

Casablanca Mining Ltd.  
Form 10-Q  
August 22, 2011

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

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

For the transition period from: \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 000-53558

CASABLANCA MINING LTD.

(Exact name of registrant as specified in its charter)

\_\_\_\_\_

Nevada 80-0214005  
(State or Other Jurisdiction of Incorporation or Organization) (I.R.S. Employer Identification No.)

**9880 N. Magnolia Ave. #176**

**Santee, CA 92071**  
(Address of Principal Executive Offices) (Zip Code)

**(619) 717-8047**  
(Registrant's telephone number, including area code)

**N/A**  
(Former name or former address and former fiscal year, if changed since last report)

\_\_\_\_\_

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was

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required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

As of August 19, 2011, the issuer had 55,370,285 shares of common stock ("Common Stock") outstanding.

PART I — FINANCIAL INFORMATION

Item 1. <u>Financial Statements</u>	1
<u>Consolidated Balance Sheets</u>	2
<u>Consolidated (unaudited) Statements of Operations</u>	3
<u>Consolidated (unaudited) Statements of Cash Flows</u>	4
<u>Notes to Financial statements</u>	5-13
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	14
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	17
Item 4. <u>Controls and Procedures</u>	17

PART II — OTHER INFORMATION

Item 1. <u>Legal Proceedings</u>	18
Item 1A. <u>Risk Factors</u>	18
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	18
Item 3. <u>Defaults Upon Senior Securities</u>	18
Item 4. <u>(Removed and Reserved)</u>	18
Item 5. <u>Other Information</u>	18
Item 6. <u>Exhibits</u>	19
<u>Signatures</u>	20

**PART I – FINANCIAL INFORMATION**

Item 1. Financial Statements

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial reporting and pursuant to the rules and regulations of the Securities and Exchange Commission (“Commission”). While these statements reflect all normal recurring adjustments that are, in the opinion of management, necessary for fair presentation of the results of the interim period, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. For further information, refer to the financial statements and footnotes thereto, which are included in the Company’s annual report on Form 10-K, as amended, previously filed with the Commission.

**Casablanca Mining Ltd.**  
**(An Exploration Stage Company)**  
**Consolidated Balance Sheets**

	June 30. 2011 (Unaudited)	December 31, 2010 (Audited)
<b>ASSETS</b>		
Current Assets		
Cash	\$ 451,774	\$9,390
Accounts receivable	12,661	9,762
Inventory	22,251	—
Prepays	3,500	—
Total current assets	490,186	19,152
Other Assets		
Property and equipment, net	5,158,576	3,745,516
Property-construction in progress	1,942,440	—
Goodwill	66,258	66,258
Total other assets	7,167,274	3,811,774
<b>TOTAL ASSETS</b>	<b>\$ 7,657,460</b>	<b>\$ 3,830,926</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities		
Notes payable	\$ 439,823	\$468,064
Beneficial stock conversion liability	49,807	—
Accounts payable and accrued interest	1,005,039	15,350
Due to related parties	1,092,000	1,092,000
Total liabilities	2,586,669	1,575,414
Stockholders' Equity		
Common stock, \$.001 par value, 100,000,000 shares authorized, 54,030,441 and 50,067,767 shares issued and outstanding respectively	54,030	50,068
Additional paid in capital	5,617,420	2,285,394
Accumulated other comprehensive income	101,170	—
Deficit accumulated during development stage	(701,829 )	(79,950 )
Total stockholders' equity	5,070,791	2,255,512
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 7,657,460</b>	<b>\$ 3,830,926</b>

See notes to consolidated financial statements.

**Casablanca Mining Ltd.**  
**(An Exploration Stage Company)**  
**Consolidated Statements of Operations**  
**(Unaudited)**

	For the Three Months Ended		For the Six Months Ended		From Inception (June 27, 2008) to June 30, 2011
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	
Income	\$ 1,401	\$ —	\$ 2,768	\$ —	\$ 2,768
Operating expenses					
Mining property expenses	175,931	—	252,553	—	252,573
General and administrative	107,248	—	219,734	—	219,734
Legal and accounting	80,214	2,500	138,703	9,700	214,793
Total expenses	363,393	2,500	610,990	9,700	687,100
Operating loss	(361,992 )	(2,500 )	(608,222 )	(9,700 )	(684,332 )
Interest expense	(6,405 )	(988 )	(13,657 )	(1,862 )	(17,497 )
Net loss	\$ (368,397 )	\$ (3,488 )	\$ (621,879 )	\$ (11,562 )	\$ (701,829 )
Loss per share - basic	\$ (0.01 )	\$ (0.00 )	\$ (0.01 )	\$ (0.01 )	\$ (0.07 )
Weighted average common shares - basic	52,179,445	1,053,900	51,770,722	1,053,900	10,108,579

See notes to consolidated financial statements.

**Statements of Comprehensive Income**

	For the Three Months Ended		For the Six Months Ended		From Inception (June 27, 2008) to June 30, 2011
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	
Net loss	\$ (368,397 )	\$ (3,488 )	\$ (621,879 )	\$ (11,562 )	\$ (701,829 )
Foreign currency translation adjustment	139,429	—	101,170	—	101,170

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Total comprehensive loss    \$ (228,968    )    \$ (3,488    )    \$ (520,709    )    \$ (11,562    )    \$ (600,659    )

See notes to consolidated financial statements.

