will be determined by a medical doctor selected by written agreement of the Employer and the Executive upon the request of either party by notice to the other. If the Employer and the Executive cannot agree on the selection of a medical doctor, each of them will select a medical doctor and the two medical doctors will select a third medical doctor who will determine whether the Executive has a disability. The determination of the medical doctor selected under this Section 6.2 will be binding on both parties. The Executive must submit to a reasonable number of examinations by the medical doctor making the determination of disability under this Section 6.2, and the Executive hereby authorizes the disclosure and release to the Employer of such determination and all supporting medical records. If the Executive is not legally competent, the Executive's legal guardian or duly authorized attorney-in-fact will act in the Executive's stead, under this Section 6.2, for the purposes of submitting the Executive to the examinations, and providing the authorization of disclosure, required under this Section 6.2.

6.3 DEFINITION OF "FOR **CAUSE**"

For purposes of Section 6.1, the phrase "for cause" means:

(A) the Executive's breach of this Agreement;

(B) the Executive's failure to adhere to any written Employer policy if the Executive has been given a reasonable opportunity to comply with such policy or cure his failure to comply (which reasonable opportunity must be granted during the ten-day period preceding termination of this Agreement);

(C) the appropriation (or attempted appropriation) of a material business opportunity of the Employer, including attempting to secure or securing any personal profit in connection with any transaction entered into on behalf of the Employer;

(D) the misappropriation (or attempted misappropriation) of any of the Employer's funds or property; or

(E) the conviction of, the indictment for (or its procedural equivalent), or the entering of a guilty plea or plea of no contest with respect to, a felony, the equivalent thereof, or any other crime with respect to which imprisonment is a possible punishment.

6.4 DEFINITION OF "FOR GOOD REASON"

For purposes of Section 6.1, the phrase "for good reason" means any of the following:

(A) The Employer's material breach of this Agreement;

(B) the assignment of the Executive without his consent to a position, responsibilities, or duties of a materially lesser status or degree of responsibility than his position, responsibilities, or duties at the Effective Date; or

(C) the relocation of the Employer's principal executive offices outside the Republic of Kazakhstan; or

(D) the requirement by the Employer that the Executive be based anywhere other than the Employer's principal executive offices in the Republic of Kazakhstan or its administrative offices in the State of Utah, in either case without the Executive's consent.

6.5 TERMINATION PAY

Effective upon the termination of this Agreement, the Employer will be obligated to pay the Executive (or, in the event of his death, his designated beneficiary as defined below) only such compensation as is provided in this Section 6.5, and in lieu of all other amounts and in settlement and complete release of all claims the Executive may have against the Employer. For purposes of this Section 6.5, the Executive's designated beneficiary will be such individual beneficiary or trust, located at such address, as the Executive may designate by notice to the Employer from time to time or, if the Executive fails to give notice to the Employer of such a beneficiary, the Executive's estate. Notwithstanding the preceding sentence, the Employer will have no duty, in any circumstances, to attempt to open an estate on behalf of the Executive, to determine whether any beneficiary designated by the Executive is alive or to ascertain the address of any such beneficiary, to determine the existence of any trust, to determine whether any person or entity purporting to act as the Executive's personal representative (or the trustee of a trust established by the Executive) is duly authorized to act in that capacity, or to locate or attempt to locate any beneficiary, personal representative, or trustee.

(A) Termination by the Executive for Good Reason. If the Executive terminates this Agreement for good reason, the Employer will pay the Executive (i) the Executive's Salary for the remainder, if any, of the calendar month in which such termination is effective, and (ii) that portion of the Executive's Incentive Compensation, if any, for the Fiscal Year during which the termination is effective, prorated through the date of termination.

(B) Termination by the Employer for Cause. If the Employer terminates this Agreement for cause, the Executive will be entitled to receive his Salary only through the date such termination is effective, but will not be entitled to any Incentive Compensation for the Fiscal Year during which such termination occurs or any subsequent Fiscal Year.

(C) Termination upon Disability. If this Agreement is terminated by either party as a result of the Executive's disability, as determined under Section 6.2, the Employer will pay the Executive his Salary through the remainder of the calendar month during which such termination is effective and for the lesser of (i) six (6) consecutive months thereafter, or (ii) the period until disability insurance benefits commence, if any, under disability insurance coverage furnished by the Employer or the Executive.

