

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

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ADMINISTRATIVE PROCEEDING File
No. 3-16318

In the Matter of

MICHAEL W. CROW,
ALEXANDRE S. CLUG, AURUM
MINING, LLC, PANAM TERRA,
INC., and THE CORSAIR
GROUP, INC.,

Respondents.

**RESPONDENTS' ALEXANDRE S. CLUG, AURUM
MINING, LLC, PANAM TERRA, INC., AND THE
CORSAIR GROUP, INC. FINDINGS OF FACT AND
CONCLUSIONS OF LAW**

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PanAm Terra

A. Lana was qualified to be a CFO and performed CFO duties:

1. Lana: Page 940, line 10-22. Lana has public filings and audit work experience thus qualifying him for role of CFO.
2. Lana's role at PanAm was not solely to raise funds as claimed by the Division. Lana was also responsible for all of the company's filings, financial statements, audits, working with counsel etc. Ross, Page 1630, line 1-6.
3. Lana was compensated for his work at PanAm (with equity). Resp. Ex. 133.

B. The PanAm Board of Directors - Gewanter, Mooney, Clug and Ross were not controlled by Crow:

4. Ross and Clug knew each other years before PanAm. Ross, Page 1622, line 5.
5. Clug recruited Gewanter, someone not known to Crow, to become a Director of PanAm. Page 1825, line 17-19. Resp. Ex. 131.
6. Crow recommended potential Directors for the Board to Clug but Clug did not necessarily choose those recommended. Clug, Page 2083, line 17.
7. Gewanter knew and understood that Crow was a consultant to PanAm. Gewanter, Page 1829, line 10.
8. Gewanter was informed that Crow was a consultant. Div. Ex. 454 – Crow emails Mooney, Ross, and Gewanter and states: "When you need input from us/me at Corsair please let me know so we can fulfill our obligations under the consulting contract. For Board only matters please just include Alex on any emails."
9. Clug went to Uruguay with Ross to introduce Ross to his contacts and relationships. Crow did not go on any of Clug or Ross' PanAm trips. Ross, Page 1625, line 22-25.
10. After Crow introduced Ross to Mickelson, Ross took the lead in that relationship. Page 1625, line 4.

11. Gewanter testified that Crow did not participate in any Board Meetings nor “participate in any decisions whatsoever”. Page 1829, line 15-19.
12. Gewanter testified that Crow gave a factual presentation to the Board and did not try to influence any member of the Board. Gewanter, Page 1829, line 15 to Page 1830, line 5.
13. Lana, the active CFO of PanAm, testified, Page 876, line 9-10, that he believed Crow to be “... just a consultant to the company.”
14. Lana was aware of Crow’s SEC ban on being an officer, director of a public company and also testified that he never saw Crow “act in any capacity as an officer or Director of PanAm Terra.”. Page 987, line 5-13.
15. Lana also testified that with regards to Crow and PanAm, “I just didn’t think he had a significant role in the company. I didn’t really deal with him much.” Lana Page 879, line 5-7.
16. PanAm was controlled by Clug. Crow never had any shareholding above 4.99%, even when the company was only a ‘shell’. Resp. Ex. 84, page 21. (Form 10-12G)
17. Crow made several suggestions to Clug on how to clean up PanAm but Clug made the decisions on how best to move forward.
 - a. For example, in Div. Ex 19. email: Crow suggests to Clug taking the shell thru bankruptcy and then a Form 10. Clug ignored his recommendations and did not use a bankruptcy.
18. Board of Directors Director Chad Mooney (Resp. Ex. 130) testified that Crow (Resp. Ex. 160) was never in any way a control person:
 - a. I attended meetings of the Board of Directors and Michael Crow did not participate in any of the meetings.
 - b. At no time while I was a director or to my knowledge, did Michael Crow ever direct me to make or not make any corporate decisions for PanAm, and at no

time did I ever witness any activity or conduct of Michael Crow that demonstrated that he was an officer, director or control person of PanAm.

- c. At no time while I was a director or to my knowledge was I aware that Michael Crow prepared any quarterly or annual filings for PanAm with the Securities and Exchange Commission or assisted in the preparation of these filings or any filings with the SEC.
- d. To my knowledge, Michael Crow did not perform any service for PanAm other than that of a consultant through Corsair.

19. PanAm CEO and Director Steve Ross testified that Crow was in no way a control person:

- a. Page 1621, line 7: "Yes, he was" on whether Crow was a consultant.
- b. Page 1621, line 9, "Absolutely, yes" on whether it was normal for him to consult with shareholders and consultants.
- c. Page 1638, line 20-21, "..Crow didn't have any involvement in the operations of PanAm Terra."

C. There was no 'plan' or even need to conceal Crow's involvement; he was not a de-facto officer or related person

20. Ross knew of Crow's bar from being an officer, director of a public company. Ross, Page 1637, line 18-22.

21. To ensure that Crow had no ability whatsoever to control any activities of PanAm, even if through Corsair, Crow contractually agreed that even any shares that might be owned by Corsair would in no way be in his control. Resp. Ex. 83 (Corsair letter to PanAm about Crow).

22. Both of the Convertible Notes held directly or indirectly by Crow had blockers that did not allow him to ever own more than 4.99% at any one time. Resp. Ex. 123, 124.

23. Lana testified that Crow's Note conversion into PanAm shares would not represent over

4.9% of the outstanding shares. Lana, Page 1022, Line 18-25.

24. Crow, as a potentially large shareholder of PanAm wanted liquidity in his shares via PanAm getting a quotation on the OTCBB and thus was keen on knowing the status of its listing progress and troubled on how long it was taking. He would contact Clug and Lana to find out the status and was upset on how long it was taking. (Div. Ex. 404). In his frustration he even threatened that Lana should be fired (Div. Ex. 413). However, since Crow had no control over PanAm, nothing of the sort occurred, nor did Lana take his threat seriously. Lana Page 911, line 21. "Well, I didn't consider it a threat." Clug, Page 1657, line 17 – 21 – Crow told Clug that Lana should be fired and Clug ignored him.

D. Crow's conversion of his Note was a private transaction outside of the Company's control. Clug was not responsible for Crow's private conversion transaction of his Note nor did he have any involvement in it, and nor was he responsible for how it needed to be reported, if at all, by the Company in its filings.

25. During the period of time that Crow was working with Lana on the private sale of his PanAm shares. Clug was Chairman of PanAm (Resp. Ex. 126). The CEO, Ross and CFO, Lana, working with the company's counsel, Brantl, were active and responsible for all audits and SEC filings, and were aware of Crow's Note conversion. Ross, Page 1630, line 7-10. Page 1631, line 8-24.

26. As CEO Ross worked with PanAm's CFO Lana and the company's counsel, Robert Brantl, on any SEC filings, not Clug. Ross, Page 1629, line 24 to Page 1630, line 6. Ross, Page 1630, line 7-13.

E. Crow voluntarily and properly extended the due dates on his two Convertible Notes.

27. Crow executed the extension of his Convertible Notes via Div. Ex. 477. These were the 'extensions' that were sent directly to Lana and the auditors. Div. Ex. 497, Note extensions that the Division alleges Clug backdated with Crow, were not the ones used and sent to the auditors. Hartman, Page 487, line 6-13.

F. PanAm enters into a Consulting agreement with Corsair after Clug resigned as CEO.

28. Clug resigned as CEO of PanAm on July 6 2012. Resp. Ex. 126.

29. Ross testified that the Corsair consulting agreement that he signed as CEO of PanAm was for transition help because of Clug's departure as CEO and for other assistance, such as the introduction of the Mickelson Group. Page 1640, line 3-21.

30. The Corsair consulting agreement with PanAm was executed by Ross as CEO of PanAm and approved by the Board of Directors. Resp. Ex. 126, 82.

