FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION Washington, DC 20549

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

For the Quarterly Period Ended June 30, 2011

	OR					
☐ TRANSITION REPORE SECURITIES EXCHAIN For the Transition Period		ECTION 13 OR 15(d)	OF TH	IE.		
C	commission File Number	001-33034				
(Exact n	BMB MUNAI, I ame of registrant as spec					
Nevada (State or other jurisdiction of incorporation or organization)			(I.R	0-02337 2 .S. Empl tification	oyer	
202 Dostyk Ave, 4 th Floor Almaty, Kazakhstan (Address of principal executive offices)			(050051 Zip Code	e)	
(Registrar	+7 (727) 237-51-2 nt's telephone number, inc					
Indicate by check mark whether the registrant: (1) has Exchange Act of 1934 during the preceding 12 month (2) has been subject to such filing requirements for the	s (or for such shorter per					s) and
(2) has been subject to such fining requirements for th	e past 90 days.		Yes	X	No	
Indicate by check mark whether the registrant has su Data File required to be submitted and posted pursua months (or for such shorter period that the registrant v	ant to Rule 405 of Regul	ation S-T (§232.405 c	of this ch	napter) d	uring the prece	eding 12
			Yes	X	No	
Indicate by check mark whether the registrant is a larg company. See the definitions of "large accelerated fit Exchange Act. (Check one):						
Large accelerated Filer		Accelerated File	er			
Non-accelerated Filer (Do not check if a smaller company)	□ reporting	Smaller Report	ing Com	pany	X	
Indicate by check mark whether the registrant is a she	ell company (as defined in	n Rule 12b-2 of the Ex	xchange Yes	Act.)	No	X
As of August 9, 2011, the registrant had 55,787,554 s	hares of common stock,	par value \$0.001, issue	ed and or	utstandin	g.	

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PART I - FINANCIAL INFORMATION

Item 1 - Unaudited Condensed Consolidated Financial Statements

BMB MUNAI, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	Notes	June 30, 2011 (unaudited)	March 31, 2011 (unaudited)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	\$ 247,525	\$ 426,045
Promissory notes receivable	4	192,090	154,725
Prepaid expenses and other assets, net	5	92,127	74,041
Current assets from discontinued operations	6	17,253,448	18,270,599
Total current assets	<u> </u>	17,785,190	18,925,410
LONG TERM ASSETS			
Other fixed assets, net		302,315	162,488
Convertible notes issue cost	7	658,150	738,062
Long term assets from discontinued operations	6	308,145,196	300,708,406
Total long term assets	-	309,105,661	301,608,956
TOTAL ASSETS		\$ 326,890,851	\$ 320,534,366
TOTAL ASSETS	=	\$ 320,070,031	\$ 320,334,300
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable		\$ 353,096	\$ 767,489
Accrued coupon payment	7	3,061,898	1,430,108
Taxes payable, accrued liabilities and other payables		252,697	317,968
Current liabilities from discontinued operations	6	27,988,501	27,587,087
Total current liabilities	-	31,656,192	30,102,652
LONG TERM LIABILITIES			
Convertible notes issued, net	7	62,110,173	61,703,728
Deferred taxes	,	3,977,385	3,977,385
Long term liabilities from discontinued operations	6	6,209,010	6,137,742
Total long term liabilities	_	72,296,568	71,818,855
Total long term intermited	•	72,230,300	71,010,022
COMMITMENTS AND CONTINGENCIES	10	-	-
SHAREHOLDERS' EQUITY			
Preferred stock - \$0.001 par value; 20,000,000 shares authorized; no shares issued or outstanding	8	_	_
Common stock - \$0.001 par value; 500,000,000 shares authorized, 55,787,554 shares outstanding, respectively	8	55,788	55,788
Additional paid in capital	8	164,118,640	164,118,640
Retained earnings		58,763,663	54,438,431
Total shareholders' equity	_	222,938,091	218,612,859
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	=	\$ 326,890,851	\$ 320,534,366

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Notes	Three months e 2011 (unaudited)	nded June 30, 2010 (unaudited)
REVENUES		\$ -	\$ -
COSTS AND OPERATING EXPENSES			
General and administrative		2,184,939	1,952,478
Interest expense	7	2,118,147	1,102,750
Amortization and depreciation	,	13,479	24,602
		15,.,,	2.,002
Total costs and operating expenses		4,316,565	3,079,830
LOSS FROM OPERATIONS		(4,316,565)	(3,079,830)
OTHER (EXPENSE)/INCOME			
Foreign exchange loss, net		(10,371)	(5,377)
Interest income		7,603	1,749
Other (expense)/income, net		(9,500)	10,166
Total other (expense)/income		(12,268)	6,538
LOSS FROM CONTINUING OPERATIONS		(4,328,833)	(3,073,292)
INCOME FROM DISCONTINUED OPERATIONS	6	8,654,065	3,945,160
NET INCOME		\$ 4,325,232	\$ 871,868
BASIC NET LOSS PER COMMON SHARE FROM CONTINUING OPERATIONS	9	\$ (0.08)	\$ (0.06)
DILUTED NET LOSS PER COMMON SHARE FROM CONTINUING OPERATIONS	9	\$ (0.08)	\$ (0.06)
BASIC NET INCOME PER COMMON SHARE FROM DISCONTINUED OPERATIONS	9	\$ 0.16	\$ 0.08
DILUTED NET INCOME PER COMMON SHARE FROM DISCONTINUED OPERATIONS	9	\$ 0.16	\$ 0.08

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

		Three months ended June 30, 2011 2010		
	Notes		(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:	Notes	(unaudited)	(unauditeu)	
Net income		\$ 4,325,232	\$ 871,868	
Adjustments to reconcile net income to net cash provided			,	
by operating activities:				
Income from discontinued operations	6	(8,654,065)	(3,945,160)	
Depreciation and amortization		13,479	24,602	
Interest expense	7	2,118,147	1,102,750	
Stock based compensation expense		-	413,275	
Changes in operating assets and liabilities				
Increase in prepaid expenses and other assets		(18,086)	(46,707)	
Decrease in accounts payable		(414,393)	(25,487)	
(Decrease)/increase in taxes payables and accrued liabilities		(65,271)	92,335	
Net cash used in operating activities – continuing operations		(2,694,957)	(1,512,524)	
Net cash provided by operating activities – discontinued operations	6	16,187,198	10,884,984	
Net cash provided by operating activities		13,492,241	9,372,460	
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment in short term notes receivable	4	(37,365)	-	
Purchase of other fixed assets		(153,306)	(5,115)	
Net cash used in investing activities – continuing operations		(190,671)	(5,115)	
Net cash used in investing activities – discontinued operations	6	(10,892,422)	(5,556,001)	
Net cash used in investing activities		(11,083,093)	(5,561,116)	
CASH FLOWS FROM FINANCING ACTIVITIES:				
Intercompany advances ⁽¹⁾		2,707,108	2,263,291	
Net cash provided by financing activities – continuing operations		2,707,108	2,263,291	
Net cash used in financing activities – discontinued operations ⁽²⁾	6	(2,870,508)	(2,300,205)	
Net cash used in financing activities		(163,400)	(36,914)	
NET CHANGE IN CASH AND CASH EQUIVALENTS		2,245,748	3,774,430	
NET CHANGE IN CASH AND CASH EQUIVALENTS from discontinuing operations		2,424,268	3,028,778	
NET CHANGE IN CASH AND CASH EQUIVALENTS from continuing operations		(178,520)	745,652	
CASH AND CASH EQUIVALENTS at beginning of period		426,045	2,992,392	
CASH AND CASH EQUIVALENTS at end of period		\$ 247,525	\$ 3,738,044	

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

⁽²⁾ Includes intercompany advances activity.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

		Three months ended June 30,			nded June 30,
			2011		2010
Non-Cash Investing and Financing Activities			(unaudited)	_	(unaudited)
Transfer of inventory and prepayments for materials used in oil and gas projects to oil					
and gas properties	6	\$	2,874,087	\$	632,545
Depreciation on other fixed assets capitalized as oil and gas properties	6		206,419		108,610

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2011

NOTE 1 - DESCRIPTION OF BUSINESS

BMB Munai, Inc., is a Nevada corporation that originally incorporated in the State of Utah in 1981. Since 2003, the Company's business activities have focused on oil and natural gas exploration and production in the Republic of Kazakhstan (also referred to herein as the "ROK" or "Kazakhstan") through its wholly-owned operating subsidiary Emir Oil LLP, ("Emir Oil"). Emir Oil holds an exploration contract that allows the Company to conduct exploration drilling and oil production in the Mangistau Province in the southwestern region of Kazakhstan until January 2013. The exploration territory of the contract area is approximately 850 square kilometers and is comprised of three areas, referred to herein as the ADE Block, the Southeast Block and the Northwest Block. The ADE Block, the Southeast Block and the Northwest Block are collectively referred to herein as "our properties."