**Casablanca Mining Ltd.**  
**(An Exploration Stage Company)**  
**Consolidated Statements of Cash Flows**  
**(Unaudited)**

	For the Six Months Ended June 30, 2011	For the Six Months Ended June 30, 2010	From Inception (June 27, 2008) to June 30, 2011
Cash flows from operating activities			
Net loss	\$(621,879 )	\$(11,562)	\$(701,829 )
Adjustments to reconcile net loss to net cash used in operating activities:			
Beneficial stock conversion liability	49,807	—	49,807
Depreciation	57,886	—	57,886
Change in operating assets and liabilities:			
Accounts receivable	(2,899 )	—	(2,899 )
Inventory	(22,251 )	—	(22,251 )
Prepaid expenses	(3,500 )	—	(3,500 )
Accounts payable and accrued liabilities	(10,311 )	1,862	(10,634 )
Cash used by operating activities	(553,148 )	(9,700 )	(633,421 )
Cash flows from investment activities			
Cash acquired from Santa Teresa Minerals	—	—	9,390
Purchase of property and equipment	(400,000 )	—	(400,000 )
Property - construction in process	(1,993,386)	—	(1,993,386)
Loan to Santa Teresa Minerals	—	—	(1,000,000)
Cash used by investing activities	(2,393,386)	—	(3,383,996)
Cash flows from financing activities			
Stock offering	3,301,563	—	4,362,686
Notes payable	(13,816 )	9,700	335
Loans from related parties	—	—	5,000
Cash provided by financing activities	3,287,748	9,700	4,368,021
Effect of foreign exchange rate change	101,170	—	101,170
INCREASE IN CASH	442,384	—	451,774
BEGINNING CASH	9,390	—	—
ENDING CASH	\$451,774	\$—	\$451,774

Supplemental disclosure of non-cash investing activities:



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Property rights aquired via stock issuance	\$20,000	\$—	\$20,000
Property rights aquired via liability assumed	1,000,000	—	1,000,000
	\$1,020,000	\$—	\$1,020,000
Acquisition of Santa Teresa Minerals			
Assets acquired	\$—	\$—	\$3,755,278
Liabilites assumed	—	—	(2,555,926)
Goodwill	—	—	66,258
Total, net of cash aquired	\$—	\$—	\$1,265,610
Common stock issued for acquisition	—	—	1,275,000

See notes to consolidated financial statements.

**Casablanca Mining Ltd.**  
**(An Exploration Stage Company)**  
**Notes to Financial Statements**  
**Unaudited**

**NOTE 1: ORGANIZATION**

Casablanca Mining Ltd. (the “Company” or “Casablanca”) is a Nevada Corporation engaged in the acquisition, exploration, development and operation of precious metal properties. The Company is an “exploration stage company” as defined in the Accounting Standards Codification Topic No. 915 “Development Stage Entities” (ASC 915).

Casablanca was incorporated as USD Energy Corp. on June 27, 2008. On December 31, 2010, the Company acquired Santa Teresa Minerals, S.A., a limited liability company organized under the laws of Chile (“Santa Teresa Minerals”). See “Note 4: Santa Teresa Minerals Acquisition.” On February 4, 2011, the Company changed its name from USD Energy Corp. to Casablanca Mining Ltd.

The acquisition of Santa Teresa Minerals was accounted for as business combination, or a purchase. Accordingly, the operating statements and statements of cash flows of the Company from December 31, 2010 through June 30, 2011 reflect the combined operations of Casablanca Mining Ltd. and Santa Teresa Minerals while the operating statements of the Company prior to December 31, 2010 reflect the historical operations of Casablanca Mining Ltd. only.

In the opinion of management, all adjustments (consisting only of normal recurring adjustments) which are necessary to provide a fair presentation of operating results for the interim period presented have been made. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the year.

The Company’s accounting and reporting policies conform to U.S. GAAP applicable to exploration stage enterprises.

The functional currency of Casablanca is the United States Dollar, and the functional currency of Santa Teresa Minerals is Chilean Pesos. The financial statements are presented in United States dollars. The exchange rate at June 30, 2011 was 468.4999 Chilean Pesos per United States Dollar.

**NOTE 2: GOING CONCERN**

The Company’s financial statements at June 30, 2011 and for the period from inception (June 27, 2008) through June 30, 2011 have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities and commitments in the normal course of business. The Company has incurred a loss of \$701,829 from inception through June 30, 2011. In addition, the Company has not generated any material revenues. These conditions raise substantial doubt as to the Company’s ability to continue as a going concern.

The Company may not be able to obtain additional funds that it may require. The Company does not presently have adequate cash from operations to meet its long-term needs. The Company does not currently have any established third-party bank credit arrangements. The Company will seek additional funds through equity or debt financings, if available on terms and schedules acceptable to the Company. If the additional funds that the Company may require are not available to it, the Company may be required to curtail significantly or eliminate some or all of its development programs.

These conditions raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

### **NOTE 3: SIGNIFICANT ACCOUNTING POLICIES**

#### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

#### Principles of Consolidation

The consolidated financial statements include the financial statements of Casablanca, its wholly owned subsidiary Santa Teresa Minerals, and the mining projects owned by Santa Teresa Minerals. All significant inter-company balances and transactions have been eliminated in consolidation.

#### Mining Properties and Equipment

The Company will follow the successful efforts method of accounting. All developmental costs will be capitalized. The Company is predominately engaged in the acquisition and development of proved reserves as opposed to exploration activities. Depreciation and depletion of producing properties will be computed on the unit-of-production method based on estimated proved reserves. Repairs and maintenance will be expensed, while renewals and betterments will be generally capitalized.

At least quarterly, or more frequently if conditions indicate that long-term assets may be impaired, the carrying value of our properties will be compared to management's future estimated pre-tax cash flow from the properties. If undiscounted cash flows are less than the carrying value, then the asset value will be written down to fair value. Impairment of individually significant unproved properties will be assessed on a property-by-property basis, and impairment of other unproved properties is assessed and amortized on an aggregate basis.