G. PanAm was going through all the required steps to eventually obtain a trading symbol on the OTCBB.

31. The application process to eventually get a symbol on the OTCBB is a long process that includes and requires the filing of Form 10-12G (Resp. Ex. 84), registration of securities. Company's counsel, Brantl wrote and reviewed all documents submitted to the SEC including the Executive Brief that was part of the filing. Ross, Page 1630, line 10. Page 1631, line 24. Lana, Page 947, line 4-20.

A PanAm Executive Brief (Div.Ex. 389) states that (in caps for emphasis): "...the NAME AND SYMBOL CHANGE to PanAm is IN PROCESS with a Form 10 AND application FOR listing on the OTCBB submitted on April 29, 2011." Resp. Ex. 84 (PanAm Form 10-12G). The Division misinterprets Brant's language here by alleging that the Company was stating that it had filed for a symbol application directly to the OTCBB on April 29, 2011. Brantl's meaning is clearly that the entire Process of getting a symbol had been started beginning with the Form 10 application on April 29, 2011.

H. Clug did not and could not have filed a Form D as CEO in September 2012.

32. Div. Ex. 474 shows a Form D filed in September 2012 purportedly signed by Clug. However, Clug was not CEO at that time (Resp. Ex. 134), the signature is not an actual signature but simply typed in, and could be easily filed directly by counsel without Clug's knowledge. Clug, Page 1952, line 4-11.

I. Clug voluntarily foregoes any salary during his tenure as CEO of PanAm Terra.

33. Clug never took any salary out of PanAm, although he was contractually allowed to do so. Resp. Ex. 135.

34. Out of the \$400,000 that went to PanAm, only \$40,000 went to Corsair, via a Board approved agreement in July 2012, after Clug resigned as CEO. Div. Ex. 2A.

35. Clug only received part of the \$40,000 that Corsair received under its Board approved consulting agreement and received reimbursements for approved pre-paid expenses. Resp. Ex. 171.

36. The last investment into PanAm was received at the end of 2012. Resp. Ex. 10.

ABS Fund

J. Clug and Crow did not introduce any investors to the ABS Fund, nor did they have anything to do with structuring or negotiating investments into the ABS Fund, nor did they provide any ABS Fund information or documents to any investors.

37. All of the investors were prior relationships of, and introductions by Lana, with the exception of Clug's father who was also a long time client of Lana. Lana, Page 941, line 7. Lana, Page 1950, line 7-8: Clug: "Angel did all the introductions. Any and all investors are Angel's clients".

38. Angel Lana was not a manager or owner of The Corsair Group Inc. Div. Ex. 800, line 2.

39. Lana testified that he did not have a role at Corsair. Page 854, line 3-5.

40. Crow testified that Corsair did not refer investors to ABS (Crow, Page 1042, line 1).

41. All ABS/Investor emails that the Division has produced with Clug and/or Crow in them only have them as copied. Div. Ex. 243, 244, 260, 262;

Melnick, Page 55, line 14-15 – Lana introduces Melnick directly to ABS Fund. Melnick, Page 114, line 9-25 – Melnick testified that he never spoke with either Clug or Crow about the ABS Fund investment and understood that it was separate from Aurum.

Lana, Page 973, line 1-11 – Lana testifies that Clug and Crow never had any

involvement with any communications between investors and the ABS Fund.

Even in the case of Clug's father, Clug only introduced his father to the principals of the ABS Fund and did not provide any documents to him. Clug, Page 1950, line 3-4.

In one case, that of investor Swirsky, Clug, who was also visiting Doctor Swirsky for a knee problem, only relayed the message that Swirsky was interested in the ABS Fund after the ABS Fund principals had given him a presentation. Div. Ex. 311. Email from Crow to Price email. No documents were provided by Clug or Crow to Swirsky.

42. All the investors dealt directly with the ABS Fund. Lana, Page 982, line 12:

Question: So your investors had a direct relationship with the ABS Fund.

Answer: Yes. They were dealing with them directly.

43. Clug and Crow did not negotiate or discuss any terms of the investment in the ABS Fund with any investors. Clug, Page 1950, line 4-7: "I gave him the phone number and the email of Mr. Cowan to send to – for them to deal directly...".

44. Investors dealt directly with the ABS Fund and were required to fill out a pre-qualification form before receiving materials from the ABS Fund. (Div. Ex. 353). Crow Page 2224, line 18 to Page 2225, line 3:

"They filled out a prequalifications form. And I believe in the Division Exhibit 353, this is an example of from Simon Stern. Looks like it came from Angel Lana. This is a form that Angel had his clients filling out before they received any information or had any substantial conversations with ABS directly. So it seemed to be a very direct relationship with ABS. They had legal counsel. We had done due diligence. As far as I know, neither Alex or myself ever had any direct involvement in investors other than I believe Alex father's ultimately invested in this."

45. Clug and Crow were not, and are not, engaged in the business of transaction related compensation. Clug, Page 1941, line 20.

K. Various potential investment structures and Term Sheets relating to the ABS Fund were

explored by the managers but these efforts were quickly terminated and were not distributed to any investor and are thus irrelevant.

46. Div. Ex. 231. Aurum/ABS Term sheet was worked on by Crow, Clug and Lana in early 2012 but it was decided not to proceed with that approach or structure and it was not used or distributed to investors. Clug, Page 1940 line 19 -24.

47. Clug believed the ABS Fund to be a legitimate Fund after performing due diligence on them (Resp. Ex. 92) and as demonstrated by the fact that his father invested in it. Clug, Page 1941, line 9, and Page 1950, line 3.

48. Corsair performed work and due diligence for the ABS Fund. Resp. Ex. 92, 93.

Aurum

Brazil

L. Land and mining rights were obtained and the Batalha JV was formed.

49. Closing Conditions referred to in Aurum, Aug 1 2011 PPM (Resp. Ex. 5, page 6), stated that "Batalha JV owns or has irrevocable rights...". Not just 'owned'.

50. Aurum Dec 31 2011 PPM stated that land and mining rights would be owned or controlled, not just 'owned'. Resp. Ex. 15, page 7.

51. Raiss: Page 1578, line 18 – Raiss says "yes", did acquire Rights to Batalha.

Question to Raiss: Could you tell us – first of all, did you acquire the rights to the Batalha property?

Answer: Yes.

52. The Licensing process for Batalha had already been started. Raiss Page 1578, line 25.

Raiss: "Batalha property had already started the licensing process".

53. Batalha property land and mining rights were owned, controlled, or irrevocably controlled by Arthom and/or Raiss as described in numerous documents and were indeed contributed to the JV that was properly formed, first in Sep 2011 (Resp. Ex. 19) then updated in Dec 2011 (Resp. Ex. 18). The Exhibits below clearly document how both the

land and mining rights of Batalha were contributed to the properly formed JV. Lima, who had part of the rights, irrevocably transferred those to Lima. Lima in turn irrevocably transfers the rights to Raiss et al. Then Raiss et al irrevocably contribute and transfer these to the JV.

- a. Div. Ex. 10: Power of Attorney on Irrevocable transfer of all rights from Mr. Lima to Mr. Barbosa
- b. Div. Ex. 17: Power of Attorney on Irrevocable transfer of all rights from Barbosa to Raiss
- c. Div. Ex. 14-15: Power of Attorney on Irrevocable transfer of all mining rights from Barbosa to Raiss
- d. Div. Ex. 12: Contract between Barbosa and Raiss et al selling all rights.
- e. Resp. Ex. 18: Raiss et al and Arthom irrevocably assigned all current and future Batalha related rights to the JV.
- f. Div. Ex. 71. Shows Arthom properly formed.
- g. Div. Ex. 94: Shows Batalha properly formed.
- h. Resp. Ex. 18: JV agreement, para 2.1: "... and with the registration of this agreement at a Brazilian notary, Arthom will have irrevocably transferred to Batalha all its contractual rights and powers of attorney, which are personal to its owners, Arthur Adiron Ribeiro and Thomas Raiss, of all land ownership according to INCRA statutes, and transferred all mining rights..."