On February 14, 2011, the Company entered into a Participation Interest Purchase Agreement (the "Purchase Agreement") with MIE Holdings Corporation, a company with limited liability organized under the laws of the Cayman Islands ("MIE"), and its subsidiary, Palaeontol B.V., a company organized under the laws of the Netherlands ("Palaeontol"), pursuant to which the Company agreed to sell all of its interest in Emir Oil to Palaeontol (the "Sale.") The initial purchase price is \$170 million and is subject to various closing adjustments and the deposit of \$36 million in escrow to be held for a period of twelve months following the closing for indemnification purposes. In connection with the Sale, all intercompany notes of Emir Oil in favor of BMB will be transferred to Palaeontol. Upon consummation of the Sale, the Company will use a portion of the proceeds to repay the Company's outstanding convertible senior notes and to pay transaction costs and expenses. The Company also intends to make an initial cash distribution from the Sale proceeds to stockholders in the estimated range of \$1.04 to \$1.10 per share upon the closing, after giving effect to the estimated closing adjustments and escrow holdback amount, repayment of the outstanding convertible senior notes and providing for the payment or reserve of other projected liabilities and transaction costs. The Company intends to make a second distribution to stockholders that could range up to approximately \$0.30 per share following termination of the escrow, subject to the availability of funds to be released from the escrow, actual costs incurred and other factors.

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

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2011

Certain reclassifications have been made in the financial statements for the three months ended June 30, 2010 to conform to the June 30, 2011 classification of discontinued operations. These classifications were made because of the pending sale of Emir Oil.

Business condition

On February 14, 2011, the Company entered into the Purchase Agreement pursuant to which the Company has agreed to the Sale. Net losses and cash flow used in operations for the three months ending June 30, 2011 and 2010 are summarized as follows:

	Three months en	ided June 30,
	2011	2010
Net loss from continuing operations	\$ (4,328,833)	\$ (3,073,292)
Cash used in operating activities from continuing operations	\$ (2,694,957)	\$ (1,512,524)

On March 8, 2011, the Company entered into agreements to restructure its outstanding U.S. \$60 million aggregate principal amount 9.0% Convertible Senior Notes due 2012 (the "Original Notes"). In connection with restructuring the Original Notes (the "Note Restructure"), and as more fully described herein, the Company, among other things:

- increased the coupon rate of the Original Notes from 9.0% to 10.75%;
- made a \$1.0 million cash payment to holders of the Original Notes;
- increased the aggregate principal amount of the Original Notes from \$60.0 million to \$61.4 million;
- extended the maturity date of the Original Notes from July 13, 2012 to July 13, 2013;
- granted the holders of the Original Notes a new put option, exercisable one year prior to the new maturity date;
- agreed to additional covenant restrictions, including a limitation on indebtedness that the Company may incur, a restriction on
 the capital expenditures the Company may make, a prohibition on paying dividends on shares of the Company's common stock
 and a limitation on the investments the Company may make;
- agreed to semi-annual principal amortization payments of 30% of the Company's excess cash flow, if any; and
- · granted the holders of the Original Notes director nominee rights with respect to the Company and Emir Oil.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2011

As provided in the Note Restructuring Agreement between the Company and the holders of the Original Notes ("Note Restructuring Agreement"), the Original Notes were delivered to the Trustee for cancellation and in substitution the Company issued \$61.4 million in principal amount of 10.75% Convertible Senior Notes due 2013 (the "Senior Notes") on a pro rata basis in accordance with the aggregate outstanding balances of the holders' respective Original Notes. In connection with the issuance of the Senior Notes, (i) the Company entered into Supplemental Indenture No. 6 and an Amended Indenture with the Trustee and (ii) the terms of the Original Indenture governing the Original Notes were superseded by the terms of the Amended Indenture. The Amended Indenture is a continuation of, and not a novation of, the Original Indenture, although the terms of the Amended Indenture supersede in their entirety the terms of the Original Indenture from the date of Supplemental Indenture No. 6.

The Note Restructuring Agreement provides, subject to approval of the Company's common stockholders and to the receipt of any necessary regulatory approvals, for a reduction in the future in the conversion price of the Senior Notes from \$7.2094 per share to \$2.00 per share with a corresponding reduction in the minimum conversion price of the Senior Notes from \$6.95 per share to \$1.00 per share (the "Conversion Price Reduction"). The Company's common stockholders approved the Conversion Price Reduction at a special meeting of stockholders held on June 2, 2011.

In connection with the Note Restructure, the Amended Indenture provided approval by holders of the Senior Notes for the Sale. Upon consummation of the Sale, the Company is required to redeem each Senior Note for 100% of such Senior Note's outstanding principal amount, together with interest accrued to such date, out of the proceeds of the Sale.

At a special meeting of Company stockholders held on June 2, 2011, approximately 63.2% of voting power of the Company as of the close of business on April 11, 2011, the special meeting record date, voted to approve the Sale of Emir Oil. In addition to approving the Sale of Emir Oil, approximately 62.7% of the votes cast at the meeting by stockholders of record as of the special meeting record date voted to approve the Conversion Price Reduction.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2011

Going concern

If the Company does not complete the Sale, it anticipates it will lack sufficient funds to retire the Senior Notes when they become due. If the Company fails to attain commercial production rights on the Kariman, Dolinnoe and Aksaz fields, it will be unable to complete the Sale. There is substantial doubt that the Company will be able to continue as a going concern if it does not complete the Sale and it would likely be required to consider other liquidation alternatives, including a liquidation of its business under bankruptcy protection, because it will not have sufficient cash to repay the Senior Notes or continue operations. Moreover, if the Company completes the Sale, it will have no continuing operations that result in positive cash flow, which likewise raises substantial doubt about its ability to continue as a going concern.

Subsequent event

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

Use of estimates

The preparation of unaudited condensed consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the unaudited condensed consolidated financial statements and revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates and affect the results reported in these unaudited condensed consolidated financial statements.

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2011

Foreign currency translation

Transactions denominated in foreign currencies are reported at the rates of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to United States Dollars at the rates of exchange prevailing at the balance sheet dates. Any gains or losses arising from a change in exchange rates subsequent to the date of the transaction are included as an exchange gain or loss in the unaudited condensed consolidated statements of operations.

Share-based compensation

The Company accounts for options granted to non-employees at their fair value in accordance with FASC Topic 718 – Stock Compensation. Share-based compensation is determined as the fair value of the equity instruments issued. The measurement date for these issuances is the earlier of the date at which a commitment for performance by the recipient to earn the equity instruments is reached or the date at which the recipient's performance is complete. Stock options granted to the "selling agents" in private equity placement transactions have been offset against the proceeds as a cost of capital. Stock options and stocks granted to other non-employees are recognized in the unaudited condensed consolidated statements of operations.

The Company has a stock option plan as described in Note 8. Compensation expense for options and stock granted to employees is determined based on their fair values at the time of grant, the cost of which is recognized in the unaudited condensed consolidated statements of operations over the vesting periods of the respective options.

Share-based compensation incurred for the three months ended June 30, 2010 was \$413,275. We did not incur any stock-based compensation expense for the three months ended June 30, 2011.

Oil and gas properties

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2011

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

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

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

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

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2011

Ceiling test

Capitalized oil and gas properties are subject to a "ceiling test." The full cost ceiling test is an impairment test prescribed by Rule 4-10 of SEC Regulation S-X. The test determines a limit, or ceiling, on the book value of oil and gas properties. That limit is basically the after tax present value of the future net cash flows from proved crude oil and natural gas reserves. This ceiling is compared to the net book value of the oil and gas properties reduced by any related deferred income tax liability. If the net book value reduced by the related deferred income taxes exceeds the ceiling, impairment or non-cash write down is required. Ceiling test impairment can cause a significant loss for a particular period; however, future depletion expense would be reduced.

Risks and uncertainties

The ability of the Company to realize the carrying value of its assets is dependent on being able to develop, transport and market oil and gas. Currently exports from the Republic of Kazakhstan are primarily dependent on transport routes either via rail, barge or pipeline, through Russian territory. Domestic markets in the Republic of Kazakhstan historically and currently do not permit world market price to be obtained. Management believes that over the life of the project, transportation options will improve as additional pipelines and rail-related infrastructure are built that will increase transportation capacity to the world markets; however, there is no assurance that this will happen in the near future.

Recognition of revenue and cost

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

Export duty

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2011

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

Mineral extraction tax

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

Rent export tax

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

Income taxes

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

Fair value of financial instruments

The carrying values reported for cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their respective fair values in the accompanying balance sheet due to the short-term maturity of these financial instruments. In addition, the Company has long-term debt with financial institutions. The carrying amount of the long-term debt approximates fair value based on current rates for instruments with similar characteristics.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2011

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, 2011 and no provision for obsolete inventory has been provided.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2011

Liquidation fund

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

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

Other fixed assets

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

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

Buildings and improvements	7-10 years
Machinery and equipment	6-10 years
Vehicles	3-5 years
Office equipment	3-5 years
Software	3-4 years
Furniture and fixtures	2-7 years

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

Other fixed assets of the Company are evaluated annually for impairment. If the sum of expected undiscounted cash flows is less than net book value, unamortized costs of other fixed assets will be reduced to a fair value. Based on the Company's analysis at June 30, 2011, no impairment of other assets is necessary.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2011

Convertible notes payable issue costs

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

Functional currency

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

Income per common share

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

New accounting policies

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2011

NOTE 3 - CASH AND CASH EQUIVALENTS

As of June 30, 2011 and March 31, 2011 cash and cash equivalents included:

	June 30, 2011	March 31, 2011
US Dollars	\$ 193,493	\$ 274,870
Foreign currency	54,032	151,175
	<u>\$ 247,525</u>	\$ 426,045

As of June 30, 2011 and March 31, 2011, cash and cash equivalents included \$21,823, respectively placed in money market funds having 30 day simple yields of 0.01%.