#### Asset Retirement Obligation

The Company's financial statements will reflect the fair value for any asset retirement obligation, consisting of future plugging and abandonment expenditures related to our properties, which can be reasonably estimated. The asset retirement obligation will be recorded as a liability at its estimated present value at the asset's inception, with an offsetting increase to producing properties on the balance sheet. Periodic accretion of the discount of the estimated liability will be recorded as an expense in the statements of operations.

#### Estimates

The presentation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

#### Fair Value of Financial Instruments

The carrying amounts for the Company's cash accounts payable and notes payable approximate fair value due to the short-term maturity of these instruments.

#### Income Taxes

ASC Topic No. 740 "Income Taxes" (ASC 740) requires the asset and liability method of accounting be used for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

#### Earnings (Loss) Per Share

Per ASC Topic 260 "Earnings Per Share," basic EPS is determined using net income/(loss) divided by the weighted average shares outstanding during the period. Diluted EPS is computed by dividing net income/(loss) by the weighted average shares outstanding, assuming all dilutive potential common shares were issued.

#### **NOTE 4: SANTA TERESA MINERALS ACQUISITION**

On December 31, 2010, Casablanca acquired Santa Teresa Minerals through the exchange of 25,500,000 shares of Common Stock for all of the issued and outstanding capital shares of Santa Teresa Minerals, pursuant to that certain Exchange Agreement (the "Exchange Agreement"), dated December 7, 2010, among the Company, Santa Teresa Minerals and the shareholders of Santa Teresa Minerals (collectively, the "Santa Teresa Shareholders"). The value of the shares of Common Stock issued in the exchange was \$0.05 per share, as determined by a third party valuation.

In connection with the closing of the Exchange Agreement, we issued a note with a principal amount of \$1,087,000 to Juan Carlos Camus Villegas (the "Villegas Note"), one of the Santa Teresa Shareholders, in exchange for a note in the same amount owed by Santa Teresa Minerals to him. The Villegas Note bears no interest and is payable in full, unless earlier converted, on November 1, 2012. Mr. Camus may declare the Villegas Note immediately due and payable in the event of any material breach of the note that remains uncured for 30 days, commencement of proceedings under bankruptcy, the Company's dissolution, or attachment against a material portion of the Company's assets. Mr. Camus' note contains an anti-dilutive feature which allows Mr. Camus to convert the Villegas Note at any time on or prior to June 30, 2012 into Common Stock at the conversion price of the lesser of \$0.01 per share of Common Stock or lowest price at which the Company issues Common Stock during the conversion period. This conversion right is personal to Mr. Camus and in general, is suspended at any time that the number of shares that have been issued, or are issuable, to the STM Stockholders and their affiliates, or have otherwise been issued pursuant to the Villegas Note, exceeds 51% of the number of shares of Common Stock outstanding. As of June 30, 2011, the holder had the right to convert the note into 2,040,377 shares of Common Stock.

We have reviewed our acquisition of Santa Teresa Minerals to determine the proper accounting for this transaction in accordance with Accounting Standards Codification 805 – "Business Combinations" (ASC 805). Based on our review of ASC 805-10-55-11 and ASC 805-10-55-12, we have determined that the acquisition should be treated as a purchase.

The assets we acquired through Santa Teresa Minerals included principally: cash, accounts receivable, fixed assets (recorded at fair value), including land and mining equipment; and liabilities acquired consisting of accounts payable

and notes and loans payable. The difference between the value of the shares issued in consideration and the assets less liabilities was recorded as goodwill.

7

Assets & Liabilities Acquired	Amounts
Cash	\$9,390
Accounts Receivable	9,762
Fixed Assets	3,745,516
Goodwill	66,258
Accounts Payable	(15,012 )
Notes and Loans Payable	(2,540,914)
 Purchase Price	 \$ 1,275,000

**NOTE 5: PROPERTY AND EQUIPMENT**

The following table sets forth our fixed assets at the date indicated. These assets, with the exception of land which is not depreciable, are being depreciated over their remaining useful lives.

	6/30/2011	12/31/2010
Mining Property/Land	\$4,756,074	\$3,291,472
Office Equipment	115,406	113,879
Furniture and Fixtures	111,324	109,851
Computer Equipment	57,342	56,584
Transportation Equipment	115,600	114,071
Office Improvements	80,046	78,987
Total Property and Equipment	5,235,790	3,764,844
 Less Accumulated Depreciation	 77,214	 19,328
 Net Property and Equipment	 \$5,158,576	 \$3,745,516

On February 2, 2011, Santa Teresa Minerals, signed a Business Purchase Agreement to increase its ownership in five of its Chilean gold mining subsidiaries. The increased stakes were paid for in a combination of 20,000 shares of our common stock, valued at \$20,000, and \$200,000 cash which was paid in five equal monthly installments of \$40,000 each, starting February 4, 2011 and ending in June 2011.

On May 6, 2011, Santa Teresa Minerals S.A., entered into a Promise of Purchase Agreement to obtain a 70% ownership interest in each of the mining properties currently known as “Teresita uno de veinte” and “Los Pinos uno de treinta” (or the “Los Pinos Project”) in exchange for a purchase price of \$1,200,000 payable in installments. This purchase was completed on June 29, 2011. \$200,000 was paid at the time of completion of the transactions contemplated by the Purchase Agreement, \$100,000 is payable on each of the six month, twelve month and eighteen month anniversaries of the Purchase Agreement, \$200,000 is payable on each of the twenty four and thirty month anniversaries of the Purchase Agreement, and \$300,000 is payable on the 36 month anniversary of the Purchase Agreement.