54. Palacio testified, after reading them in the Hearing, that the Powers of Attorneys (Div. Ex. 12, 14) from Lima to Raiss et al did indeed irrevocably transfer the rights. Palacio, Page 269, line 11.

55. Resp. Ex. 18 (JV Agreement for Batalha) – Aurum received an immediate ownership of 50% of the Joint Venture. Ownership not predicated on any funds contributed. Only the economic benefits for Aurum were related to it loaning the company \$750,000. Resp. Ex.

18, para 2.2: "Upon execution, Aurum and Arthom will each own 50% of the issued and outstanding stock of Batalha."

56. Aurum made advances of approximately US\$60,000 towards its \$750,000 loan to the Batalha JV. Raiss page 1596, lines 14-18.

M. Raiss was the Principal partner in the Batalha opportunity, the primary contact, and could be relied on by the Corsair managers.

57. Palacio testified, that Clug and Crow could rely on Raiss' explanations (Palacio Page 273, line 6-7) on the transfer of Batalha rights (e.g. Resp. Ex. 170).

58. Palacio testified that the person with the most knowledge on the Batalha project was Raiss (Palacio, Page 254, line 21-23)

59. Palacio had little or no involvement in the JV agreements and did not see them. Palacio: page 194, line 25; page 195; page 197, lines 8-9 "I really wasn't involved into that" talking about the JV.

N. Batalha data and testing from its JV partners showed a potentially large successful project.

60. Resp. Ex. 24b - Raiss sends a summary of a lot more testing results that showed Batalha to be a good project, showing potential \$100M or more of EBITDA.

61. Div. Ex. 112. Palacio emails estimating a US\$90 million EBITDA. Low case he put was US\$20 million.

62. Div. Ex. 162.: Email from Palacio with an attachment and no text in email body. It purportedly shows one box on an Excel spreadsheet showing a negative EBITDA of \$1,727,601. Actually, Palacio does not send any wording in that email but just a spreadsheet that has, in red, in one box, a cost of \$30/ton which caused that negative EBITDA to appear. However this made no logical sense:

- a. The price of gold at that time was around \$1,500/oz. 30,084 ounces is thus \$45million, a positive result. The \$30/ton number is in red as it is an important

variable that is meant to be changed in the model. \$30/ton, at an average grade of 0.02 ounces/ton, per his model, equals to a cost of about \$1,500 per ounce – this number is completely unrealistic on the high side. Cost of processing tailings is usually closer or lower than \$300/oz. This is a common number accepted in the industry and also confirmed by Palacio in his other emails, and models. See Div. Ex. 112: Palacio states “The average production cost in gold mines all over the world is US\$300-350/oz, considering even underground mines (for open pits this value can be lower than US\$150/oz). Since we need oil to generate power, our costs will be a bit higher, but I still believe in lower than US\$300/oz.” Thus that \$30 number in that email, in red, was obviously not the final number and was meant to be changed. Even a small reduction in that \$30 number drastically increases the EBITDA in a positive manner.

63. Raiss testified that he and his partners had supplied an investment proposal to Clug and Crow showing projections that included that there were 18 tons of gold available from the tailings. Raiss, Page 1591, line 12-20. This presentation was admitted by ALJ on Page 1996, line 22 to Page 1997, line 7.
64. Raiss testified that 300 or more samples had been taken and tested on the Batalha property. Raiss Page 1583, line 21.
65. Efforts on the Batalha project in Brazil ended around April 2012, not before. Div. Ex. 335. The Dec 2011 PPM did not have any closing conditions, besides the \$250,000 minimum, and the 1st Quarter 2012 update letter (Resp. Ex. 28) to investors included wording that issues needed to be worked out in Brazil. The 2nd Quarter update letter (Resp. Ex. 29) included even stronger warnings on the possibility of Brazil being a write off. All the emails about Brazil and related issues that the Division brings up, all of those occurring well into year 2012, are thus irrelevant to the Aug 2011 PPM and any of its closing conditions.

O. Aurum Convertible Notes.

66. \$250,000 was raised via Convertible Notes. Resp. Ex. 38.

67. The Division alleges that most of the \$250,000 went to Clug and Crow. However, their amount also includes reimbursement of about \$45,577 for allowable pre-paid expenses. See Div. Ex. 2A and Resp. Ex 175. All compensation (\$120,000) was disclosed and permitted through its approved Management Agreement. (Resp. Ex 7). Also, by the time the Division gets through documenting the use of funds of the \$250K through March 2012 (Div Ex 2A), Aurum already had additional funds secured. Resp. Ex 38.

68. Div. Ex. 51 is a Proposed Term Sheet and NOT the actual Convertible Note used to subscribe investors: "not an offer to purchase securities..' etc.

P. The Aurum Convertible Notes could be converted at any time by the Holders.

69. Actual Aurum investments were done through Convertible Notes. See Resp. Ex 14. Holder could convert at any time, irrespective of anything else including any Closing Conditions. To quote: "Convertible at Holder's choice prior to such date..."

Q. The Aurum PPM dated August 1, 2011 Closing Conditions.

Since Aurum's Batalha project was encountering some issues and Aurum's business model had evolved to include Peru, which was not covered in the August 1, 2011 PPM, and since the Closing Conditions in that August PPM were no longer applicable to the new business model, the managers made a rescission offer to all the 7 affected investors thus making those Closing Conditions no longer a requirement.

70. Only the August 1 2011 PPM (Resp. Ex. 5) had any Closing Conditions. The December 1 2012 PPM (Resp. Ex. 15) only had the closing condition of a minimum \$250,000.

71. Aurum's counsel, Brantl, wrote and reviewed the PPMs and the update letter to investors including the one offering rescission. Clug, Page 1669, line 6-7. Clug, Page 1671, line23.

72. Div. Ex. 217. The one line inserted in the January 2012 Update that "we have satisfied the conditions of closing on the Aurum original PPM." contradicts everything else stated

in all the ancillary documents, including the same Update letter that has the following paragraph immediately following that sentence: "As part of this we have updated the Private Placement Memorandum ("PPM") as of 12/31/2011 to reflect these changes as well as additional management, risk disclosures, **conditions of closing**, reduction of minimum capital raise, financial returns and various other items. We encourage you to review the PPM and ask any questions." (*in bold for emphasis*).

One of the entire reasons for offering rescission and going under a new PPM was because the business had changed from Brazil to Peru etc.

Clug, Page 1668, line 18 thru page 1670, line 3.

R. The Managers correctly used and managed the 'escrow' account described in the August, 1 2011 PPM

73. Resp. Ex. 5. States: "money will be kept in a Company segregated bank account serving as an "escrow",". Notice quotation marks around escrow as well. It was indeed put into a Company segregated savings account which was not touched until the \$250,000 closing condition was met. See Div. Ex. 2 (3A). Our Ex. 38b and 38c. Clug: Page 1714, line 1-23.

S. All of the seven Aurum August 1, 2011 PPM investors agreed to not accept the offer of receiving their funds returned and to accept the new terms of the December 1, 2011 PPM.

74. All 7 Aurum investors that invested a total of \$115,000 under the Aug 31 2011 PPM freely decided to not get their funds returned, as offered, and accepted to instead continue their investment under all the terms of the Dec 31 2011 PPM, which did not have any closing conditions save for the \$250,000 minimum funds. Resp. Ex. 17. The language in their conversion document included the following:

- a. I have reviewed the Amended Private Placement Memorandum dated December 31, 2011 in its entirety and have consulted with any advisors as I may deem appropriate.

- b. My subscription document and investor questionnaire is still accurate in its entirety.
- c. I wish to continue my investment and receive my Class A Membership Units in Aurum Mining LLC.

75. Investors in the Aurum Aug 1 2011 PPM were clear that they had the choice of receiving their money back. For example, the Subject line in the emails from Lana to his investors was titled in CAPS: AURUM MINING LLC - UPDATE LETTER - NEEDS TO BE SIGNED IF CHOOSING TO GO FORWARD WITH INVESTMENT. Resp. Ex. 145

76. An investor testified that he was thankful to the managers to not simply close the business after the Brazil project encountered problems and the managers instead continued their efforts in Peru – Ferolito, page 1986, line 6.