NOTE 4 - PROMISSORY NOTES RECEIVABLE

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

As a result at December 17, 2010, Borrower issued the Company a Promissory note for \$50,000 with interest rate of 18% per annum. The outstanding principal sum and all accrued and unpaid interest or other sums under this Promissory note shall be payable one year after the December 17, 2010. Borrower may prepay any or all accrued and unpaid interest and unpaid principal at any time without penalty. After the first transfer in December 2010, the Company made additional transfers on January 19, 2011, February 24, 2011, March 31, 2011 and May 20, 2011 in the amounts of \$50,000, \$25,000 and \$30,000, respectively.

As a result the Company treated the loan as a Promissory note receivable in its financial statements. At June 30, 2011 Promissory notes receivable amounted to \$192,090, with \$180,000 principal amount and \$12,090 representing the amount of interest accrued.

NOTE 5 - PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets as of June 30, 2011 and March 31, 2011, were as follows:

	June 30, 2011	March 31, 2011
Advances for services	\$ 14,284	\$ 31,375
Other	77,843	42,666
	\$ 92,127	\$ 74,041

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2011

NOTE 6 – DISCONTINUED OPERATIONS

Emir Oil LLP

As noted in detail in the Current Report of the Company on Form 8-K filed with the SEC on February 18, 2011, the Company has entered into the Purchase Agreement pursuant to which the Company agreed to sell all of its interest in its wholly-owned operating subsidiary, Emir Oil. Accordingly, the results of operations and the financial position of Emir Oil has been reclassified in the accompanying unaudited condensed consolidated financial statements as discontinued operations.

Net assets of discontinued operations at June 30, 2011 and March 31, 2011 consisted of following:

	June 30, 2011	March 31, 2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,769,772	\$ 1,345,504
Trade accounts receivable	9,961,030	13,857,331
Prepaid expenses and other assets, net	3,522,646	3,067,764
Total current assets	17,253,448	18,270,599
LONG TERM ASSETS		
Oil and gas properties, full cost method, net	266,769,259	262,951,788
Gas utilization facility, net	11,986,604	12,325,847
Inventories for oil and gas projects	13,790,002	13,964,385
Prepayments for materials used in oil and gas projects	6,328,416	2,141,928
Other fixed assets, net	3,609,730	3,798,801
Long term VAT recoverable	4,779,253	4,640,396
Restricted cash	881,932	885,261
Total long term assets	308,145,196	300,708,406
TOTAL ASSETS	\$ 325,398,644	\$ 318,979,005
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 19,637,558	\$ 20,608,547
Taxes payable	8,032,801	6,634,184
Accrued liabilities and other payables	318,142	344,356
Total current liabilities	27,988,501	27,587,087
	_,,,,,,,,,,	
LONG TERM LIABILITIES		
Liquidation fund	5,339,562	5,207,842
Deferred tax liabilities	757,462	757,462
Capital lease liability	111,986	172,438
Total long term liabilities	6,209,010	6,137,742
	2,202,010	2,227,712
TOTAL LIABILITIES	\$ 34,197,511	\$ 33,724,829

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2011

A summary of discontinued operations for three months ended June 30, 2011 and 2010 was as follows:

	Three months ended	
	June 30, 2011	June 30, 2010
Revenue	\$ 25,022,348	\$ 12,787,846
Terende	ψ <i>23</i> ,022,3 10	Ψ 12,707,010
Expenses:		
Rent export tax	(6,240,173)	(2,721,749)
Export duty	(1,291,092)	-
Production	(1,812,373)	(1,133,806)
Transportation	(1,426,867)	(981,869)
General and administrative	(1,878,042)	(1,212,633)
Depletion	(3,183,533)	(2,343,338)
Depreciation of gas utilization facility	(339,243)	(226,162)
Amortization and depreciation	(119,928)	(125,957)
Accretion expenses on ARO	(131,720)	(119,188)
Income from operations	8,599,377	3,923,144
Other income	54,688	22,016
Income before income taxes	8,654,065	3,945,160
Income tax expense	-	-
ome from discontinued operations, net of income taxes	\$ 8,654,065	\$ 3,945,160

ACCOUNTING FOR VARIABLE INTEREST ENTITIES

The Company has a relationship with Term Oil LLC where it has an implicit VIE through common ownership. Management has evaluated this relationship and concluded that the Company does not have the ability to control Term Oil LLC and the Company does not have the obligation to absorb losses or the right to receive returns of the VIE. Therefore this implicit VIE is not consolidated in these financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2011

LICENSES AND CONTRACTS

Emir Oil 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 ADE Block 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. 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 (the "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 exclusive right to explore an additional 260 square kilometers of land adjacent to the ADE Block, which is referred to as the "Southeast Block." The Southeast Block includes the Kariman field and the Yessen and Borly structures and is governed by the terms of the Company's original contract. On June 24, 2008, the MEMR agreed to extend the exploration drilling and testing activities within the ADE Block and the Southeast Block.

On October 15, 2008, the MEMR approved Addendum # 6 to Contract No. 482 with Emir Oil, dated June 09, 2000 extending Emir Oil's exploration territory from 460 square kilometers to a total of 850 square kilometers (approximately 210,114 acres). The additional territory is located to the north and west of the Company's current exploration territory, extending the exploration territory toward the Caspian Sea and is referred to herein as the "Northwest Block." The Northwest Block is governed by the terms of the Company's exploration stage contract on the ADE Block and the Southeast 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2011

OIL AND GAS PROPERTIES

Oil and gas properties using the full cost method as of June 30, 2011 and March 31, 2011, were as follows:

	June 30, 2011	March 31, 2011
Cost of drilling wells	\$ 106,491,248	\$ 103,668,624
Professional services received in exploration and development activities	82,549,074	80,480,267
Material and fuel used in exploration and development activities	57,068,233	55,573,806
Subsoil use rights	20,788,119	20,788,119
Deferred tax	7,219,219	7,219,219
Geological and geophysical	9,647,495	9,346,602
Capitalized interest, accreted discount and amortized bond issue costs on convertible notes	6,633,181	6,633,181
issued		
Infrastructure development costs	1,654,209	1,654,177
Other capitalized costs	22,536,177	22,221,956
Accumulated depletion	(47,817,696)	(44,634,163)
	\$ 266,769,259	\$ 262,951,788

GAS UTILIZATION FACILITY

The Company officially placed the GUF into service on May 1, 2010 and is depreciating the GUF over an estimated useful life of 10 years. During the three months ended June 30, 2011 and 2010, depreciation expense for the GUF was \$339,243 and \$226,162, respectively.

In February 2011, the Company entered into an agreement with LLP Artelon located in Kazakhstan, for construction of the second line of the GUF. The total amount of the construction as per agreement with Artelon LLP equals 1,650,000,000 Kazakh Tenge, which is equivalent to approximately \$11.3 million.

In accordance with terms of the Agreement, as of June 30, 2011, the Company has made total payments of \$5,312,831 for development of project documentation, purchase of equipment, transportation and customs, and construction of a gas pipe-line. During the three months ended June 30, 2011, prepayments to Artelon LLP amounted to \$3,712,831. These payments are reported as "Prepayments for materials used in oil and gas properties", within discontinued operations.

The second line of the GUF is under the construction process and is expected to be completed by December 2011.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2011

INVENTORIES FOR OIL AND GAS PROJECTS

As of June 30, 2011 and March 31, 2011 inventories included:

March 31, 2011
\$ 13,146,303
94,960
3,276
719,846
\$ 13,964,385

LIQUIDATION FUND

Reconciliation on the Liquidation Fund (Asset Retirement Obligation) at June 30, 2011 and March 31, 2011 is as follows:

	Total
At March 31, 2011	\$ 5,207,842
Accrual of liability	-
Accretion expenses	131,720
At June 30, 2011	\$ 5,339,562

We accrue the liquidation fund for future abandonment costs of 24 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, 2011, undiscounted expected future cash flows that will be required to satisfy the Company's obligation by 2013 for the Dolinnoe, Aksaz, Emir and Kariman fields, respectively, are \$6,204,545. After application of a 10% discount rate, the present value of the Company's liability at June 30, 2011 and March 31, 2011 was \$5,339,562 and \$5,207,842 respectively.

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2011

The Company recognized revenue from sales as follows:

	Three months ended	
	June 30, 2011	June 30, 2010
Export sales – oil	\$ 24,382,446	\$ 12,542,053
Domestic sales – oil	175,381	-
Domestic sales – gas	464,521	245,793
	\$ 25,022,348	\$ 12,787,846

During the three months ended June 30, 2011 and 2010, oil sales to one customer represented 99% and 100% of total sales, respectively. At June 30, 2011 and 2010, this customer made up 98% and 95% of accounts receivable from oil and gas sales, respectively. While the loss of this foregoing customer could have a material adverse effect on the Company in the short-term, the loss of this customer should not materially adversely affect the Company in the long-term because of the available market for the Company's crude oil and natural gas production from other purchasers.

The Company began realizing revenue from natural gas sales to the domestic market in May 2010.