(D) Termination upon Death. If this Agreement is terminated because of the Executive's death, the Executive will be entitled to receive his Salary through the end of the calendar month in which his death occurs, and that part of the Executive's Incentive Compensation, if any, for the Fiscal Year during which his death occurs, prorated through the end of the calendar month during which his death occurs.

(E) Benefits. The Executive's accrual of, or participation in plans providing for, the Benefits will cease at the effective date of the termination of this Agreement, provided however, the Executive will be entitled to accrued Benefits pursuant to such plans as provided in such plans or grants thereunder. The Executive will not receive, as part of his termination pay pursuant to this Section 6, any payment or other compensation for any vacation, holiday, sick leave, or other leave unused on the date the notice of termination is given under this Agreement.

7. NON-DISCLOSURE COVENANT; EMPLOYEE INVENTIONS

7.1 ACKNOWLEDGMENTS BY THE EXECUTIVE

The Executive acknowledges that:

(A) during the Employment Period and as a part of his employment, the Executive will be afforded access to Confidential Information;

(B) public disclosure of such Confidential Information could have an adverse effect on the Employer and its business;

(C) because the Executive possesses substantial technical expertise and skill with respect to the Employer's business, the Employer desires to obtain exclusive ownership of each Employee Invention, and the Employer will be at a substantial competitive disadvantage if it fails to acquire exclusive ownership of each Employee Invention;

(D) the provisions of this Section 7 are reasonable and necessary to prevent the improper use or disclosure of Confidential Information and to provide the Employer with exclusive ownership of all Employee Inventions.

7.2 AGREEMENTS OF THE EXECUTIVE

In consideration of the compensation and benefits to be paid or provided to the Executive by the Employer under this Agreement, the Executive covenants as follows:

(A) Confidentiality.

(i) During and following the Employment Period, the Executive will hold in confidence the Confidential Information and will not disclose it to any person except with the specific prior written consent of the Employer or except as otherwise expressly permitted by the terms of this Agreement.

(ii) Any trade secrets of the Employer will be entitled to all of the protections and benefits under Utah's Uniform Trade Secrets Act, Title 13 Chapter 24 and any other applicable law. If any information that the Employer deems to be a trade secret is found by a court of competent jurisdiction not to be a trade secret for purposes of this Agreement, such information will, nevertheless, be considered Confidential Information for purposes of this Agreement. The Executive hereby waives any requirement that the Employer submit proof of the economic value of any trade secret or post a bond or other security.

(iii) None of the foregoing obligations and restrictions applies to any part of the Confidential Information that the Executive demonstrates was or became generally available to the public other than as a result of a disclosure by the Executive.

(iv) The Executive will not remove from the Employer's premises (except to the extent such removal is for purposes of the performance of the Executive's duties at home or while traveling, or except as otherwise specifically authorized by the Employer) any document, record, notebook, plan, model, component, device, or computer software or code, whether embodied in a disk or in any other form (collectively, the "Proprietary Items"). The Executive recognizes that, as between the Employer and the Executive, all of the Proprietary Items, whether or not developed by the Executive, are the exclusive property of the Employer. Upon termination of this Agreement by either party, or upon the request of the Employer during the Employment Period, the Executive will return to the Employer all of the Proprietary Items in the Executive's possession or subject to the Executive's control, and the Executive shall not retain any copies, abstracts, sketches, or other physical embodiment of any of the Proprietary Items.

(B) Employee Inventions. Each Employee Invention will belong exclusively to the Employer. The Executive acknowledges that all of the Executive's writing, works of authorship and other Employee Inventions are works made for hire and the property of the Employer, including any copyrights, patents or other intellectual property rights pertaining thereto. If it is determined that any such works are not works made for hire, the Executive hereby assigns to the Employer all of the Executive's right, title, and interest, including all rights of copyright, patent and other intellectual property rights, to or in such Employee Inventions. The Executive covenants that he will promptly:

(i) disclose to the Employer in writing any Employee Invention;

(ii) assign to the Employer or to a party designated by the Employer, at the Employer's request and without additional compensation, all of the Executive's right to the Employee Invention for the United States and all foreign jurisdictions;

(iii) execute and deliver to the Employer such applications, assignments, and other documents as the Employer may request in order to apply for and obtain patents or other registrations with respect to any Employee Invention in the United States and any foreign jurisdictions;

(iv) sign all other papers necessary to carry out the above obligations; and

(v) give testimony and render any other assistance in support of the Employer's rights to any Employee Invention.