77. The Aurum December 31, 2011 PPM started to be distributed in the first week of January 2012. See Div. Ex. 203, 204.

T. Clug and Crow relied and followed the recommendations, as was expected of them, of the Aurum management and team of experts, on independent reports, and projections and valuations.

78. Aurum managers Clug and Crow could and should have relied on the work and recommendations coming from its mining team and partners:

- a. Palacio states that Clug and Crow should be able to rely on their JV partner Raiss' work: Page 273, line 6-7.
- b. Palacio states that Clug and Crow should be able to rely on his work. Page 273, line 15.
- c. Park states that it is normal for Clug and Crow to rely on their team and even specifically on Garate (Aurum Senior Geologist) and Ciro de la Cruz (Aurum Molle Huacan mine Superintendent)(See Cruz resume in Resp. Ex. 112; and numerous Aurum Peru team resumes in Resp. Ex. 49) who he agrees have

ample experience in mining and managing mines and production. Park Page 1306, line 5-15:

Question: "... In your opinion, Mr. Park, would it be normal in a mining company, a small mining company, to rely on their geologist and mining engineers?"

Answer: "Yes, it would be."

Question: "Is it your opinion you would expect the Aurum management team to rely on Mr. Garate and Mr. Ciro de la Cruz?"

Answer: "Both of them apparently have ample experience in mining and managing mines and production apparently. So yes. I would say yes."

- d. Park testified, after reading Garate's CV (Resp. Ex. 154), that Garate had ample experience for his role at Aurum. Page 1255, line 11. Park also testified that Garate would be the type of person he would expect to be in charge of geology and mining activities. Park, Page 1260, line 7.
- e. Park testified that Ciro de La Cruz's mining plan (Resp. Ex. 66b) covers all the topics he would expect in a mining plan. Park, Page 1277, line 12-14.

V. The two Independent Reports on Molle Huacan received by management were only a very small part in the overall mountain of data and information received by Aurum management. Based on the very limited data and short visit times that were used to produce them, they were considered positive and their recommendations were followed.

79. Aurum management received only two independent reports on Molle Huacan that were based on only one day visits and on very limited sampling, one of which that was 6 months out of date when finally received and which had problems with the majority of its samples. Resp. Ex. 44, 51.

80. Park testified that very little can be accomplished with only a one day visit. Park, Page 546, line 16-18. "Well, again, on a one-day visit I could not distinguish exactly which -- what the exact vein system, how it was laid out."

81. Aurum management had very limited if no follow-up communications with the authors of the two independent reports but nevertheless did follow the recommendations in the two independent reports that it received on Molle Huacan (Resp. Ex. 44 –Park Report; Resp. Ex. 51 – Daubeny Report).

- a. Park recommended in his Molle Huacan report that further testing and Induced Polarization be conducted. (Resp. Ex. 44). Aurum team followed his recommendation and did exactly this. See Resp. Ex. 45, 46, 47, 48.
- b. Daubeny recommended more testing and better quality control. Management did this. Management hired a consulting firm to visit the Molle Huacan mine and train the staff there. (Resp. Ex. 158), distributed to all staff a memo on sampling and testing standards (Resp. Ex. 72), and continued extensive testing and even used a Track Drill in its operations (Resp.Ex. Pic 18; Clug, Page 1873, line 18)

The First Report - Park report based on April 2012 visit (Resp. Ex. 44):

82. Resp. Ex. 44, Park Report on Molle Huacan. Park visited the site in April 2012. Park was at the mine site for only one day and had sampling and testing issues on a large majority of his samples (approximately 40 out of 50 samples)) that by his own testimony seriously delayed and devalued the value of his work product. Park: page 536, line 7-22.

83. The Park Report was only delivered to Aurum Management in October 2012 (Park, page 538, line 23) and thus did not include anything whatsoever that had occurred between those dates, such as Induced Polarization testing (Resp. Ex. 47), and numerous additional metallurgy (Resp. Ex. 48), analysis, exploration, testing and sampling. The report was thus out of date and not relevant to the actual status of Molle Huacan in October 2012. Thus, to share this report with outsiders when it was received in October 2012 could be confusing since it was discussing the situation of the mine as of April 2012 and readers could understandably mistakenly think that it was discussing the mine as of October 2012.

84. The Report also stated that sampling and mapping was only partially completed. It stated that too few samples were taken to make any estimations. It recommended more testing under a \$100K budget. More than this was completed and spent by management. Div. Ex. 3.

85. Beyond what was in Park's Molle Huacan report based on his site visit in April 2012, (Resp. Ex. 44) Park did not share any thoughts on the mine with anyone – Park: Page 552, line 2-6.

86. Park: Page 546, line 1 – Park was asked to contrast his estimate on a strike length for the Monica vein at Molle Huacan of 700 meters instead of Garate's estimate of 1,800 meters. His response was "But I cannot confirm that on that one-day visit."
And in same sentence, Park then says 1,800 meters could be correct – Page 546 lines 3-8.

87. Park testified that, even based on his early short visit to Molle Huacan, management did have the opportunity to go profitably into production.

Park, Page 551, line 16-23: when asked whether Molle Huacan was excluded from going into production:

"No, it wouldn't. As the small miners were mining there, they were apparently making – being successful to some extent with their work. So, you know... and make it profitable".

The Second Report - Daubeny report based on an April 2012 visit (Resp. Ex. 51):

88. Daubeny visited the Molle Huacan site for only about 24 hours (many of which were sleeping at night since it was an overnight visit) and only took 34 chip samples. Resp. Ex. 51 (Molle Huacan NI-43101 report). Daubeny, Page 431, line 6.

89. Daubeny did not speak the local language and thus was limited in getting information from the local miners, geologists, metallurgists etc. Daubeny, Page 433, line 9 "My Spanish is minimal."

90. Daubeny had a mindset based on traditional medium to large mining processes and was

not familiar with the quick-to-production business model of Aurum. Daubeny, Page 378, line 4 "...there is no shortcuts or quick to production model".

91. Daubeny could not see all of Aurum mining's activities or potential due to his very short visit to the mine.

92. Daubeny also stated that it would take a minimum of '18' months to build a heap leach plant (Page 475, line 23). And yet, less than 8 months later, one was up and running on site – Hollander: Page 1526-1531 (Resp. Ex Pic 7, 13, 20, 16, 9, 14, 15), and page 1532-1534 (Resp. Ex. Vid 2,3,6,8,9) all show a working mine and processing plant.

93. After Daubeny's visit to Peru there were no communications between him and Aurum. Except for one or two emails sending him industry accepted and expected feedback, sent indirectly to him via RWE Growth Partners (Resp. Ex. 61), This was done during the finalization of a NI-43101 report and there were no other communications between Daubeny and Aurum after his visit to Peru. Thus, Aurum management received no other information, or doubts that Daubeny may have had, and could rely on the NI-43101 that he produced.

94. Daubeny testifies that he is not qualified to value mining properties nor is he qualified to do so. Daubeny, Page 413, line 14-22.

95. Daubeny agreed that he did not have any experience on Artisanal mining. (Daubeny, Page 424, line 15.

96. Daubeny testified that Clug and Crow informed him that their business model was a quick-to-production one. Daubeny, Page 424, line 22.

97. Daubeny testified that Artisanal Miner's approach does not require them to have an 'ore' body defined before going into production. Daubeny, Page 434, line 22-24.

U. RWE Growth Partners issued a valuation on the Molle Huacan mine of over \$20 million and upon which Aurum management could rely.

98. Daubeny, Page 430, line 16-22, confirms that RWE Growth Partners interviewed him in

depth to be able to come up with their valuation report.

99. Moran testified that RWE Growth was able to review an extensive amount of data for purposes of preparing their mine valuation report. Moran, Page 768, line 8-10.