RELATED PARTY TRANSACTIONS

Non-Consolidated VIE

The Company has an implicit VIE through common ownership with Term Oil LLC from which Company leases ground fuel tanks and other oil fuel storage facilities and warehouses. Management has evaluated and concluded that the Company is not the primary beneficiary because it does not have the ability to control the VIE and does not have the obligation to absorb losses or the right to receive returns. The VIE leases fuel tanks and other fuel storage facilities to third parties. The maximum exposure to loss due to involvement with the VIE is the amount of advances paid to Term Oil LLC.

The lease expenses for the three months ended June 30, 2011 and 2010, totaled to \$24,615 and \$24,413, respectively. The Company has not made any payments to Term Oil during the three months ended June 30, 2011 and 2010; the expenses were partially covered by the advance prepayment made during the fiscal year 2010. Mr. Toleush Tolmakov, the Vice President of the Company and a holder of more than 10% of the outstanding common stock of the Company, is 100% owner of Term Oil LLC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2011

3D Seismic Survey

On March 31, 2010 the Company entered into an agreement for conducting a 3D seismic survey with Geo Seismic Service LLP ("Geo Seismic"). Mr. Toleush Tolmakov is a 30% owner of Geo Seismic.

The agreement provided that Geo Seismic would carry out 3D field seismic exploration activities of the Begesh, Aday, North Aday and West Aksaz structures, an area of approximately 96 square kilometers within the Company's Northwest Block. The survey was completed in July 2010. In exchange for these services, Emir Oil will pay in cash Geo Seismic 570,000,000 Kazakh tenge (\$3,800,000) following completion of the Sale.

COMMITMENTS AND CONTINGENCIES

Historical Investments by the Government of the Republic of Kazakhstan

The Government of the Republic of Kazakhstan made historical investments in the ADE Block, the Southeast Block and the Northwest Block of \$5,994,200, \$5,350,680 and \$5,372,076, respectively. When and if, the Company applies for and, when and if, it is granted commercial production rights for the ADE Block, Southeast Block or the Northwest, 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

To retain its rights under the exploration contract, the Company must spend \$14.8 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 nine new wells by January 9, 2013. With the identification of four potential structures in the Northwest Block, we anticipate that well drilling requirement will increase significantly if we are to determine the existence of commercially producible reserves in any of the possible structures in the Northwest Block. 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2011

FINANCIAL INSTRUMENTS

As of June 30, 2011 and March 31, 2011 cash and cash equivalents from discontinued operations included deposits in Kazakhstan banks in the amount \$3,769,772 and \$1,345,504, respectively. Kazakhstan banks are not covered by FDIC insurance, nor does the Republic of Kazakhstan have an insurance program similar to FDIC. Therefore, the full amount of the Company's deposits in Kazakhstan banks was uninsured as of June 30, 2011 and March 31, 2011.

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. As of June 30, 2011 and March 31, 2011, restricted cash amounted to \$881,932 and \$885,261, respectively and is reported as "Restricted cash" within discontinued operations.

NOTE 7 - CONVERTIBLE NOTES PAYABLE

As of June 30, 2011 and March 31, 2011, the Senior Notes payable amount is presented as follows:

	June 30, 2011	March 31, 2011
Convertible notes redemption value	\$ 65,824,673	\$ 65,824,673
Unamortized discount	(3,714,500)	(4,120,945)
	\$ 62,110,173	\$ 61,703,728

As of June 30, 2011 and March 31, 2011, the Company has accrued interest of \$3,061,898 and \$1,430,108, respectively, relating to the outstanding Senior Notes outstanding. The Company has amortized the discount on the Senior Notes (difference between the redemption amount and the carrying amount as of the date of issue) in the amount of \$2,110,174 and \$1,703,728 as of June 30, 2011 and March 31, 2011, respectively. The carrying value of Senior Notes will be accreted to the redemption value of \$65,824,673. During the three months ended June 30, 2011 and March 31, 2011 the Company recorded interest expense in the amount of \$2,118,147 and \$1,546,498, respectively.

As more fully discussed in this report in Note 2 – "Significant Accounting Policies", on March 8, 2011, the Company entered into an agreement to restructure its Original Notes.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2011

On June 2, 2011, at a special meeting of the Company's common stockholders, the common stockholders voted on and approved the Conversion Price Reduction. The Conversion Price Reduction may also be subject to approval of the MOG. The Company have agreed with the Noteholders that the Company will seek clarification from the MOG as to whether MOG approval of the Conversion Price Reduction is necessary. The Company is not, however, obligated to seek such clarification until the Company has received the approval of the MOG of the Sale, and if approval of the Sale has been obtained, the Company may delay seeking such clarification to the extent the Company believes in good faith that it would adversely affect the approval of the MOG granted for the Sale. If the MOG confirms that approval is not necessary, the Company will execute a supplemental indenture to effect the Conversion Price Reduction upon receipt of such confirmation that the approval of the MOG is not required for the Conversion Price Reduction. If the MOG confirms that its approval is required, the Company is required to promptly seek that approval, and to cause the Conversion Price Reduction to become effective by the earlier of (a) the date that is 10 business days after approval of the MOG has been obtained or the date on which it is determined that such approval is not required, or (b) December 30, 2011.

If the Company does not complete the Sale, the Company anticipates that it will lack sufficient funds to retire the Senior Notes when they become due.

NOTE 8 - SHAREHOLDERS' EQUITY

Share-Based Compensation

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2011

All of the restricted stock grants were awarded on the same terms and subject to the 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 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 fifty percent (50%) or more of the outstanding stock of the Employer or any of its subsidiaries, or one (1) person or more than one person acting as a group, acquires fifty percent (50%) or more of the total voting power of the stock of the Employer. In the event of an Extraordinary Event, the grants shall be deemed 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 grantees have agreed to be bound by the determination of the board of directors.

The shares representing the restricted stock grants (the "Restricted Shares") 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 time between the date of grant and the occurrence of a Vesting Event is referred to as the "Restricted Period." The grantees may not sell, transfer, assign, pledge or otherwise encumber or dispose of the Restricted Shares during the Restricted Period. During the Restricted Period, the grantees will have the right to vote the Restricted Shares, receive dividends paid or made with respect to the Restricted Shares, provided however, that dividends paid on unvested Restricted Shares will be held in the custody of the Company and shall be subject to the same restrictions that apply to the Restricted Shares. The Restricted 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. These grants vested during the fiscal year ended March 31, 2011.

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

Non-cash compensation expense in the amount of \$413,275, which is net of the expense reversal discussed above, was recognized in the condensed consolidated statements of operations and condensed consolidated balance sheets for the three months ended June 30, 2010.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2011

Consulting Agreement

On October 15, 2008 the MEMR increased Emir Oil's contract territory from 460 square kilometers to 850 square kilometers. In connection with this extension, and any other territory extensions or acquisitions, the Consultant will be paid a share payment in restricted common stock for resources and reserves associated with any acquisition. The value of any acquisition property will be determined by reference to a 3D seismic study and a resource/reserve report by a qualified independent petroleum engineer acceptable to the Company. The acquisition value ("Acquisition Value") will be equal to the total barrels of resources and reserves, as defined and determined by the engineering report multiplied by the following values:

Resources at \$.50 per barrel; Probable reserves at \$1.00 per barrel; and Proved reserve at \$2.00 per barrel.

The number of shares to be issued to the Consultant shall be the Acquisition Value divided by the higher of \$6.50 or the average closing price of the Company's trading shares for the five trading days prior to the issuance of the reserve/resource report, provided that in no event shall the total number of shares issuable to the Consultant exceed more than a total of 4,000,000 shares. With the completion of the 3D seismic study the resources associated with the territory extension have now been determined and the Company anticipates compensation due to the consultant will be approximately 4,000,000 shares. To date, the Consultant has not requested payment. The Company anticipates a request for payment will be forthcoming and anticipates issuing the shares during the upcoming fiscal quarter.

On July 20, 2010 the Company incurred an obligation to issue 3,947,539 common shares to the Consultant as the success fee for assisting the Company to obtain an extension of the territory for exploration. The calculation for amount of shares to be issued was based on resource report, which confirms 51,318,000 barrels of oil on extended territory multiplied by \$0.50 rate as per contract divided by \$6.50. The shares have been valued at \$0.56 per share, which was the closing market price of Company's shares on July 20, 2010. As a result of this transaction \$2,214,569 was capitalized to oil and gas properties.

On November 18, 2010 3,947,539 common shares have been issued to the Consultant for assisting the Company to obtain extension of the territory for exploration.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2011

NOTE 9 - 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, 2011	June 30, 2010
\$ (4,328,833)	\$ (3,073,292)
8,654,065	3,945,160
55,787,554	51,865,015
-	-
-	-
-	-
	-1.06-01-
55,787,554	51,865,015
\$ (0.08)	\$ (0.06)
\$ (0.08)	\$ (0.06)
\$ 0.16	\$ 0.08
\$ 0.16	\$ 0.08
\$ 0.08	\$ 0.02
\$ 0.08	\$ 0.02
	\$ (4,328,833) 8,654,065 55,787,554 \$ 55,787,554 \$ (0.08) \$ (0.08) \$ 0.16 \$ 0.16

The diluted weighted average common shares outstanding for the three months ended June 30, 2011 and 2010 does not include the effect of potential conversion of certain warrants and stock options as their effects are anti-dilutive.