**NOTE 6: PROPERTY – CONSTRUCTION IN PROGRESS**

On September 15, 2010, Santa Teresa Minerals and Minera Anica Ltda., an unaffiliated entity, formed the Chilean corporation, “Sulfatos Chile, S.A.” Santa Teresa Minerals owns a 60% interest and Minera Anica Ltda owns a 40% interest in Sulfatos Chile. Santa Teresa has funded 100% of the operations of Sulfatos Chile. During the six months ended June 30, 2011, Santa Teresa Minerals contributed \$1,942,440 to Sulfatos Chile toward the construction of a copper sulfate production facility. Santa Teresa Minerals intends to provide the further financing necessary to complete the construction of the copper sulfate production facility and to put the copper sulfate production facility into production.

**NOTE 7: GOODWILL**

In connection with the Santa Teresa Minerals acquisition, Casablanca issued 25,500,000 shares of Common Stock valued at \$.05 per share for a total value of \$1,275,000. This was recorded as Common Stock at par value of \$25,500 with the remaining \$1,249,500 recorded as additional paid-in capital. In connection with the acquisition, and in accordance with ASC Topic 805-30 “Business Combinations – Goodwill or Gain from Bargain Purchase Including Consideration Transferred,” we recorded goodwill in the amount of \$66,258, representing the amount by which the total liabilities of Santa Teresa Minerals exceeded the total book value of the assets of Santa Teresa Minerals. In accordance with ASC Topic 350-20 “Intangibles - Goodwill and Other,” we will periodically test the Goodwill for impairment.

**NOTE 8: DEBT**

In 2008, Trisha Malone, then our Chief Executive Officer and a director, advanced \$5,000 on the Company’s behalf to pay a vendor. No interest accrued on this advance, which was to be repaid from the proceeds of sales of stock or a loan. The balance due on this loan at June 30, 2011 is \$5,000.

On February 7, 2009, the Company issued a Convertible Note (the “Suprafin Note”) to Suprafin, Ltd. in exchange for Suprafin’s agreement to lend the Company up to \$25,000 for operating expenses. The Suprafin Note bears interest at a rate of 10.0% per annum and was due and payable on February 7, 2010. Suprafin had the right to convert at any time the outstanding principal and interest under the Suprafin Note into shares of Common Stock at the market closing price on the day prior to conversion. On February 5, 2010, the Suprafin Note was amended to extend the maturity date to February 7, 2011, to increase the amount the Company may borrow to up to \$50,000 at any given time, and to set the conversion price at \$.0225 per share. In July 2010, Suprafin converted the then outstanding principal and interest (\$45,312) under the Suprafin Note into 2,013,867 shares of Common Stock. On January 17, 2011, Suprafin converted the outstanding principal and interest (\$14,425) into 641,111 shares of Common Stock. See “Note 9: Related Party Transactions.”

In connection with the closing of the Exchange Agreement, the Company issued a note with a principal amount of \$1,087,000 (the “Villegas Note”) to Juan Carlos Camus Villegas, one of the Santa Teresa Shareholders and presently an officer and director of the Company, in exchange for a note in the same amount owed by Santa Teresa Minerals to him. See “Note 4 – Santa Teresa Minerals Acquisition.” The Villegas Note gives Mr. Camus the right to convert the Note into shares of Common Stock of the Company provided such right is suspended at any time that the number of shares that have been issued or are issuable, to Mr. Camus and the former holders of the stock of Santa Teresa Minerals, and their affiliates, or have otherwise been issued pursuant to the Note exceeds 51% of the shares of Common Stock outstanding.

Santa Teresa has several lines of credit with Banco Security. These lines of credit have historically been rolled over at the due date into a new line of credit with a revised due date and interest rate.



The following table sets forth the consolidated indebtedness of Casablanca and Santa Teresa Minerals at the date indicated. Inter-company transactions have been eliminated in the consolidated balance sheets:

Description	Terms	Balance	Balance
		Due at 6/30/11	Due at 12/31/10
<u>Due to related parties:</u>			
Note to Trisha Malone	Interest Free, No Repayment Date	\$5,000	\$5,000
Note to Juan Carlos Camus	See Note 4	1,087,000	1,087,000
	Total Due	\$1,092,000	\$1,092,000
<u>Notes payable:</u>			
Loan with Banco Santander Chile 1/28/10	24 Months at 8.3%	\$22,953	\$44,158
Line of Credit with Banco Security 6/9/11	Due 9/7/11 at 8.0%	32,205	32,132
Line of Credit with Banco Security 4/20/11	Due 7/19/11 at 7.5%	147,757	144,675
Line of Credit with Banco Security 5/16/11	Due 8/14/11 at 7.4%	194,282	190,887
Loan with Metales Acer LTDA 4/30/10	Interest Free, No Repayment Date	42,627	42,063
Suprafin Note	10% Interest, Convertible Note	—	14,150
	Total Due	\$439,823	\$468,064

#### NOTE 9: RELATED PARTY TRANSACTIONS

In 2008, the Company issued 600,000 shares of Common Stock to Trisha Malone, a director and at the time Chief Executive Officer, in consideration of setup costs advanced on behalf of the Company and a business plan.

In 2008, Trisha Malone, a director and at the time our Company's Chief Executive Officer, advanced \$5,000 on the Company's behalf to pay a vendor. No interest accrued on this advance, which was to be repaid from the proceeds of sales of stock or a loan. The balance due on this loan at June 30, 2011 is \$5,000. See "Note 8: Debt."