100. Moran agreed in his testimony that RWE Growth and its principal Evans had all the required qualifications and experience to do valuation work and had worked for companies that he recognized. Moran, Page 780, line 18 to Page 781 line 9.

101. Daubeny's NI-43101 report (Resp. Ex. 51) was considered a relatively positive one by Clug and Crow as it was based on a short visit with relatively few samples taken, resulted in over a \$20 million valuation by RWE Growth Partners, an independent accredited valuation company (Resp. Ex. 52), and his report even included a significant potential amount of gold at Molle Huacan: "...Such a block could yield ~195,000 ounces of gold" (page 26). At \$1,400/ounce which was low for that time, this is \$273 million. His report also included: "At one locality in the Monica Zone, check sampling by the author returned a weighted average of 2.87 g/t Au over 5.6 metres" (page 2), another positive result.

W. Division's 'Expert' Report by Moran.

Moran continuously compared Aurum and its Molle Huacan mine with large mining companies' business models and based his entire report on the limited two independent reports by Park and Daubeny, largely discounting all the Aurum team of experts' work, and criticizing at length, even though not qualified to do so, the independent valuation work completed by RWE Growth.

102. Moran testified that he has no certifications to value mines. Moran, Page 703, line 8.

103. Moran agreed that it is possible to begin production without first defining an ore body or drilling. Moran Page 726, line 4 to Page 727, line 14. Confirming Aurum's business model to be a valid one.

104. Moran testified that the basic difference between Garate's estimate of 1.254 million

ounces and 2.842 million ounces is simply the increase in strike length to 1,700 meters.
Moran Page 745, line 24 to Page 746, line 24.

105. Moran testified that approximately \$12 million to \$38 million are needed to reach production. This obviously had nothing to do with Aurum's quick-to-production business plan and renders his comparisons of Aurum against these larger mining processes and companies inappropriate and misleading. Div. Ex. 1, Page 34, figure 7.2.
106. Moran stated that Molle Huacan or any similar type company could not move to production without drilling first. Moran, Page 692, line 2-6. Yet billions of dollars of gold are mined this way every year and Park testified that many do this as well. Park: Page 1242, line 6-11, and Page 1285, line 9-10.
107. Moran never did a site visit so did not even know that a plant had been built and working. Div. Ex 1, page 4: "There is no supporting documentation to justify constructing a gold mine or a gold processing plant at Molle Huacan, and there is no documentation that Commercial Production was ever initiated or achieved at Molle Huacan – no substantial evidence of a constructed mine or mill." And yet there was per FoF 135-137 below.
108. Moran's report continuously compares Aurum and its Molle Huacan mine, and Aurum's management use of terminology, to large mining companies. For example, Park: Page 1274, line 11-17 (Park: "Q. In your opinion do you have any exceptions or issues with [Moran's] testimony or report with respect to the way he uses terminology or his conclusions with **large mining companies**? A. No, I don't.")
109. Moran, the expert witness did not visit Peru for his report and made no effort to contact any of Aurum mining's team that could have answered any questions he had or clarified their methods and reasoning. Moran, Page 783, line 6-25.
110. Moran agrees that "One of the common problems I find in Latin America is mixing of resources and reserves by some of the locals". Moran, Page 787, line 1-3. Clug and

Crow relied, as they were expected to, on their local team. See FoF 78 above.

X. All Investors were Accredited, understood the quick-to-production business model of Aurum, understood that it was a risky investment and that they could lose all their investment.

111. Every single investor in PanAm and Aurum were Accredited Investors. Resp. Ex. 38, 10.

112. All investors, without exception, were required to confirm their Accredited status and invest via counsel reviewed security purchase documents. See FoFs 111, 112. Res. Ex. 38.

113. All Investor testified that they understood that their investment was highly speculative. Ferolito, Page 1988, line 9: "Highly speculative". Melnick, Page 91, line 18, when asked if he understood Aurum was risky: "Yes". When asked if he understood that he could lose all his money: "Yes".

114. Investors understood that Aurum had no intention of taking a large mining approach, and would aim for quick-to-production opportunities. Melnick, Page 110, line 9-18. Stern, Page 166, line 18.

115. Investors understood that public company standards such as those under NI-43101 standards did not apply to Aurum. Melnick, Page 111, line 21. Stern, Page 173, line 4-6.

116. Melnick, page 61, line 23. When asked about a projected potential return multiple listed in one of the documents: "I wasn't thinking it was going to be 40 times"

Y. All of the Aurum PPMs clearly informed potential investors on the high level of risks associated with any investment in the company and that they should assume that any projections "WILL NOT" be met.

117. Only the PPMs were offering documents. None of the other documents that investors received were offering documents and were identified as such. For example, Div. Ex. 373, Business Plan: "This is not an offer to sell any security and any such offer can only

be made through the appropriate documents”

118. There were numerous Disclosures and Risk Disclosures in PPMs including specific ones to Aurum were repeatedly communicated.

Resp. Ex 15, August 1, 2011 PPM:

- a. We may withdraw, cancel or modify this Offering without advance notice to offerees.
- b. We do not expect a public market to develop for the Class A Membership Units.
- c. You may have to bear the economic risk of an investment in the Class A Membership Units for an indefinite period. You will be required to represent that you are familiar with and understand the terms of this Offering and that you have such knowledge and experience in financial and business matters so that you are capable of evaluating the merits and risks of your investment in the Class A Membership Units. See “Risk Factors,” “Restrictions on Transfer of Securities,” and “Investor Suitability Standards.”
- d. Access to the data room which contains due diligence materials has been provided to you and is available at: <http://www.box.net/shared/5luyee0bu52rzt8ixn> . See: “Additional Information” herein. However, any additional information or representations given or made by us in connection with this Offering, whether oral or written, are qualified in their entirety by the information in this Memorandum, including the risk factors.
- e. Prior to making an investment decision regarding the Class A Membership Units, you should consult your own counsel, accountants and other advisors and carefully review and consider this entire Memorandum and all due diligence materials as you or your advisors may deem necessary.
- f. The Managers are responsible for the management of the Company and have discretionary investment authority over the Company's assets.

- g. The Company has entered into an Advisory Agreement and an Incentive Compensation Agreement with The Corsair Group Inc., which is owned by Alexandre Clug and Michael Crow.
- h. The detailed Agreements can be found at <http://www.box.net/shared/5luyee0bu52rzt8ixn> *(These links are different throughout each document because they link to the specific documents being discussed in each paragraph thus making it easier for the reader to access them)*
- i. To qualify for these exemptions you must represent to us in the subscription agreement that you are purchasing the Class A Membership Units for investment purposes only and not with a view to resale or distribution, and that you are prepared to bear the economic risk of your investment in the Class A Membership Units for an indefinite period.
- j. The purchase of the Class A Membership Units is speculative and involves a high degree of risk. Investors who cannot afford the loss of their entire investment should not purchase Class A Membership Units. (See "Risk Factors"). Among the more significant risks that may result in Class A Members suffering a loss on their investments are:
 - k. The business plan of Batalha JV is subject to a high degree of risk of failure and operates in a foreign country...Managers cannot accurately determine the amount of recoverable gold in the Initial Parcel...Gold operations are extremely risky and speculative.
 - l. The terms on which the Managers and the Advisory Company will be compensated by the Company were determined by the Managers, two of whom are the owners of the Advisory Company. No disinterested party has confirmed the fairness of those terms and there is no certainty that the Managers or the Advisory Company can fulfill its obligations.