The dilutive weighted average common shares outstanding for the three months ended June 30, 2011 and 2010, respectively, does not include the effect of the potential conversion of the Notes because the average market share price the three months ended June 30, 2011 and 2010 was lower than potential conversion price of the convertible notes for this period.

The diluted weighted average common shares outstanding for the three months ended June 30, 2010 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2011

NOTE 10 - COMMITMENTS AND CONTINGENCIES - CONTINUING OPERATIONS

Executive Contracts

On December 31, 2009, the Company entered into employment agreements with executive officers of the Company. The employment agreements contain confidentiality, non-competition and non-interference provisions and provide for the Company's executive officers to receive payments upon termination or change in control.

Each of the employment agreements, provides that an "extraordinary event" is defined 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 fifty percent (50%) or more of the outstanding stock of the Company or any of its subsidiaries, or the sale of forty percent (40%) or more of the assets of the Company or any of its subsidiaries, or if one or more persons, acting alone or as a group, acquires fifty percent (50%) or more of the total voting power of the Company.

Upon consummation of the Sale of Emir Oil, an extraordinary event, the Company expects to pay out severance payments to its executives totaling \$4,111,958.

Consulting Agreement with Boris Cherdabayev

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

The initial term of the Consulting Agreement is five years unless earlier terminated as provided in the Consulting Agreement. The initial term will automatically renew for additional one-year terms unless and until terminated. The Consulting Agreement may be terminated for Mr. Cherdabayev's death or disability and by the Company for cause. The Company may also terminate the Consulting Agreement other than for cause, but will be required to pay the full fee required under the Consulting Agreement.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2011

Pursuant to the Consulting Agreement, Mr. Cherdabayev will be paid \$192,000 per year. The success of projects involving Mr. Cherdabayev shall be reviewed on an annual basis to determine whether the initial base consulting should be increased.

The Consulting Agreement provides for an extraordinary event payment equal to the greater of \$5,000,000 or the base compensation fee for the remaining initial term of the Consulting Agreement. The Consulting Agreement defines an extraordinary event 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 fifty percent (50%) or more of the outstanding stock of the Company or any of its subsidiaries, or the sale of forty percent (40%) or more of the assets of the Company or any of its subsidiaries, or if one or more persons, acting alone or as a group, acquires fifty percent (50%) or more of the total voting power of the Company.

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

Litigation

In December 2003, Brian Savage, Thomas Sinclair and Sokol Holdings, Inc. filed complaints against the Company, its founders, and former directors, Georges Benarroch and Alexandre Agaian. The complaints all arose from the acquisition of a controlling interest in Emir Oil. Emir Oil controlled the right to explore for oil and gas in the Aksaz, Dolinnoe and Emir oil and gas fields in Kazakhstan. The original complaint was filed in the Fifteenth Judicial District Court in and for Palm Beach County, Florida, but was dismissed by agreement. Subsequent complaints were filed in United States District Court for the Southern District of New York. The procedural history of this litigation has been described in the Company's annual and quarterly reports.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2011

The plaintiffs asserted claims for tortuous interference with contract, breach of contract, unjust enrichment, unfair competition and breach of fiduciary duty. In November 2009, defendants moved for summary judgment on all claims. On June 29, 2010, the United States District Court issued an Opinion and Order granting in part and denying in part defendants' summary judgment motion. The Court dismissed the breach of contract and fiduciary duty claims in their entirety. The Court allowed plaintiffs' claim for tortuous interference with contract to proceed to trial and allowed the unfair competition and unjust enrichment claims to proceed on theories of misappropriation of or unjust enrichment from taking the "product of plaintiffs' investment of labor, skill and expenditures with respect to a business plan, system, or venture, even absent a showing of 'novelty."

The Court scheduled a jury trial for October 5, 2010. However, in a series of rulings on motions in limine and pursuant to the Court's Order to Show Cause in advance of trial, the Court granted summary judgment dismissing the claims for unjust enrichment and tortuous interference with contract as to all defendants. The Court allowed the unfair competition claim to proceed to trial, but limited the damages recoverable from that claim to the value of plaintiffs' investment of labor, skill and expenditures plaintiffs allegedly provided to defendants. Plaintiffs sought reconsideration of the Court's rulings, which was denied.

After the Court reaffirmed its decisions, plaintiffs agreed that with respect to the unfair competition claim plaintiffs had no evidence of damages other than the evidence the District Court had excluded pursuant to its ruling on a motion in limine. Therefore, plaintiffs orally stipulated to the entry of summary judgment against plaintiffs on that count as well. A stipulation as to the remaining claim of unfair competition was read into the record and accepted by the Court on October 5, 2010. On February 8, 2011 the Trial Court signed a final Order granting judgment against plaintiffs and in favor of the BMB defendants on all counts based on the Court's prior Orders and the stipulations of the parties entered on the record on October 5, 2010. The judgment was filed on February 9, 2011.

Plaintiffs filed a Notice of Appeal on February 22, 2011, and the appeal was docketed with the United States Court of Appeals for the Second Circuit. Plaintiffs filed their appellate brief on April 6, 2011. Defendants filed their brief in opposition on May 16, 2011, and plaintiffs filed a reply brief on May 31, 2011. Oral argument on plaintiffs' appeal was held before the United States Court of Appeals for the Second Circuit on June 13, 2011. The case is scheduled for expedited disposition. However, there is no set time within which the Second Circuit will render a decision on the appeal.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2011

Plaintiffs' appeal questions the correctness of the decisions of the District Court in granting the BMB defendants summary judgment on all claims, other than the claim to which they stipulated, and also contends that the District Court abused its discretion in refusing to allow plaintiffs leave to amend their complaint after the close of fact discovery.

The Company is not currently in a position to assess the possibility of an unfavorable outcome of the appeal. If plaintiffs' appeal is successful, the case will be remanded to the Trial Court for a trial on any issue the Appellate Court determines that the Trial Court improperly dismissed as a matter of law. The Company intends to continue to defend the case vigorously if there is a reversal on appeal.

Economic Environment

In recent years, Kazakhstan has undergone substantial political and economic change. As an emerging market, Kazakhstan does not possess a well-developed business infrastructure, which generally exists in a more mature free market economy. As a result, operations carried out in Kazakhstan can involve significant risks, which are not typically associated with those in developed markets. Instability in the market reform process could subject the Company to unpredictable changes in the basic business infrastructure in which it currently operates. Uncertainties regarding the political, legal, tax or regulatory environment, including the potential for adverse changes in any of these factors could affect the Company's ability to operate commercially. Management is unable to estimate what changes may occur or the resulting effect of such changes on the Company's financial condition or future results of operations.

Legislation and regulations regarding taxation, foreign currency translation, and licensing of foreign currency loans in the Republic of Kazakhstan continue to evolve as the central government manages the transformation from a command to a market-oriented economy. The various legislation and regulations are not always clearly written and their interpretation is subject to the opinions of the local tax inspectors. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual.

NOTE 11 – FINANCIAL INSTRUMENTS

As of June 30, 2011 and March 31, 2011 cash and cash equivalents included deposits in Kazakhstan banks in the amount \$86,682 and \$224,163, respectively, and deposits in U.S. banks in the amount of \$160,843 and \$201,882, respectively. Kazakhstan banks are not covered by FDIC insurance, nor does the Republic of Kazakhstan have an insurance program similar to FDIC. Therefore, the full amount of the Company's deposits in Kazakhstan banks was uninsured as of June 30, 2011 and March 31, 2011. The Company's deposits in U.S. banks are also in non-FDIC insured accounts which means they too are not insured to the \$250,000 FDIC insurance limit. To mitigate this risk, the Company has placed all of its U.S. deposits in a money market account that invests in U.S. Government backed securities.

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

The following discussion is intended to assist you in understanding our results of operations and our present financial condition. Our unaudited condensed consolidated financial statements and the accompanying notes included in this quarterly report on Form 10-Q contain additional information that should be referred to when reviewing this material and this document should be read in conjunction with our annual report on Form 10-K for the year ended March 31, 2011.

Cautionary Note Regarding Forward-Looking Statements

This quarterly report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") that are based on management's beliefs and assumptions and on information currently available to management. For this purpose any statement contained in this report that is not a statement of historical fact may be deemed to be forward-looking, including, but not limited to, statements about the sale of our wholly-owned subsidiary Emir Oil LLP, potential cash distributions to our shareholders, the restructuring of our outstanding convertible senior notes, our results of operations, cash flows, capital resources and liquidity, drilling plans and future exploration, production and well operations, reserves, licensing, commodity price environment, actions, intentions, plans, strategies and objectives. Without limiting the foregoing, words such as "expect," "project," "estimate," "believe," "anticipate," "intend," "budget," "plan," "forecast," "predict," "may," "should," "could," "will" or comparable terminology are intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties and actual results may differ materially depending on a variety of factors, many of which are not within our control. These factors include, but are not limited to, completion of all closing conditions, including receipt of all required regulatory approvals, satisfaction of outstanding obligations, costs and expenses, market factors, market prices (including regional basis differentials) of natural gas and oil, results for future drilling and marketing activity, future production and costs, economic conditions, competition, legislative requirements and changes and the effect of such on our business, sufficiency of future working capital, borrowings, capital resources and liquidity and other factors detailed herein and in our other Securities and Exchange Commission filings. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated.