In 2009, the Company issued a Convertible Note in the amount of \$25,000 to Suprafin, Ltd. for a loan of up to \$25,000 to fund operating expenses. In 2010 and 2011, the note was converted into an aggregate of 2,654,978 shares of Common Stock. See "Note 8: Debt." Ms. Malone is the Corporate Secretary and Zirk Engelbrecht, a director of the Company and our President, is the Chief Executive Officer of Suprafin, Ltd.

Pursuant to Stock Purchase Agreement, dated December 7, 2010, Mr. Ronk, the Izak Zirk Engelbrecht Living Trust, Angelique de Maison and Kensington & Royce, Ltd. (the "Stock Purchase Agreement Stockholders"), the Stock Purchase Agreement Stockholders purchased, in the aggregate, 21,500,000 shares of Common Stock for approximately \$.05 per share or an aggregate sum of \$1,100,000. At the time of these sales, Ms. de Maison (the Chief Executive Officer and sole director of Kensington & Royce, Ltd.) owned more than 10% of the outstanding Common Stock of the Company. Ms. de Maison, a director of the Company may also be considered a related party to Zirk Engelbrecht, who is President and a director of the Company, under the rules of the Securities Exchange Act of 1934. Ms. de Maison, and any entity controlled by Ms. de Maison, disclaim beneficial ownership of any securities beneficially owned by Mr. Engelbrecht or any entity controlled by Mr. Engelbrecht, and Mr. Engelbrecht, and any entity controlled by Mr. Engelbrecht, disclaim beneficial ownership of any securities beneficially owned by Ms. de Maison or any entity controlled by Ms. de Maison.

In January 2011, the Company issued 800,000 shares of Common Stock to WealthMakers Ltd. for \$1.00 per share or an aggregate of \$800,000. Ms. de Maison is Chief Executive Officer, Chairman of the Board of Directors and majority

shareholder of WealthMakers and Ms. Malone is Chief Financial Officer and a director of WealthMakers.

Pursuant to the Stock Purchase Agreement dated March 10, 2011, as amended, the Company agreed to issue and sell to Ms. de Maison, and Ms. de Maison agreed to purchase, 4,000,000 shares of common stock for \$1.00 per share. Ms. de Maison purchased 2,501,563 shares of common stock through June 30, 2011 and an additional 1,339,844 shares through August 15, 2011. Ms. de Maison's obligation to purchase any remaining shares terminates if she ceases to be a director of the Company other than through her voluntary resignation. Either the Company or Ms. de Maison may terminate its or her respective obligations under the Stock Purchase Agreement with respect to any shares of Common Stock that are not purchased on or prior to December 31, 2011.

#### **NOTE 10: COMMON STOCK**

In June 2008, the Company issued 600,000 shares to Trisha Malone, a director and officer, in consideration of setup costs advanced on behalf of the Company and a business plan. See "Note 9: Related Party Transactions."

In February 2009, the Company issued an aggregate of 453,900 shares to a number of purchasers for an aggregate amount of \$15,130. This issuance was exempt from registration under the Securities Act of 1933, as amended, pursuant to Regulation D, Rule 504 offering registered in the State of Illinois as a Small Corporate Offering. The shares were also offered to investors in California, pursuant to Section 25102(n) of the California Corporations Code and to investors in New York, pursuant to a Form 11 on file with the New York Department of Law.

In July 2010, the Company issued 2,013,867 shares to Suprafin upon conversion of \$45,312 of the then outstanding principal and interest under the Suprafin Note. "See Note 8: Debt."

In December 2010, the Company issued 21,500,000 shares to Thomas Ronk, Angelique de Maison, the Izak Zirk Engelbrecht Living Trust and Kensington & Royce, Ltd. for \$1,100,000. See "Note 9: Related Party Transactions."

In December 2010, the Company issued to the shareholders of Santa Teresa Minerals an aggregate of 25,500,000 shares in exchange for all the outstanding equity securities of Santa Teresa Minerals. See "Note 4: Santa Teresa Minerals Acquisition."

In January 2011, the Company issued an additional 641,111 shares to Suprafin, Ltd. upon conversion of the remaining balance of \$14,425 on the Suprafin Note. See "Note 8: Debt."

In January 2011, the Company issued 800,000 shares of Common Stock to WealthMakers, Ltd. for \$800,000. See "Note 9: Related Party Transactions."

From March 2011, through June 2011, the Company issued an aggregate of 2,501,563 shares to Ms. de Maison for \$1.00 per share. See "Note 9: Related Party Transactions."

In June 2011, the Company issued 20,000 shares of Common Stock to an individual pursuant to the Business Purchase Agreement dated February 2, 2011 whereby the Company increased its equity ownership in five of its Chilean mining subsidiaries in exchange for such shares and \$200,000 in cash.

#### **NOTE 11: STOCK SPLIT**

On July 14, 2009, the Company effected a 30 for 1 forward split of its Common Stock which has been applied on a retroactive basis.

## **NOTE 12: NEW ACCOUNTING PRONOUNCEMENTS**

In January 2010, FASB issued ASU No. 2010-06 – Improving Disclosures about Fair Value Measurements. This update provides amendments to Subtopic 820-10 that requires new disclosure as follows: 1) Transfers in and out of Levels 1 and 2. A reporting entity should disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers. 2) Activity in Level 3 fair value measurements. In the reconciliation for fair value measurements using significant unobservable inputs (Level 3), a reporting entity should present separately information about purchases, sales, issuances, and settlements (that is, on a gross basis rather than as one net number). This update provides amendments to Subtopic 820-10 that clarifies existing disclosures as follows: 1) Level of disaggregation. A reporting entity should provide fair value measurement disclosures for each class of assets and liabilities. A class is often a subset of assets or liabilities within a line item in the statement of financial position. A reporting entity needs to use judgment in determining the appropriate classes of assets and liabilities. 2) Disclosures about inputs and valuation techniques. A reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. Those disclosures are required for fair value measurements that fall in either Level 2 or Level 3. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The Company is currently evaluating the impact of this ASU; however, we do not expect the adoption of this ASU to have a material impact on our consolidated financial statements.