- m. There is risk that they (management) lack the experience, skill and ability to fulfill their obligations and execute successfully.
- n. The Company is newly formed and has no operating history.
- o. The Company is reliant on the Managers, Messrs Clug and Crow. The Managers may make decisions that reduce the cash available for Members of the Company or impair the ability of the company to achieve its full potential.
- p. You must be an “accredited investor” as determined under Regulation D of the Securities Act.
- q. The Company is including projections which are based upon its best estimates, values and variables from its Brazil partner and other sources. No assurance can be given that these projections can or will be achieved.... See page 17 for major assumptions underlying these projections. See Risk Factors for discussion of factors that may materially affect these results.
- r. Our actual results, both in terms of productivity and the requisite investments, may vary significantly from the projection, which does not have the benefit of any *in situ* production experience. The projection also assumed that the cost of materials and services that will be utilized in our operations remain stable. This is an assumption over which we, of course, have no control. The projection must be understood, therefore, as merely a statement of the results we would expect if all relevant conditions remain unchanged and our underlying assumptions about the future proved accurate. Because those expectations and projection are very seldom fulfilled, the projection must be understood as a model for the purpose of explanation rather than as a prediction of something that we expect to happen. It should be assumed that these projections WILL NOT be achieved and only a good faith effort on the part of management is expected. (WILL NOT was capitalized in original documents)

- s. Despite the logic used to formulate the projection, the extent to which the future will correspond to the projection depends on the validity of a large number of assumptions that support the projection. If one or more of these assumptions proves to be materially inaccurate, our future operations will differ materially from the projection. In addition, the projection may fail as a predictor if events that we have failed to anticipate in the projection occur and affect our operations materially - events such as changing government policies in Brazil, theft, catastrophes, management incompetence, and labor interruptions that we can dread but not effectively control.
- t. THE PURCHASE OF THE SECURITIES OFFERED HEREBY INVOLVES A HIGH DEGREE OF RISK AND IS SUITABLE ONLY FOR PERSONS WHO HAVE NO NEED FOR LIQUIDITY IN THEIR INVESTMENT AND WHO HAVE THE FINANCIAL RESOURCES SUFFICIENT TO ASSUME SUCH RISK.
- u. ***The results of an investment in a Class A Membership Unit will depend on the ability of the Managers to secure additional financing.***
- v. A failure to obtain adequate funding could require management of Batalha JV to revise its business model and curtail any expansion. If operating cash flow and new financing are not sufficient to meet working capital requirements, the business would be adversely affected and may not be able to stay in operation.
- w. ***We are a start-up operation with no operating history and no revenues to date.***
- x. It cannot be guaranteed that the enterprise will ever be profitable.
- y. ***The projections included in this Private Offering Memorandum are based on a series of assumptions which may not prove to be accurate.*** The projections for returns and distributions on a Class A Membership Interest shown in this Private Offering Memorandum are intended to be illustrative of potential

returns under a set of assumptions, which may not correctly reflect future conditions....Because of the unusual degree of uncertainty surrounding these factors, investors are encouraged not to rely on the returns and distributions shown in the projections.

z. The Class A Membership Interests will not be registered with any authority.

aa. Our business may be affected by political and constitutional uncertainty in Brazil.

bb. There will be no market for the Class A Membership Interests and any investment may be considered to be illiquid

cc. An investment in the Company involves a substantial degree of risk. Further, transfer of the Class A Membership Units is restricted by the terms of the Company Agreement and applicable federal and state securities laws. No public market for the Class A Membership Units exists. The suitability standards described below represent minimum suitability requirements. Even if you satisfy these standards, the Class A Membership Units may not necessarily be a suitable investment for you.

dd. *Investor* is able to bear the economic risk of a complete loss of his entire investment in the securities offered hereby.

119. Even many of the documents that were not offers to purchase any securities had risk disclosures.

a. For Example, Aurum Mining Business Plan May 2012 (Div. Ex. 373) – On cash flow projections: “...no guarantees can be given that those returns will be obtained.” And: production. Our actual results, both in terms of productivity and the requisite investments, may vary significantly from the projection. The projection also assumed that the cost of materials and services that will be utilized in our operations remain stable. This is an assumption over which we, of

course, have no control. The projections must be understood, therefore, as merely a statement of the results we would expect if all relevant conditions remain unchanged and our underlying assumptions about the future proved accurate.

Despite the logic used to formulate the projection, the extent to which the future will correspond to the projection depends on the validity of a large number of assumptions that support the projection. If one or more of these assumptions proves to be materially inaccurate, our future operations will differ materially from the projection. In addition, the projections may fail as a predictor if events that we have failed to anticipate in the projection occur and affect our operations materially...

It is quite possible that one or more of the properties will not work out...

The business plan of Aurum is subject to a high degree of risk of failure and it should be noted that it operates in foreign countries.

However, gold operations are speculative.

There are risks associated with any investment, and any investor needs to fully read and understand the risks contained in the Investor document as well as determine the suitability of the investment with respect to his or her unique situation. This is not an offer to sell any security and any such offer can only be made through the appropriate documents...

There are risks associated with any investment, and any investor needs to fully read and understand the risks contained in the Investor document as well as determine the suitability of the investment with respect to his or her unique situation.

This is not an offer to sell any security and any such offer can only be made through the appropriate documents and only when counsel has determined that

the offering is compliant with applicable exemptions from registration and blue sky laws. All information contained herein is confidential and may not be disclosed or transmitted to any party without prior written approval from Aurum or Corsair. Neither The Corsair Group LLC nor Aurum Mining LLC (both "Aurum") make any representations nor give any warranties in relation to this Presentation and disclaim all responsibility in relation thereto and for any consequences arising from the recipient investing as a result of matters disclosed hereby. This Presentation contains statements, opinions and matters, the truth, accuracy or completeness of which is not assured or warranted and no responsibility or liability is accepted by Aurum, its related bodies corporate and its officers and advisers for any reliance placed on this Presentation, or parts thereof, by the recipient in any respect whatsoever. To the fullest extent permitted by law, Aurum excludes all responsibility or liability (including in negligence) for and in connection with, any act or omission, directly or indirectly by the recipient in reliance on the disclosed material. To the fullest extent permitted by law, Aurum excludes all responsibility or liability (including in negligence) for any cost, expense, loss or other liability, directly or indirectly, arising from, or in connection with, any omission from or defects in, or any failure to correct any information, in this Presentation or any other communication (whether oral or written) about or concerning Aurum or its related bodies corporate. Neither Aurum nor its officers, directors, advisers, associates or affiliates guarantee or make any representation as to the success of any investment. The provision of this Presentation is not and should not be considered as a recommendation in relation to an investment, or that an investment is a suitable investment for the recipient. The recipient should not rely on the contents of this Presentation and should undertake his, her or its own enquiries and seek advice from its financial or other professional advisers

before investing. This Presentation does not purport to provide all of the information the recipient may require in order to evaluate an investment. The recipient should make his, her or its own enquiries and evaluations, as he, she or it deems necessary to verify the information contained in the Presentation and to determine the suitability of an investment. The delivery of this Presentation does not, under any circumstances, imply that the affairs of Aurum or prospects of an investment, or any information affecting it have been fully or correctly stated in this Presentation, or that they have not changed since the date of this Presentation, or since the date at which the information is expressed to be applicable. No responsibility or liability (including in negligence) is assumed by Aurum for updating any such information or to inform the recipient of any new information of which Aurum may become aware in relation to an investment. This Presentation does not constitute, and may not be used for the purposes of, an offer or solicitation in any jurisdiction or in circumstances in which such offer or solicitation is not authorized. No person receiving a copy of this Presentation in any jurisdiction may treat it as constituting an invitation to that person to invest.