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

These forward-looking statements speak only as of their dates and should not be unduly relied upon. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

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

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

Overview

As more fully discussed in this report in Note 1 – "Description of Business", the subsections entitled "Business Condition" and "Going Concern" of Note 2 – "Significant Accounting Policies" and the subsection entitled "Emir Oil LLP" of Note 6 – "Discontinued Operations" of the notes to our unaudited condensed consolidated financial statements accompanying this report, we are in the process of selling our interest in Emir Oil. Our stockholders approved the Sale at a special meeting of stockholders held on June 2, 2011 and the parties to the Sale are working to complete the remaining conditions to closing. If we are successful in consummating the Sale, we will no longer have substantial operations or assets. Following the closing, the existence of BMB will continue for the purposes of: (i) addressing existing liabilities; (ii) responding to indemnification claims made by Palaeontol in connection with the Purchase Agreement; and (iii) paying out the second distribution, if any, to our stockholders. Because of the limited continuing operations of BMB and limited capital, there is substantial doubt as to our ability to continue to operate as a going concern.

In accordance with generally accepted accounting principle in the United States, because of the pending Sale, the results of operations and the financial position of Emir Oil have been classified in the unaudited condensed consolidated financial statements accompanying this report as discontinued operations. Historically, the assets and operations of Emir Oil have represented the major portion of our consolidated total assets and results of operations. The results of our operations, that are solely operations of BMB Munai, excluding the operations of Emir Oil, will be reported and further discussed as results of continuing operations. This discussion and analysis of financial condition and results of operations has been retroactively reclassified and subdivided to results from continuing operations and results from discontinued operations.

This discussion summarizes the significant factors affecting our continuing and discontinued operating results, financial condition, liquidity and capital resources during the quarters ended June 30, 2011 and 2010. This discussion should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto accompanying this report.

Drilling Operations, Well Performance and Production

During the quarter ended June 30, 2011, we continued our efforts to increase production by means of drilling directional sidetracks. During the quarter we completed drilling of sidetracks on the Kariman-6, Dolinnoe-2 and Dolinnoe-6 wells.

After unsuccessful drilling operations and abandonment of the Kariman-6 well in November 2010, we recommenced sidetracking operations Kariman-6 well at the end of April 2011. Previous unsuccessful attempts forced us to start a new sidetrack. The new window was milled at depth 3,120-3,550 meters. The sidetrack was successfully completed to a depth of 3,555 meters in July 2011.

During April 2011 we also commenced sidetracking at the Dolinnoe-2 well location. The kick off point for the sidetrack was at the depth of 3,411-3,440 meters. The sidetrack, which was completed in May 2011, was drilled to 3,754 meters.

Drilling on the Dolinnoe-6 well was restarted in June 2011, after abandonment of this well in March 2011 due to high gas pressure bottom of the well (gas - 100%, methane - 40%). During the drilling in the interval of 3,130-3,932 meters, the drilled sidetrack experienced continuous landslip and high gas pressure (gas - 100%, methane - 30%). Sticking occurred during directional drilling in the depth interval of 3,932-4,050 m. We have attempted several methods equipment, including reciprocating with the use of a drilling jar, spotted oil and acid bath around equipment. All of these operations were unsuccessful, and sidetrack operations at the Dolinnoe-6 well were abandoned in June 2011. We are planning to complete sidetrack drilling of this well during the second quarter using the coil-tubing equipment.

During the quarter ended June 30, 2011, average daily production was 2,767 barrels per day. Our average daily production during the quarter ended June 30, 2010 was 2,415 barrels per day.

Results of Operations

Results of Continuing Operations

Three months ended June 30, 2011 compared to the three months ended June 30, 2010.

Revenue

We did not generate any revenue during the three months ended June 30, 2011 and 2010 except from oil and gas sales through Emir Oil.

Expenses

The following table presents details of our expenses for the three months ended June 30, 2011 and 2010:

	For the three months ended June 30, 2011	For the three months ended June 30, 2010
Costs and Operating Expenses:		
General and administrative	\$ 2,184,939	\$ 1,952,478
Interest expense	2,118,147	1,102,750
Amortization and depreciation	13,479	24,602
Total	\$ 4,316,565	\$ 3,079,830

General and Administrative Expenses. General and administrative expenses from continuing operations during the three months ended June 30, 2011 were \$2,184,939 compared to \$1,952,478 during the three months ended June 30, 2010. This represents a 12% increase. This increase was the result of increased consulting and legal fees in connection with the Note Restructure and Sale discussed in more detail in this report in Note 1. Business.

Interest Expense. During the three months ended June 30, 2011 we incurred interest expense from continuing operations of \$2,118,147 compared to interest expense of \$1,102,750 during the three months ended June 30, 2010. The 92% increase in interest expense was the result of increases in the interest rate on our outstanding convertible notes we agreed to in connection with the restructuring the notes.

Amortization and Depreciation. Amortization and depreciation expense from continuing operations for the three months ended June 30, 2011 decreased by \$11,123 or 45% compared to the three months ended June 30, 2010. The decrease resulted from the write-off of fixed assets during the first quarter of the fiscal year 2012.

Loss from Operations. During the three months ended June 30, 2011 we recognized a loss from continuing operations of \$4,316,565 compared to loss from continuing operations of \$3,079,830 during the three months ended June 30, 2010. This increase in loss from continuing operations during three months ended June 30, 2011 is the result of the 92% increase in interest expense during three months ended June 30, 2011, coupled with 12% increase in general administrative expenses.

Total Other Expense/Income. During the three months ended June 30, 2011 we recognized total other expense from continuing operations of \$12,268 compared to total other income of \$6,538 during the three months ended June 30, 2010. The 288% change was mainly due to other expenses of \$9,500 incurred during the three months ended June 30, 2011, compared to other income of \$10,166 recognized during the three months ended June 30, 2010.

Loss from Continuing Operations. During the three months ended June 30, 2011 we realized a loss from continuing operations of \$4,328,833 compared to \$3,073,292 during the three months ended June 30, 2010. This 41% increase in loss from continuing operations was primarily attributable to increased general and administrative and interest expense and the other expense discussed above.

Income from Discontinued Operations. During the three months ended June 30, 2011 we realized income from discontinued operations of \$8,654,065 compared to \$3,945,160 during the three months ended June 30, 2010.

Net Income. For all of the foregoing reasons, during the three months ended June 30, 2011 we realized net income of \$4,325,232 or \$0.08 basic and diluted income per share compared to a net income of \$871,868 or \$0.02 basic and diluted income per share for the three months ended June 30, 2010.

Results of Discontinued Operations

The following table sets forth selected operating data from discontinued operations for the three months ended June 30, 2011 and 2010:

	For the three months ended June 30, 2011	For the three months ended June 30, 2010
Revenues:		
Oil and gas sales	\$ 25,022,348	\$ 12,787,846
Expenses:		
Rent export tax	6,240,173	2,721,749
Export duty	1,291,092	-
Oil and gas operating ⁽¹⁾	3,239,240	2,115,675
Depletion ⁽²⁾	3,183,533	2,343,338
Depreciation and amortization	119,928	125,957
Accretion	131,720	119,188
Depreciation of gas utilization facility	339,243	226,162
General and administrative	1,878,042	1,212,633
Net Production Data:		
Oil (Bbls)	251,790	219,754
Natural gas (in thousand m3) ⁽³⁾	11,592	7,352
Barrels of Oil equivalent (BOE)	320,017	263,023
Net Sales Data ⁽⁴⁾ :		
Oil (per Bbl)	250,064	214,591
Natural gas (in thousand m3) ⁽³⁾	11,280	6,020
Barrels of Oil equivalent	316,455	250,023
Average Sales Price:		
Oil (per Bbl)	\$ 98.21	\$ 58.45
Natural gas (in thousand m3) ⁽³⁾	\$ 41.18	\$ 40.83
Equivalent price (per BOE)	\$ 79.07	\$ 51.15
Expenses (\$ per BOE) (4):		
Oil and gas operating ⁽¹⁾	10.24	8.47
Depletion ⁽²⁾	10.24	9.37
Depiction	10.00	9.31

- (1) Includes transportation cost, production cost and ad valorem taxes (excluding rent export tax).
- (2) Represents depletion of oil and gas properties only.
- (3) The coefficient for conversion production and sales of gas from cubic meters to barrels equals: 1 thousand $m^3 = 5.8857$ barrels of oil equivalent.
- (4) We use sales volume rather than production volume for calculation of per unit cost because not all volume produced is sold during the period. The related production costs are expensed only for the units sold, not produced, based on a matching principle of accounting. Oil and gas operating expense per BOE is calculated by dividing oil and gas operating expenses for the year by the volume of oil sold during the year.

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, 2011 and the three months ended June 30, 2010.