7.3 DISPUTES OR CONTROVERSIES

The Executive recognizes that should a dispute or controversy arising from or relating to this Agreement be submitted for adjudication to any court, arbitration panel, or other third party, the preservation of the secrecy of Confidential Information may be jeopardized. All pleadings, documents, testimony, and records relating to any such adjudication will be maintained in secrecy and will be available for inspection by the Employer, the Executive, and their respective attorneys and experts, who will agree, in advance and in writing, to receive and maintain all such information in secrecy, except as may be limited by them in writing.

8. NON-COMPETITION AND NON-INTERFERENCE

8.1 ACKNOWLEDGMENTS BY THE EXECUTIVE

The Executive acknowledges that:

(A) the services to be performed by him under this Agreement are of a special, unique, unusual, extraordinary, and intellectual character;

(B) the Employer's business is global in scope and its products are marketed throughout the world;

(C) the Employer competes with other businesses that are or could be located in any part of world; and

(D) the provisions of this Section 8 are reasonable and necessary to protect the Employer's business.

8.2 COVENANTS OF THE EXECUTIVE

In consideration of the acknowledgments by the Executive, and in consideration of the compensation and benefits to be paid or provided to the Executive by the Employer, the Executive covenants that he will not, directly or indirectly:

(A) during the Employment Period, except in the course of his employment hereunder, and during the Post-Employment Period, engage or invest in, own, manage, operate, finance, control, or participate in the ownership, management, operation, financing, or control of, be employed by, associated with, or in any manner connected with, lend the Executive's name or any similar name to, lend Executive's credit to or render services or advice to, any business whose products or activities compete in whole or in part with the products or activities of the Employer; provided, however, that the Executive may purchase or otherwise acquire up to (but not more than) one percent of any class of securities of any enterprise (but without otherwise participating in the activities of such enterprise) if such securities are listed on any national or regional securities exchange or have been registered under Section 12(g) of the Securities Exchange Act of 1934;

(B) whether for the Executive's own account or for the account of any other person, at any time during the Employment Period and the Post-Employment Period, solicit business of the same or similar type being carried on by the Employer, from any person known by the Executive to be a customer of the Employer, whether or not the Executive had personal contact with such person during and by reason of the Executive's employment with the Employer;

(C) whether for the Executive's own account or the account of any other person (i) at any time during the Employment Period and the Post-Employment Period, solicit, employ, or otherwise engage as an employee, independent contractor, or otherwise, any person who is or was an employee of the Employer at any time during the Employment Period or in any manner induce or attempt to induce any employee of the Employer to terminate his employment with the Employer; or (ii) at any time during the Employment Period and for three years thereafter, interfere with the Employer's relationship with any person, including any person who at any time during the Employment Period was an employee, contractor, supplier, or customer of the Employer; or

(D) at any time during or after the Employment Period, disparage the Employer or any of its shareholders, directors, officers, employees, or agents.

For purposes of this Section 8.2, the term "Post-Employment Period" means the one (1) year period beginning on the date of termination of the Executive's employment with the Employer.

If any covenant in this Section 8.2 is held to be unreasonable, arbitrary, or against public policy, such covenant will be considered to be divisible with respect to scope, time, and geographic area, and such lesser scope, time, or geographic area, or all of them, as a court of competent jurisdiction may determine to be reasonable, not arbitrary, and not against public policy, will be effective, binding, and enforceable against the Executive.

The period of time applicable to any covenant in this Section 8.2 will be extended by the duration of any violation by the Executive of such covenant.

The Executive will, while the covenant under this Section 8.2 is in effect, give notice to the Employer, within ten days after accepting any other employment, of the identity of the Executive's employer. The Employer may notify such employer that the Executive is bound by this Agreement and, at the Employer's election, furnish such employer with a copy of this Agreement or relevant portions thereof.

9. GENERAL PROVISIONS

9.1 INJUNCTIVE RELIEF AND ADDITIONAL REMEDY

The Executive acknowledges that the injury that would be suffered by the Employer as a result of a breach of the provisions of this Agreement (including any provision of Sections 7 and 8) would be irreparable and that an award of monetary damages to the Employer for such a breach would be an inadequate remedy. Consequently, the Employer will have the right, in addition to any other rights it may have, to obtain injunctive relief to restrain any breach or threatened breach or otherwise to specifically enforce any provision of this Agreement, and the Employer will not be obligated to post bond or other security in seeking such relief. Without limiting the Employer's rights under this Section 9 or any other remedies of the Employer, if the Executive breaches any of the provisions of Section 7 or 8, the Employer will have the right to cease making any payments otherwise due to the Executive under this Agreement.