120. The following table summarizes the Aurum PPM investments:

(Resp. Ex. 38, 5, 15, 17, 73, 74, 14)

EVENT	Raised	Date	Notes
Convertible Note - \$200K	\$250,000	May/June 2011	9 investors. Convertible Note given to investors did not have Closing Conditions Conversion anytime at Holder's choice upon Close (financing and acquisition of Batalha), OR Feb 24, 2012, at election of Holders. All investors elected to Convert into A Units at 50% discount in Jan 2012.
PPM Aug 1 2011 - \$2M	\$115,000	Aug/Sep 2011	PPM w/ Closing Conditions & Michael SEC issues not disclosed 7 investors - ALL later signed Amendment accepting new PPM (Dec 31 2011) that had additional Disclosures, and to continue their investment They all understood that they could receive their funds back.
Aurum PPM Dec 31 2011 Update Letter (w/ signed amendment at end)	N/A		All investors in the Aug 1 2011 PPM approved and signed an Amendment asking if they wanted to stay invested and approved new Dec PPM that had only \$250K closing condtions, more Disclosures on Mr. Crow etc.
PPM Dec 31 2011 - \$2M	\$1,885,000	Mar-Sep 2012	Updated PPM w/ no Closing Conditions (except min of \$250K) and Michael Crow 2008 SEC disclosed. Refers to Closing Conditions but actually does not have any (except min \$250K)
PPM Sep 15 2012 - \$1M	\$599,000	Sep 2012-Jan 2013	7 Investors. No Closing conditions. Michael's 2008 SEC issue still disclosed + bankruptcy
PPM Jan 1 2013 - \$1M	\$1,047,715	Feb 2013-Nov 2013	7 Investors. No Closing conditions. Michael's 2008 SEC issue still disclosed + bankruptcy

121. Aurum's Counsel, Brantl did first draft of all PPMs. Lana also reviewed all of them. Page 947 line 19-20. Page 975, line 16-18. Page 1671, line 23-24. Page 1712, line 12-13. Page 1751, line 17-18. Page 1787, line 15-16. Page 1891, line 17 to page 1892, line 9.

122. The Aurum Dec 31 2011 PPM made disclosures regards Crow's past: "Backgrounds of Messrs Clug, Lana and Crow can be found in this document and at <http://www.box.net/shared/xgms3l2cyem6vdkdegbf> including discussion of past litigation for Mr. Crow regarding his 2008 litigation with the SEC over an investment and ownership of a broker dealer without the requisite securities license and subsequent bankruptcy upon the financial meltdown of 2008. See Resp. Ex. 15, page 9.

123. The Aurum Sep 15 2012 PPM disclosed Crow's past (Resp. Ex. 73, page 8):
Backgrounds of Messrs Clug, Lana and Crow can be found in this document and at <https://www.box.com/s/oxz1t3d6hl8k9rrx45a5> including discussion of Mr. Crow's 2008 litigation with the SEC over an investment and ownership of a broker dealer without the requisite securities license and subsequent bankruptcy following the financial meltdown of 2008.

124. The Aurum Jan 1 2013 PPM disclosed Crow's past (Resp. Ex. 74 page 8):
Backgrounds of Messrs Clug, Lana and Crow can be found in this document and at <https://www.box.com/s/oxz1t3d6hl8k9rrx45a5> (password supplied separately) including discussion of Mr. Crow's 2008 litigation with the SEC over an investment and ownership of a broker dealer without the requisite securities license and subsequent bankruptcy following the financial meltdown of 2008.

Z. Clug and Crow's compensation was clearly and consistently disclosed to all potential investors.

125. All of the Aurum PPMs disclosed how Clug and Crow and Corsair would be compensated and direct access to all the original documents were provided. Resp. Ex.

5, 15, 73, 74. For example:

a. August 1, 2011 PPM. Resp. Ex. 5, page 7:

The Company has entered into an Advisory Agreement and an Incentive Compensation Agreement with The Corsair Group Inc., which is owned by Alexandre Clug and Michael Crow.... The Corsair Group can also earn incentive compensation for future acquisitions. The detailed Agreements can be found at <http://www.box.net/shared/5luyee0bu52rztii8ixn> .

126. Investors were informed about the compensation being received by the managers and not a single one criticized it.

Hollander, Page 1569, line 5-8.

Lana, Page 948:

Question: What is this paragraph describing, sir?

Answer: It's regarding certain compensation pursuant to the incentive compensation agreement between Corsair and Aurum.

Question: Were you aware of this agreement during the course of your discussions with investors?

Answer: Yes.

Question: Was it disclosed to investors what the compensation agreement was?

Answer: Yes.

Question: In your mind, was the compensation fair and adequate for the work that was being conducted by Corsair by Mr. Clug and Mr. Crow?

Answer: Yeah. I thought it was reasonable.

Question: Did any of your investors ever complain about the compensation agreement?

Answer: No.

AA. The Managers used an online data room to continuously keep investors informed and to give them access to all the original documents, including local contracts, test results,

mining reports, mining plans, maps, financial models, audits etc.

127. The Aurum managers used differing links to their data room in their various communications with investors and potential investors with the goal of making it easier for readers. The links would take them directly to whatever was being referred to. See Div. FoF 375.

128. For example, in the 3rd Quarter update letter (Resp. Ex. 146) the first link (<https://www.box.com/s/bay8qvqh59pn9phosn1c>) took readers directly to a master link that would have all of the projects' files in it. A second, different link in the text (<https://www.box.com/s/y5rxgzowxoj4h5ptexuo>), would take them directly to the metallurgy tests and reports which was the subject being discussed in that particular paragraph. A third link (<https://www.box.com/s/672u8vktfg6sdyqvr0c>) would take the readers directly to all the files related specifically to the Molle Huacan project as that was the subject of that particular paragraph. Resp. Ex. 187.

129. Aurum management consistently provided as many documents as practical to all its investors in a timely manner. The Daubeny Molle Huacan NI-43101 report, which was dated May 24 2013, for example, was provided in the 1st Quarter 2013 Update letter (Resp. Ex. 148) by a direct link to it: <https://www.box.com/s/ophabqga6y84hochjz7l>. (Note that as of Sep 30, 2015, this link still works).

130. As the business developed and extremely confidential information was being placed in the Aurum online data room, Clug and Crow decided to implement a password protection feature. This was coincidentally triggered by someone downloading a press release on Crow. Page 2008, line 5 thru page 2009, line 16.

131. Resp. Ex. 149, Aurum Q4 2012 update letter – supplement – Written again by Aurum counsel, Brantl, again clarified many risk factors. See FoFs 121, 71.

132. Lana: Page 976, line 8 -19. Lana asked by Clug/Crow many times to come to see

operations in Peru.

133. Lana: Page 833, line 13. Lana had access and visibility of Aurum accounts

134. Div Ex. 696. No funds were raised from this Draft Term Sheet. It was a 'Proposed' Term sheet even showing all the corrections/marks on that draft. The Term Sheet also states that it is NOT an offer to Purchase Securities.

BB. The Molle Huacan mine did go into production and its processing plant did go into operations.

135. Mining operations did occur at Molle Huacan. Production is considered the actual gathering of mineral versus processing which is the work done on the mineral in order to extract the gold. (Clug: Page 1715, line 20-22). Witness Hollander who had visited Molle Huacan testified that indeed Molle Huacan had active mining and plant processing operations going on. Hollander: Page 1526-1531, (Resp. Ex Pic 7, 13, 20, 16, 9, 14, 15) and page 1532-1534 (Resp. Ex. Vid 2,3,6,8,9) all these pictures and videos show a working mine and processing plant.

136. Gold was mined, processed and sold at Molle Huacan. Resp. Ex. 9.

137. Resp. Ex. 30, 'Aurum Peru Financials thru Oct 2013', is an example showing the extensive list of equipment and supplies needed, purchased and used (see Tab "Propiedades Planta y Equipo") to move Molle Huacan to production and build a processing plant.

CC. The Managers informed its investors in a timely manner when there were changes or issues with the business.

For example:

Cobre Sur.

138. Around May 16, 2012 management and its engineers completed their testing and report on Cobre Sur. Resp. Ex. 150, 151, 42 (email dated May 16th from Park stating that he had just received the Copper results from the Lab). The next communication to

investors was the Aurum Q2 Update letter (Resp. Ex. 29) and Management stated: “Our testing on this property has been disappointing” and recommended giving it up.

a. Lana had begun sending out the Q1 2012 Update letter around April 16 2012, well before May 16, 2012. Resp. Ex. 188, 1-e (Lana emails to investors with Q1 2012 Update letter attached).

b. Div. Ex. 604. Email from Park on initial poor testing results on samples taken. His email then states:

“The only way to improve the situation is take the risk to drive drift along the vein underground, ie, start mining, beginning at the known ore shoots where you may find several meters of vein length at >30 g/t Au where informales had been mining...”