ASU 2010-28, Intangibles – Goodwill and Other (Topic 350) - When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts - a consensus of the FASB Emerging Issues Task Force. This ASU modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. For public entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. The Company is currently evaluating the impact of this ASU; however, it does not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

ASU 2010-29, Business Combinations (Topic 805) - Disclosure of Supplementary Pro Forma Information for Business Combinations - a consensus of the FASB Emerging Issues Task Force. This ASU specifies that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The ASU also expands the supplemental pro forma disclosures under ASC Topic 805. The amendments are effective prospectively for business combinations for which the acquisition date is on or after December 15, 2010. The Company is currently evaluating the impact of this ASU; however, it does not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

## **NOTE 13: SUBSEQUENT EVENTS**

In accordance with ASC Topic No. 855 “Subsequent Events”, the Company has evaluated subsequent events through the time between the end of the reporting period and the time this Quarterly Report on Form 10-Q for the period ended June 30, 2011 was filed with the Commission. The following events occurred subsequent to June 30, 2011 and require

disclosure or recognition in these financial statements.

12

In July and August 2011, the Company issued 1,339,844 shares of Common Stock to Angelique de Maison for \$1.00 per share, or a total of \$1,339,844, pursuant to the March Stock Purchase Agreement as amended. See “Note 9 – Related Party Transactions.”

On August 16, 2011, the Company entered into an Exchange Agreement with Juan Carlos Camus Villegas (“Mr. Camus”) pursuant to which that certain convertible promissory note in a principal amount of \$1,087,000 issued by the Company to Mr. Camus on December 31, 2010 (the “Original Note”) was cancelled upon certain terms and conditions, in exchange for \$130,000 in cash, 2,000,000 shares of common stock of the Company, and a new non-convertible promissory note in the amount of \$1,000,000 (the “New Promissory Note”). In addition, certain of the Company’s other shareholders agreed to vote an aggregate of 10,500,000 shares of common stock as directed by Mr. Camus until December 31, 2013.

The New Promissory Note, which does not contain the anti-dilutive features of the Original Note, bears interest at a rate of 10% per annum, payable monthly in arrears. Principal and accrued and unpaid interest shall be due and payable on November 1, 2012, provided however that the loan will become payable immediately upon demand by Mr. Camus following certain events, including the Company’s insolvency, bankruptcy, or general assignment for the benefit of creditors and Mr. Camus no longer being a director of the Company (unless Mr. Camus is not a director because of his voluntary resignation as a director).

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

References in the Report to the "Company", "we", "us" or "our" refer to Casablanca Mining Ltd., a Nevada Corporation ("Casablanca") and its consolidated subsidiary Santa Teresa Minerals, S.A., a limited liability company organized under the laws of Chile ("Santa Teresa Minerals"). The following discussion of our financial condition and results of operations should be read in conjunction with the financial statements and related notes to the financial statements included elsewhere in this filing as well as with Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the Company's annual report on Form 10-K for the fiscal year ended December 31, 2010, filed with the Commission.

On December 31, 2010, the Company acquired Santa Teresa Minerals. For a discussion of our financial statements prior to the acquisition of Santa Teresa Minerals (the "Santa Teresa Acquisition"), see our financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in our Annual Report on Form 10-K for the year ended December 31, 2009 and our Annual Report on Form 10-K for the year ended December 31, 2010. The transaction was accounted for as business combination or a purchase, and the operating statements of the Company prior to December 31, 2010 reflect the historical operations of Casablanca Mining Ltd. only. Prior to the Santa Teresa Acquisition, we conducted only nominal business operations. As such, comparisons to financial periods prior to the Santa Teresa Acquisition may not be meaningful.

### **Forward Looking Statements**

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and the related notes appearing elsewhere in this Report. This discussion and analysis may contain forward-looking statements based on assumptions about our future business. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, those set forth under "Factors that May Affect Future Operating Results" contained in the Company's annual report on Form 10-K for the fiscal year ended December 31, 2010.

### Overview

The Company engages in the acquisition, exploration, development, and operation of precious metal properties in South America since its acquisition of Santa Teresa Minerals. Its gold and copper mining operations are based near Santiago, Chile. Santa Teresa Minerals currently has, directly and indirectly through various equity interests, mining rights in a producing gold mine, "Free Gold," and in exploration projects, the "Casuto Project," consisting of Los Azules 1-3, Tauro 1-6, Los Chipi 1-16 and the "Los Pinos Project," consisting of Los Pinos 1-30 and Teresita 1-20. These projects include 30 different mining and mineral exploration properties including gold, copper and copper sulfate. Santa Teresa Minerals also owns 60% of Sociedad Sulfatos Chile S.A., a copper sulfate production project that owns the Anica Copper Mines, and a 60% position in a company with the rights to a revolutionary mining technology that extracts gold, silver and copper from raw mining materials using a proprietary and patented electrolysis method of electromining.

### Results of Operations

#### *Revenues*

Revenue for the three and six months ended June 30, 2011 were \$1,401 and \$2,768 respectively from the sale of scrap metal. There were no revenues for the same periods in 2010.