9.2 COVENANTS OF SECTIONS 7 AND 8 ARE ESSENTIAL AND INDEPENDENT COVENANTS

The covenants by the Executive in Sections 7 and 8 are essential elements of this Agreement, and without the Executive's agreement to comply with such covenants, the Employer would not have entered into this Agreement or employed or continued the employment of the Executive. The Employer and the Executive have independently consulted their respective counsel and have been advised in all respects concerning the reasonableness and propriety of such covenants, with specific regard to the nature of the business conducted by the Employer.

The Executive's covenants in Sections 7 and 8 are independent covenants and the existence of any claim by the Executive against the Employer under this Agreement or otherwise will not excuse the Executive's breach of any covenant in Section 7 or 8.

If the Executive's employment hereunder expires or is terminated, this Agreement will continue in full force and effect as is necessary or appropriate to enforce the covenants and agreements of the Executive in Sections 7 and 8.

9.3 OFFSET

The Employer will be entitled to offset against any and all amounts owing to the Executive under this Agreement the amount of any and all claims that the Employer may have against the Executive under this Agreement.

9.4 REPRESENTATIONS AND WARRANTIES BY THE EXECUTIVE

The Executive represents and warrants to the Employer that the execution and delivery by the Executive of this Agreement do not, and the performance by the Executive of the Executive's obligations hereunder will not, with or without the giving of notice or the passage of time, or both:

(A) violate any judgment, writ, injunction, or order of any court, arbitrator, or governmental agency applicable to the Executive; or

(B) conflict with, result in the breach of any provisions of or the termination of, or constitute a default under, any agreement to which the Executive is a party or by which the Executive is or may be bound.

9.5 OBLIGATIONS CONTINGENT ON PERFORMANCE

The obligations of the Employer hereunder, including its obligation to pay the compensation provided for herein, are contingent upon the Executive's performance of the Executive's obligations hereunder.

9.6 WAIVER

The rights and remedies of the parties to this Agreement are cumulative and not alternative. Neither the failure nor any delay by either party in exercising any right, power, or privilege under this Agreement will operate as a waiver of such right, power, or privilege, and no single or partial exercise of any such right, power, or privilege will preclude any other or further exercise of such right, power, or privilege or the exercise of any other right, power, or privilege. To the maximum extent permitted by applicable law, (a) no claim or right arising out of this Agreement can be discharged by one party, in whole or in part, by a waiver or renunciation of the claim or right unless in writing signed by the other party; (b) no waiver that may be given by a party will be applicable except in the specific instance for which it is given; and (c) no notice to or demand on one party will be deemed to be a waiver of any obligation of such party or of the right of the party giving such notice or demand to take further action without notice or demand as provided in this Agreement.

9.7 BINDING EFFECT; DELEGATION OF DUTIES PROHIBITED

This Agreement shall inure to the benefit of, and shall be binding upon, the parties hereto and their respective successors, assigns, heirs, and legal representatives, including any entity with which the Employer may merge or consolidate or to which all or substantially all of its assets may be transferred. The duties and covenants of the Executive under this Agreement, being personal, may not be delegated.

9.8 NOTICES

All notices, consents, waivers, and other communications under this Agreement must be in writing and will be deemed to have been duly given when

(A) delivered by hand (with written confirmation of receipt),

(B) sent by facsimile (with written confirmation of receipt), provided that a copy is mailed by registered mail, return receipt requested, or

(C) when received by the addressee, if sent by a nation-ally recognized overnight delivery service (receipt requested), in each case to the appropriate addresses and facsimile numbers set forth below (or to such other addresses and facsimile numbers as a party may designate by notice to the other parties):

If to Employer:

Attention: Boris Cherdabayev, Chief Executive Officer
BMB Munai, Inc.
202, Dostyk Avenue 4th Floor
Almaty, 050051, Kazakhstan
Facsimile No.: +7 3272 375-131

With a copy to:

Attention: Ron Poulton
Poulton & Yordan
324 S. 400 W., Suite 250
Salt Lake City, UT 84092
Facsimile No.: 801-355-2990

If to Executive:

Attention: Leonard Stillman
5794 West Poll Drive
Mountain Green, Utah 84050-9771

9.9 ENTIRE AGREEMENT; AMENDMENTS

This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersede all prior agreements and understandings, oral or written, between the parties hereto with respect to the subject matter hereof. This Agreement may not be amended orally, but only by an agreement in writing signed by the parties hereto.