Three months ended
June 30, 2011
to the three months ended
June 30, 2010

			June 30,	, 2010
	For the three	For the three	\$	%
	months ended	nonths ended months ended		Increase
	June 30, 2011	June 30, 2010	(Decrease)	(Decrease)
Production volumes:				
	11.502	7.250	4.240	£00/
Natural gas (in thousand m³)	11,592	7,352	4,240	58%
Natural gas liquids (Bbls)	-	-	-	-
Oil and condensate (Bbls)	251,790	219,754	32,036	15%
Barrels of Oil equivalent (BOE) (1)	320,017	263,023	56,994	22%
Sales volumes:				
Natural gas (in thousand m³)	11,280	6,020	5,260	87%
Natural gas liquids (Bbls)	-	-	-	-
Oil and condensate (Bbls)	250,064	214,591	35,473	17%
Barrels of Oil equivalent (BOE) (1)	316,455	250,023	66,432	27%
Average Sales Price (2)		.		101
Natural gas (\$ per thousand m ³)	\$ 41.18	\$ 40.83	\$ 0.35	1%
Natural gas liquids (\$ per Bbl)	-	-	-	-
Oil and condensate (\$ per Bbl)	\$ 98.21	\$ 58.45	\$ 39.76	68%
Barrels of Oil equivalent (\$ per BOE) (1)	\$ 79.07	\$ 51.15	\$ 27.92	55%
Operating Revenue:				
Natural gas	\$ 464,521	\$245,793	\$ 218,728	89%
Natural gas liquids	\$ 707,521	\$273,773	\$ 210,720	67/0
Oil and condensate	\$ 24 557 927	¢ 12 542 052	\$ 12 015 774	96%
	\$ 24,557,827	\$ 12,542,053	\$ 12,015,774	90%
Gain on hedging and derivatives (3)				

- (1) The coefficient for conversion of production and sales of gas from cubic meters to barrels equals: 1 thousand $m^3 = 5.8857$ barrels of oil equivalent.
- (2) 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.
- (3) We did not engage in hedging transactions, including derivatives, during the three months ended June 30, 2011 or the three months ended June 30, 2010.

Revenue. We generated revenue from discontinued operations under our exploration contract from the sale of oil recovered during test production. During the three months ended June 30, 2011 our oil production increased by 15% compared to the three months ended June 30, 2010 as a result of directional drilling which led to the small increase in production.

During the three months ended June 30, 2011 we realized revenue from oil sales from discontinued operations \$24,557,827 compared to \$12,542,053 during the three months ended June 30, 2010. The largest contributing factor to the 96% increase in revenue was a 68% increase in the price per barrel we received for oil sales during the three months ended June 30, 2011 compared to the three months ended June 30, 2010, coupled with the 17% increase in oil sales volume. The increase in price per barrel we received was the result of the increase in oil prices. The increase in sales volume was attributable to the 15% increase in oil production described above. During the three months ended June 30, 2011 and 2010 we exported 97% 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 during the three months ended June 30, 2011 and 2010.

We began realizing revenue from natural gas sales to the domestic market in May 2010. During the three months ended June 30, 2011 we realized revenue from natural gas sales of \$464,521, compared to \$245,793 during the three months ended June 30, 2010. This increase in natural gas sales was due to the fact that we did not realize revenue from natural gas sales prior to May 2010. Because the amounts realized from natural gas sales prior to May 2010 were insignificant they were included in revenue from oil sales.

As discussed above, our revenue is sensitive to changes in prices received for our oil. Commodity price fluctuation, political instability, the economy, changes in legislation and taxation, reductions in the amount of oil we are allowed to export to the world markets, weather and other factors outside our control have an impact on both supply and demand and which impacts our revenue.

Expenses

The following table presents details of our expenses from discontinued operations for the three months ended June 30, 2011 and 2010:

	For the three months ended June 30, 2011	months ended June 30, 2010
Expenses:		
Rent export tax	\$ 6,240,173	\$ 2,721,749
Export duty	1,291,092	-
Oil and gas operating ⁽¹⁾	3,239,240	2,115,675
General and administrative	1,878,042	1,212,633
Depletion	3,183,533	2,343,338
Depreciation of gas utilization		
Facility	339,243	226,162
Accretion expenses	131,720	119,188
Amortization and depreciation	119,928	125,957
Total	\$ 16,422,971	\$ 8,864,702
Expenses (\$ per BOE):		
Oil and gas operating ⁽¹⁾	\$ 10.24	\$ 8.47
Depletion (2)	\$ 10.06	\$ 9.37

- (1) Includes transportation cost, production cost and ad valorem taxes (excluding rent export tax and export duty).
- (2) Represents depletion of oil and gas properties only.

Rent Export Tax. Rent export tax is calculated based on the export sales price and ranges from as low as 0% if the export sales price is less than \$40 per barrel to as high as 32% if the price per barrel exceeds \$190. During the three months ended June 30, 2011 rent export tax paid to the government was \$6,240,173 compared to \$2,721,749 for the three months ended June 30, 2010. This increase was mainly due to the 68% increase in world price for oil during the three months ended June 30, 2011 coupled with the 17% increase in oil sales volume.

Export Duty. In July 2010 the government issued a resolution that reenacted the export duty for several products, including crude oil. We became subject to the export duty in September 2010. As a result, we incurred export duty during the three months ended June 30, 2011 of \$1,291,092. We were not subject to export duty during the three months ended June 30, 2010. Export duty was not recorded as part of oil and gas operating expense and was not included in oil and gas operating expense per BOE calculation.

Oil and Gas Operating Expenses. During the three months ended June 30, 2011 we incurred \$3,239,240 in oil and gas operating expenses compared to \$2,115,675 during the three months ended June 30, 2010. This increase was primarily the result of increased mineral extraction tax and transportation expense.

Oil and gas operating expenses from discontinued operations for the three months ended June 30, 2011 and 2010 consisted of the following:

For the three months ended June 30,

	2011		2010	
	Total	Per BOE	Total	Per BOE
Oil and Gas Operating Expenses:				
Production	\$ 336,631	\$ 1.07	\$ 289,776	\$ 1.16
Transportation	1,426,867	4.51	981,869	3.93
Mineral extraction tax	1,475,742	4.66	844,030	3.38
Total	\$ 3,239,240	\$ 10.24	\$ 2,115,675	\$ 8.47

The 16% increase in production expense during the three months ended June 30, 2011 was due primarily do to the increase in oil production.

Transportation expenses increased by \$444,998 or 45% as a result of increases in expenses related to rent of special machinery trucks, oil analysis, repair and maintenance of the oil trucks and increased prices for fuel used in our oilfields and oil base.

Mineral extraction tax depends on production output. The new code currently provides for a 5% mineral extraction tax rate (6% starting from 2013 and 7% starting from 2014) on production sold to the export market, and a 2.5% tax rate (3% in 2013 and 3.5% starting from 2014) on production sold to the domestic market. The increase in mineral extraction tax was the result of increased production. The mineral extraction tax expense is reported as part of oil and gas operating expense.

During the three months ended June 30, 2011 mineral extraction tax paid to the government was \$1,475,742, which represents a 75% increase compared to the \$844,030 paid during the three months ended June 30, 2010. This increase was due to the increase in world oil prices during three months ended June 30, 2011, coupled with the 15% increase in oil production and the 58% increase in gas production.

We calculate oil and gas operating expense per BOE based on the volume of oil and gas 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. Expense per BOE is a function of total expense divided by the number of barrels of oil sold. During the three months ended June 30, 2010 we sold 316,455 BOE. During the three months ended June 30, 2011 we sold 250,023 BOE. The 27% increase in sales volume of oil and gas coupled with the 53% increase in oil and gas operating expenses resulted in a \$1.77, or 21%, increase in oil and gas operating expense per BOE.

General and Administrative Expenses. General and administrative expenses from discontinued operations during the three months ended June 30, 2011 were \$1,878,042 compared to \$1,212,633 during the three months ended June 30, 2010. This represents a 55% increase. This increase in general and administrative expenses from discontinued operations was the result of:

- a 36% increase in payroll and related expenses due to increased salary; and
- a 100% increase in property taxes.

Depletion. Depletion expense from discontinued operations for the three months ended June 30, 2011 increased by \$840,195 or 36% compared to the three months ended June 30, 2010. The increase in depletion expense was mainly attributable to the increase in oil and gas properties.

Amortization and Depreciation. Amortization and depreciation expense from discontinued operations for the three months ended June 30, 2011 decreased 5% compared to the three months ended June 30, 2010. The decrease resulted from the write-off of fixed assets during the three months ended June 30, 2011.

Income from Operations of Emir Oil. During the three months ended June 30, 2011 we realized income from discontinued operations of \$8,599,377 compared to income from discontinued operations of \$3,923,144 during the three months ended June 30, 2010. This increase in income from discontinued operations during 2011 is primarily the result of the 96% increase in revenue recognized during the three months ended June 30, 2011 discussed above, which was only partially offset by the 85% increase in operating expenses.

Other Expense. During the three months ended June 30, 2011 we realized total other income from discontinued operations of \$54,688 compared to total other income from discontinued operations of \$22,016 during the three months ended June 30, 2010. This increase in other income from discontinued operations is largely attributable to a \$16,137 foreign exchange gain realized during the three months ended June 30, 2011 compared with the foreign exchange loss in the amount \$91,027 incurred in three months ended June 30, 2010.

Income from Discontinued Operations. For the foregoing reasons, during the three months ended June 30, 2011 we realized income from discontinued operations of \$8,654,065 or \$0.16 per share compared to income from discontinued operations of \$3,945,160 or \$0.08 basic and diluted income per share for the three months ended June 30, 2010.

Liquidity and Capital Resources

For the period from inception on May 6, 2003 through June 30, 2011, we have incurred capital expenditures of approximately \$369,300,000 for exploration, development and acquisition activities. Funding for our activities has historically been provided by funds raised through the sale of our common stock and debt securities and revenue from oil sales. From inception to June 30, 2011 we raised approximately \$94.6 million through the sale of our common stock and \$60 million from the sale of convertible senior notes.