We have had only minimal revenues generated to date as we have concentrated our efforts in obtaining permits, conducting mining tests, obtaining samples, and constructing plants. We expect Santa Teresa Minerals will begin to generate revenues from its mining projects in the third quarter of 2011.

#### Operating Expenses

For the three and six months ended June 30, 2011, operating expenses were \$363,393 and \$610,990 respectively, compared to \$2,500 and \$9,700 for the three and six months ended June 30, 2010. Operating expenses were primarily associated with the operations of Santa Teresa Minerals in the ordinary course of business as well as legal and accounting expenses required by a public company and costs incurred in connection with the Santa Teresa Acquisition.

Santa Teresa Minerals has incurred significant expenses since inception, mostly as the result of capital expenditures for equipment and infrastructure, exploration costs, development of technology, salaries for mining personnel, legal, accounting and office expenses.

#### *Interest Expense*

Interest accrued or paid on notes payable, resulted in interest expense of \$6,405 and \$13,657 for the three and six months ended June 30, 2011, respectively compared to \$988 and \$1,862 in interest expense for the three and six months ended June 30, 2010. Interest expense is mainly related to bank loans and lines of credit for Santa Teresa Minerals.

#### *Net Loss*

For the three and six months ended June 30, 2011, net losses were \$368,397 and \$621,879, respectively compared to net losses of \$3,488 and \$11,562 for the three and six months ended June 30, 2010. Net losses were due to the operational expenses discussed above.

#### *Financial Condition, Liquidity and Capital Resources*

As of June 30, 2011, our principal sources of capital included cash of \$451,774 compared to \$9,390 at December 31, 2010. This capital was generated through private placements of our Common Stock. In January 2011, we raised \$800,000 from the sale of 800,000 shares of Common Stock to WealthMakers, Ltd. In March 2011, Angelique de Maison individually agreed to purchase from us up to 1,000,000 shares of Common Stock at a purchase price of \$1.00 per share which number was increased in May and June 2011 for a total of 4,000,000 shares of Common Stock at a price of \$1.00 per share. As of August 9, 2011, we had sold a total of 3,841,407 shares to Ms. de Maison pursuant to this agreement.

During the next twelve months, the Company plans to satisfy its cash requirements by additional equity financing and contributions from its current principal shareholders. The Company intends to undertake private placements of its securities in order to raise future development and operating capital. The Company depends upon capital to be derived from contributions from its principal shareholders and future financing activities such as subsequent offerings of its securities. There can be no assurance that the Company will be successful in raising the capital it requires through the sale of its securities.

Going forward, Santa Teresa Minerals expects to incur average monthly costs, including capital purchases, of approximately \$800,000 as it builds out the copper mine and copper sulfate production facility associated with

Sulfatos Chile, and begins production at its Free Gold and Los Pinos properties. Santa Teresa Minerals also expects to incur further exploration costs and costs to develop technology as set forth in its plan of operations.

During the quarter ended June 30, 2011, the Company acquired various additional mining assets.

### Los Pinos

In June 2011, the Company purchased a 70% ownership interest in each of the mining properties currently known as “Teresita uno de veinte” and “Los Pinos uno de treinta” (or the “Los Pinos Project”) for a purchase price of \$1,200,000 payable in installments. We paid \$200,000 at the closing of the purchase and are obligated to pay \$100,000 on each of the six month, twelve month and eighteen month anniversaries of the Purchase Agreement, \$200,000 on each of the twenty four and thirty month anniversaries of the Purchase Agreement, and \$300,000 on the 36 month anniversary of the Purchase Agreement.

### Casuto Project

In February 2011, we increased our equity ownership in five of our Chilean gold mining subsidiaries in exchange for 20,000 shares of our Common Stock, valued at \$20,000, and \$200,000 in cash paid in five equal monthly installments ending in June 2011. This purchase resulted in the following increases in our equity ownership:

- Our interest in Cia Contractual Casuto, which is the owner of Tauro 1-4 mining properties of the Casuto Project, increased from 55.125% to 65.125%.
- Our interest in Sociedad Contractual Free Gold, which is the owner of the Free Gold Project, increased from 50% to 99%.
  - Our interest in Sociedad Contractual Minera Los Azules, which is the owner of Los Azules 1-3 mining properties of the Casuto Project, increased from 55.125% to 65.125%.
- Our interest in Sociedad Legal Minera Tauro 5, which is the owner of Tauro 5 mining property of the Casuto Project, increased from 70% to 85.215%.
- Our interest in Sociedad Legal Minera Tauro 6, which is the owner of Tauro 6 mining property of the Casuto Project, increased from 70% to 85.215%.

On our Casuto Project properties, we intend to conduct further geological assessment studies of the area in order to identify the old river channels and then to plan a campaign of boring and sampling in areas of greater interest, at a cost of approximately \$1.0 million within the next 12 months.

### Sulfatos Chile

In March 2011, Santa Teresa Minerals signed an Engineering and Construction of an SX-CR Plant Agreement with Francisco Morales Rivera – Ingefibras E.I.R.L. and Nunez, Ojeda Y da Silva Limitada – RCG Ingenieria (together the “Contractor”) for Contractor to design and build a Solvent Extraction and Crystallization Plant in the Sulfatos Chile S.A. Anico Project. The project is being paid for in installments after the completion and verification of multiple scheduled milestones through the expected completion date of October 24, 2011. The total project cost per the agreement is \$1,150,000 plus taxes. The plant is being fabricated offsite and is on schedule to be completed and installed by October 24, 2011.

At the Anica Copper Mine, a new two kilometer road has been installed and a 15 drill hole drilling program has been completed. Drill rigs were used to drill down to a depth of 140 meters. Drilling samples were taken to determine the grade of copper at the mine. The samples are currently being evaluated by a third party laboratory contracted by Sulfatos Chile.