9.10 GOVERNING LAW

This Agreement will be governed by the laws of the State of Utah without regard to conflicts of laws principles.

9.11 AGREE TO ARBITRATION

Any dispute arising under this Agreement will be resolved by final and binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA"). Each party waives any right to adjudicate any dispute in any other court or forum, except that a party may seek interim relief before the start of arbitration as allowed by the AAA Rules. The arbitration shall be held in State of Utah, County of Salt Lake. The Parties will abide by any decision in the arbitration and any court having jurisdiction may enforce it. The Parties submit to any court of general jurisdiction in the County of Salt Lake, State of Utah to compel or confirm an arbitration award. The Parties agree to accept service of process in accordance with the AAA Rules.

The prevailing party is entitled to reasonable costs of arbitration, including reasonable attorneys fees and interest. In the event a party fails to proceed with arbitration, challenges the arbitrator's award, or fails to comply with the arbitrator's award, the other party is entitled to costs of suit, including reasonable attorney fees for having to compel arbitration or defend or enforce the award.

9.12 JURISDICTION

Any action or proceeding seeking to enforce arbitration under Section 9.11 or enforce any arbitration award under Section 9.11, may be brought against either of the parties in the courts of the State of Utah, County of Salt Lake, or, if it has or can acquire jurisdiction, in the United States District Court for the District of Utah, and each of the parties consents to the jurisdiction of such courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to venue laid therein. Process in any action or proceeding referred to in the preceding sentence may be served on either party anywhere in the world.

9.13 SECTION HEADINGS, CONSTRUCTION

The headings of Sections in this Agreement are provided for convenience only and will not affect its construction or interpretation. All references to "Section" or "Sections" refer to the corresponding Section or Sections of this Agreement unless otherwise specified. All words used in this Agreement will be construed to be of such gender or number as the circumstances require. Unless otherwise expressly provided, the word "including" does not limit the preceding words or terms.

9.14 SEVERABILITY

If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

9.15 COUNTERPARTS

This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date above first written above.

EMPLOYER:

____

By: Boris Cherdabayev, Chairman of the Board

EXECUTIVE:

____

Leonard Stillman

EXHIBIT 12.1

BMB MUNAI, INC.
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

	Three months ended June 30, 2008	2007
Earnings:		
Income before income taxes	$13,321,323	$ 5,409,688
Add: Fixed charges	1,135,842	-
Add: Amortisation of capitalized interest	16,963	-
Less: Interest capitalized	1,135,842	-
Total earnings	13,338,286	5,409,688
Fixed charges:		
Interest expensed and capitalized	750,000	-
Amortized premiums, discounts, & bond costs	385,842	-
Total fixed charges	1,135,842	-
Ration of earnings to fixed charges	**11.74**	**-**

EXHIBIT 31.1

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

I, Gamal Kulumbetov, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of BMB Munai, Inc.;

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

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

4. The registrant's other certifying officer 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 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: August 11, 2008

/s/ Gamal Kulumbetov
Gamal Kulumbetov
Chief Executive Officer

EXHIBIT 31.2

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

I, Leonard Stillman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of BMB Munai, Inc.;

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

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

4. The registrant's other certifying officer 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 officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons 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: August 11, 2008

/s/ Leonard Stillman
Leonard Stillman
Interim Chief Financial Officer

EXHIBIT 32.1

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

In connection with this Quarterly Report of BMB Munai, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2008, as filed with the Securities and Exchange Commission on the date hereof (the *"Report"*), I, Gamal Kulumbetov, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: August 11, 2008

/s/ Gamal Kulumbetov
Gamal Kulumbetov
Chief Executive Officer

EXHIBIT 32.2

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

In connection with this Quarterly Report of BMB Munai, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2008, as filed with the Securities and Exchange Commission on the date hereof (the *"Report"*), I, Leonard Stillman, Interim 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: August 11, 2008

/s/ Leonard Stillman
Leonard Stillman
Interim Chief Financial Officer