The term of our exploration contract expires in January 2013. We must transition any fields we wish to retain to commercial production by January 2013. Any fields not transitioned to commercial production by that time will be subject to forfeiture to Kazakhstan. To transition to commercial production, we must establish the existence of commercially producible reserves in each field we intend to transition. To do so, we must drill and test a sufficient number of wells in each field to establish the existence of commercially producible reserves. We have identified ten structures (potential fields) within our Contract Area. We have conducted sufficient drilling and testing to establish the existence of four fields. Given our current financial condition and outlook, we do not anticipate having the funds available to engage in exploratory drilling in any of the remaining six fields prior to January 2013. Pursuant to the terms of the Purchase Agreement, we are working to transition the Kariman, Dolinnoe and Aksaz fields to commercial production.

At the time a field is transitioned to commercial production, a commercial production bonus is paid to Kazakhstan. We anticipate we will be required to pay a commercial production bonus up to \$10 million to transition our established fields to commercial production. Given current production rates and decline curves, anticipated revenue from production and anticipated expenses, we are uncertain whether we will have adequate funds to pay the commercial production bonus at the time we apply for commercial production rights on our four established fields.

In connection with the application for a commercial production license, we must commit to fulfill a development plan approved by the MOG. Among other things, the development plan establishes a drilling plan to maximize commercial production. Failure to satisfy the development plan could result in the loss of the commercial production license and forfeiture of the fields to Kazakhstan. Given our current financial condition, lack of available additional funding and anticipated future revenue from production, we do not expect to have adequate funding to satisfy a field development plan.

In addition to our obligations under our exploration contract, we also owe \$61.4 million in principle amount, plus interest, to the holders of our Senior Notes, as discussed in more detail herein and in *Note 7 – Convertible Notes Payable* to the notes to our unaudited condensed consolidated financial statements accompanying this report.

Despite our efforts to increase revenue, control costs and explore financing arrangements, we do not believe we will have sufficient funds to meet our obligations under our exploration contract or under the Senior Notes without a significant infusion of capital. If we do not complete the Sale, we anticipate we will lack sufficient funds to retire the Senior Notes when they become due. If we fail to attain commercial production rights we will be unable to complete the Sale. There is substantial doubt that we will be able to continue as a going concern if we do not complete the Sale and we would likely be required to consider other liquidation alternatives, including a liquidation of our business under bankruptcy protection, because we will not have sufficient cash to repay the Senior Notes or continue our operations. Moreover, if we do complete the Sale, we will have no continuing operations that result in positive cash flow, which likewise raises substantial doubt about our ability to continue as a going concern.

Cash Flows

During the three months ended June 30, 2011, cash was primarily used to fund exploration expenditures. See below for additional discussion and analysis of cash flow.

	Three months ended June 30, 2011	Three months ended June 30, 2010
Net cash provided by operating activities	\$ 13,492,241	\$ 9,372,460
Net cash used in investing activities	\$ (11,083,093)	\$ (5,561,116)
Net cash used in financing activities	\$ (163,400)	\$ (36,914)
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ 2,245,748	\$ 3,774,430
NET CHANGE IN CASH AND CASH EQUIVALENTS-CONTINUING OPERATIONS	\$ (178,520)	\$ 745,652
NET CHANGE IN CASH AND CASH EQUIVALENTS-DISCONTINUED		
OPERATIONS	\$ 2,424,268	\$ 3,028,778

Our principal source of liquidity during the three months ended June 30, 2011 was cash and cash equivalents. At March 31, 2011 cash and cash equivalents from continuing and discontinued operations totaled approximately \$1.8 million. At June 30, 2011 cash and cash equivalents from continuing and discontinued operations had increased to approximately \$4 million. During the three months ended June 30, 2011 we spent approximately \$11 million to fund drilling and development activities.

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, 2011, excluding current liabilities as listed on our condensed consolidated balance sheet:

_	Payments Due By Period				
Contractual obligations	Total	Less than 1	2-3 years	4-5 years	After 5 years
_		year			
Capital Expenditure Commitment ⁽¹⁾	\$ 14,840,000	\$ -	\$ 14,840,000	\$ -	\$ -
Due to the Government of the Republic of Kazakhstan ⁽²⁾	16,716,956	-	2,507,543	3,343,392	10,866,021
Liquidation Fund	5,339,562	-	5,339,562	-	-
Capital Lease Payments ⁽³⁾	423,940	292,549	131,391	-	-
Convertible Notes with Interest ⁽⁴⁾	79,324,673	5,400,000	73,924,673	-	-
Gas Utilization Facility Expansion Agreement ⁽⁵⁾	5,980,803	5,980,803	-	-	-
Total	\$ 122,625,934	\$ 11,673,352	\$ 96,743,169	\$ 3,343,392	\$ 10,866,021

- (1) Under the terms of our subsurface exploration contract we are required to spend a total of \$14.8 million in exploration activities on our properties by January 2013. The rules of the Ministry of Oil and Gas provide a process whereby capital expenditures in excess of the minimum required expenditure in any period may be carried forward to meet the minimum obligations of future periods. As of June 30, 2011, we have spent a total of \$369.3 million in exploration activities. Our capital expenditures during the term of our exploration license have exceeded our minimum required expenditures by more than \$246 million.
- (2) In connection with our acquisition of the oil and gas contract covering the ADE Block, the Southeast Block and the Northwest Block, 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, our repayment obligation for the Southeast Block is \$5,350,680 and our repayment obligation for the Northwest Block is \$5,372,706. 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 commercial production rights, we can relinquish the ADE Block, the Southeast Block and/or the Northwest Block to the ROK in satisfaction of their associated obligations. The recent addenda to our exploration contract which granted us with the extension of exploration period and the rights to the Northwest Block also require us to make additional payments to the liquidation fund, stipulated by the Contract.
- (3) In December 2009 we entered into a capital lease agreement with a vehicle leasing company for the lease of oil trucks. Under the terms of the lease we are required to make payments in the amount of \$292,549 for the year 2011 and \$131,391 for the year 2012.
- (4) We currently have outstanding \$61.4 million in principal amount of 10.75% Convertible Senior Notes due 2013 ("Senior Notes"). The Senior Notes constitute direct, unsubordinated and unsecured, interest bearing obligations of the Company. For additional details regarding the terms of the Senior Notes, see Note 7 Convertible Notes Payable to the notes to our unaudited condensed consolidated financial statements.
- (5) The total contractual obligation of 1,650,000,000 is denominated in Kazakh Tenge. The obligation shown is the amount of the unpaid balance of the contractual obligation converted from Kazakh Tenge to U.S. Dollar based on the conversion rate at June 30, 2011. For additional details regarding the expansion of the Company's Gas Utilization Facility see *Note 6 Discontinued Operations* to the notes to our unaudited condensed consolidated financial statements.

Off-Balance Sheet Financing Arrangements

As of June 30, 2011, we had no off-balance sheet financing arrangements.

Item 3. Qualitative and Quantitative Disclosures about Market Risk

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of June 30, 2011. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of June 30, 2011, our disclosure controls and procedures were effective in (1) recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports that we file or submit under the Exchange Act and (2) ensuring that information disclosed by us in such reports is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting during the quarter ended June 30, 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

See Note 10 "Commitments and Contingencies" to the notes to the unaudited condensed consolidated financial statements under Part I – Item 1 of this Form 10-Q.

Item 1A. Risk Factors

There are no updates to our risk factors as disclosed in our annual report on Form 10-K for the year ended March 31, 2011.

Item 6. Exhibits

Exhibit No.	Description of Exhibit
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
Exhibit 101.INS	XBRL Instance Document
Exhibit 101.SCH	XBRL Taxonomy Extension Schema Document
Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
Exhibit 101.DEF	XBRL Taxonomy Definition Linkbase Document
Exhibit 101.LAB	XBRL Taxonomy Extension Label Linkbase Document
Exhibit 101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

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

BMB MUNAI, INC.

Date: August 15, 2011 /s/ Askar Tashtitov

Askar Tashtitov President

August 15, 2011 Date:

Evgeniy Ler Evgeniy Ler Chief Financial Officer

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EXHIBIT 31.1

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

- I, Askar Tashtitov, certify that:
- 1. I have reviewed this Quarterly Report on Form 10-Q of BMB Munai, Inc.;
- 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5. The registrant's other certifying officer 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 15, 2011 /s/ Askar Tashtitov
Askar Tashtitov
President

(Principal Executive Officer)

EXHIBIT 31.2

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

- I, Evgeniy Ler, certify that:
- 1. I have reviewed this 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 quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5. The registrant's other certifying 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 15, 2011

/s/ Evgeniy Ler

Evgeniy Ler

Chief Financial Officer

(Principal Financial Officer)

EXHIBIT 32.1

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

In connection with this Quarterly Report of BMB Munai, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Askar Tashtitov, President of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: August 15, 2011 /s/ Askar Tashtitov

Askar Tashtitov President

(Principal Executive Officer)

EXHIBIT 32.2

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

In connection with this Quarterly Report of BMB Munai, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Evgeniy Ler, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: August 15, 2011 /s/ Evgeniy Ler

Evgeniy Ler Chief Financial Officer (Principal Financial Officer)