We estimate that the entire copper sulfate production facility and working copper mining operation will cost approximately \$6.2 million and will be completed by the end of 2011.

### Free Gold

Pursuant to the Purchase Agreement discussed above, the Company's stake in Contract Mining Company - Free Gold (also known as Sociedad Contractual Free Gold), which is the owner of the Free Gold Project, increased from 50% to 99%.

We plan to expand the alluvial gold operations at Free Gold at an estimated cost of \$1.97 million within the next eight months, by increasing the existing equipment inventory and expanding the Company's alluvial processing plant.

### Fast Cooper

On June 28, 2011 the China Patent Office granted a patent for the electro-mining technology owned by Fast Cooper. We own 60% of Fast Cooper. Patents for the electro-mining process have been issued in Chile, South Africa and China and are pending in the United States, Canada, Australia and Brazil.

This patented process is significantly faster, cheaper, and more environmentally friendly than traditional copper extraction. Traditionally, copper has been extracted from raw material using the following method:

Copper bearing minerals are concentrated from crushed ores by froth flotation or bioleaching. Heating this material with silica in flash smelting removes much of the iron as slag. The process converts iron sulfides into oxides, which in turn react with the silica to form the silicate slag, which floats on top of the heated mass. The resulting copper matte is then roasted to convert all sulfides into oxides. The cuprous oxide is converted to blister copper upon heating. This step reduces the copper oxide to copper metal. Natural gas is blown across the blister to remove most of the remaining oxygen and electro-refining is performed on the resulting material to produce pure copper.

The electro-mining technology subject to the patent revolutionizes copper extraction technology by bypassing nearly all of the traditional copper extraction process, which is expensive, time consuming, and environmentally unfriendly, and extracts copper directly from crushed raw material using an electrical and chemical process that allows the copper to diffuse through the raw material and attach to a steel plate submerged in a chemical solution. The process is more environmentally friendly as the chemical solution is contained in plastic tanks and water and acid are recycled in a closed system.

We expect to continue to incur patent related costs as we continue work on the pending patents in the United States, Canada and Brazil.

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

Not applicable.

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

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company carried out an evaluation under the supervision and with the participation of the Company's management, including the Principal Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures as of June 30, 2011. In designing and evaluating the Company's disclosure controls and procedures, the Company recognizes that there are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance

of achieving their desired control objectives. Additionally, in evaluating and implementing possible controls and procedures, the Company's management was required to apply its reasonable judgment. Based upon the required evaluation, the Principal Executive Officer and Chief Financial Officer concluded that as of June 30, 2011, the Company's system of controls and procedures are not effective to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. The Company's management intends to address the material weaknesses in its disclosure controls and procedures as soon as possible.

Because of our acquisition of Santa Teresa Minerals, there have been resulting changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Securities Exchange Act of 1934) during the quarter ended June 30, 2011 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II – OTHER INFORMATION**

### **Item 1. Legal Proceedings**

None.

### **Item 1A: Risk Factors**

Not applicable.

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

The following securities were issued by Casablanca Mining Ltd. during the quarter ended June 30, 2011 and were not registered under the Securities Act:

During the quarter ended June 30, 2011, the Company issued 2,501,563 shares of Common Stock at \$1.00 per share to Angelique de Maison pursuant to the Stock Purchase Agreement dated March 10, 2011 as amended. The Company issued an additional 1,339,844 shares of Common Stock to Ms. de Maison pursuant to such agreement in July and August 2011.

In June 2011 the Company issued 20,000 shares of Common Stock to an individual pursuant to the Business Purchase Agreement dated February 2, 2011 whereby the Company increased its equity ownership of five of its Chilean mining subsidiaries in exchange for such shares and \$200,000 in cash.

These issuances were effected without registration under the Securities Act of 1933, as amended, in reliance on the exemption from registration contained in Section 4(2) of the Securities Act of 1933, as amended, and/or Regulation D there under. No general solicitation or advertising was used in connection with the sale of the shares, and the Company has imposed appropriate limitations on resales. There was no underwriter involved in these sales.

### **Item 3. Defaults Upon Senior Securities**

None.

### **Item 4. (Removed and Reserved)**

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

None.





Item 6: Exhibits

Exhibit No.	Description
4.1	Promissory Note, dated August 16, 2011, between Casablanca Mining Ltd. and Juan Carlos Camus Villegas. Incorporated by reference to the Current Report on Form 8-K filed on August 18, 2011.
10.1	Amendment No. 1 to Stock Purchase Agreement, dated May 19, 2011, between Casablanca Mining Ltd. and Angelique de Maison. Incorporated by reference to the Current Report on Form 8-K filed on May 20, 2011.
10.2	Amendment No. 2 to Stock Purchase Agreement, dated June 24, 2011, between Casablanca Mining Ltd. and Angelique de Maison. Incorporated by reference to the Current Report on Form 8-K filed on June 28, 2011.
10.3	Promise of Purchase Agreement, dated May 6, 2011, between Casablanca Mining Ltd. and Benito Alfonso Ferrer Hernandez and Santa Teresa Minerals. Incorporated by reference to the Current Report on Form 8-K filed on June 10, 2011.
10.4	Exchange Agreement, dated August 16, 2011, between Casablanca Mining Ltd. and Juan Carlos Camus Villegas. Incorporated by reference to the Current Report on Form 8-K filed on August 18, 2011.
31.1	Certification of Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a)
31.2	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a)
32.1	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350
32.2	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

/s/Trisha Malone  
Trisha Malone  
Chief Financial Officer

Date: August 22, 2011