This was Aurum’s business model so an Aurum team was sent out, per Park recommendations, to do more tests and came back, later, with recommendation to not proceed. Resp. Ex. 150b. Five of 52 samples taken by Park were over 5g/ton which definitely showed gold was present. Aurum thus sent its team to do further testing per Park’s recommendation on possibility of ‘start mining, beginning at the known ore shoots....”

c. Also, Cobre Sur still had the potential to be a large Copper mine since it was near one of the region’s largest copper mines (Clug: Page 1812, line 25 – 1813, line 7) so testing was done on that as well. As of May 15, management did not yet have the results back – Div Ex 604.

d. Senior Geologist for Aurum, Garate, recommended to not move forward with Cobre Sur project also demonstrating that he did also report results when they were not positive. Resp. Ex. 150b.

e. Park testified that as of May 16 2012 he had not yet formed a final conclusion or anything awaiting the rest of the sample data. Park, Page 530, line 14-21.

Brazil.

139. During the beginning of 2012, despite having executed the Dec 2011 Batalha JV agreement, Aurum management was still in discussions with its Brazil JV partners on how to possibly best move forward as the Brazil partners were not performing on their commitments per the agreement (Raiss, Page 1596, line 8-9). The Aurum Q1 2012 Update letter (Resp. Ex. 28) explained this. The Aurum Q2 2012 Update letter (Resp. Ex. 29) stated:

“We have not yet been able to resolve our differences with our local Brazil partner.... We are looking at our options, but one of them is to do nothing at this point...”

140. The issues were communicated to Investors and they were aware of these. Stern, Page 148, line 7-22 – Stern was making an investment into Aurum in April 2012 and knew that Brazil was not working out – “...Brazil didn’t pan out..”

Molle Huacan.

141. When there were issues with the Molle Huacan processing plant production and the fact that Crow had opened another plant, Clug informed investors resulting in a restructuring of the business. Div. Ex. 799.

142. Clug also communicated with investors on the problems that the project encountered. For example, Hollander, Page 1552, line 17 – 22 – “I mean, there’s always been issues, and it’s always been communicated.” Hollander, Page 1562, line 13-17 – Clug informed Hollander that Crow had opened another processing plant. Hollander, Page 1542, line 17-18 “...Alex was pretty good about letting everyone know what was going on.”

DD. Aurum did ‘own’ Molle Huacan and Cobre Sur.

143. Aurum did own, under commonly accepted standards, the Molle Huacan and Cobre Sur properties. Resp. Ex. 40 (Molle Huacan Option Contract.). Resp. Ex. 39 (Cobre Sur Option Contract). Resp. Ex. 181 (Mining Contracts in Peru – Legal Opinion): “Option

agreements are normally used by Junior Mining Companies aiming to explore and open up a mine, agreeing on making payments over time to limit their risk/exposure. This way the future obligations is not a note or long term – fixed obligation.

Option agreements normally include the assignment of all the possession and exploitation rights during the option period and therefore are often referred to by Junior Mining Companies as having acquired the possession rights and exploitation rights during this period.

Option Agreements are normally used in Peru when Junior Mining Companies are interested in acquiring mining properties and concessions.”

144. Clug and Crow were very clear with investors on how they owned Molle Huacan and Cobre Sur. The original contracts were available in the data room for all investors and, as an example, in the 2nd Quarter 2012 Update letter management is clear on how the concessions were owned in Peru by including the word ‘rights’ in parentheses. Quoting: “...has acquired other mining concessions (“rights”) in Peru...”

EE. The Park report was not discussed in an investor update letter as it would have been misleading.

145. Div. Ex. 490. Crow and Clug discuss whether to include the outdated Park report on Molle Huacan. Crow stated in his email to Clug: “...we can have him amend his report inexpensively with new test data and samples in channel along wide vein...”. Crow: Page 1182, line 13 to page 1184, line 10. This again demonstrates why the Park report was not included – it was outdated and did not include months’ of work that had been completed since that one day visit had been performed.

FF. Aurum’s quick-to-production mining business model is a widely used and valid one.

146. Park testifies that one could begin small production immediately and quickly while exploring and without drilling. Page 1242, line 6-11.

147. Park testified that he recently had a client that purchased a small artisanal gold mine

with the goal to put it immediately to production and quickly ramp up its volumes. Park, Page 1243, line 14 to Page 1244, line 8.

148. Moran agreed that drifting the vein is a common way for miners to produce and explore as they go. Moran Page 726, line 21-26 and Page 727, line 1-15.

GG. Unable to get a single investor complaint the Division was required to use a coached non-investor witness, Richard Weissman. All investors had been made more than aware by this SEC process of every possible negative allegation against the Respondents. Yet not one single investor complaint has been made to this date.

149. The Division, despite countless phone calls, visits, subpoenas, interviews, never received one single investor complaint.

Stern, Page 171, line 4-10;

Melnick, Page 86, line 1 to Page 87, line 3.

Melnick, Page 85, line 23: "I met him (Stoelting) in an office of mine").

Melnick, Page 86, line 4-14 – Division initiated contact with him;

Question: Did you ever file a complaint with the Securities...against any of the Respondents.

Answer: No.

Crow, Page 1446, line 13-18 – Crow testified that he was told by an investor, Chris Leach, that Leach was being pressured to testify and make statements.

150. The Division was thus reduced to using Mr. Weissman, someone who was not an investor (Resp. Ex. 38), as their only potential hostile witness who had never wanted to invest, nor have his wife's inheritance potentially reduced by his father-in-law's investments - even after his father-in-law had personally gifted him \$100,000. Page 342, line 14 -16.

Stern, Page 176, line 7-20:

Question: Did he invest in either PanAm or Aurum?

Answer: I gave Mr. Weissman a hundred thousand dollars. I didn't give it to him. I gave it to my daughter to invest a hundred thousand dollars for the kids; in other words, to boost their inheritance. And somehow he got a little bit involved in it, and he not an owner of the stock. The stock is in a separate company that she owns, as I understand. And -- he's done nothing but badmouth the situation to me ever since it occurred. He wasn't happy prior to giving him this hundred thousand dollars to invest, I loaned him a hundred thousand dollars because he had bought a new house or a house that was done with Chinese wallboard.

151. Weissman was coached by the Division and was on a first name basis with the Division's lead counsel -- Weissman, Page 339, line 5-25.

Question: Let me ask you: Before you came here to testify, did you meet with anybody from the SEC to prepare?

Answer: Yes.

Question: Who did you meet with?

Answer: David.

152. Weissman is a non-credible witness as shown by his openly hostile position and his statements that have been out rightly contradicted by one or both of the other two witnesses, Hollander and Lana, that were present at the meeting in Florida in November 2013 that Weissman testified about. Examples follow:

Weissman stated that "...he (Alex) was asking investors for money.." (Page 320, line 5-6).

Contradicted by Lana: "I don't recall that." (when asked if Clug asked for money). Lana, Page 900, line 5.

Contradicted by Hollander: Question: Did Mr. Clug try to solicit any money from investors at that meeting - Answer "No". Page 1537, line 24 to 1538, line 12.

Weissman stated that at the meeting he had asked Paul Hollander if he saw any activity during his visit to the Molle Huacan mine and Weissman said: "He said he did not see

any activity." Page 341, line 12.

Contradicted by Hollander: Page 1526-1531, (Resp. Ex. Pic 7, 13, 20, 16, 9, 14, 15) and page 1532-1534 (Resp. Ex. Vid 2,3,6,8,9).

Weissman stated that Clug and Lana talked about an IPO in Canada, Reverse Merger etc. Page 347, line 1-20.

Contradicted by Lana Page 901, line 12-14:

Question: Did he [Alex] say anything about a future initial public offering?

Answer: No. I don't recall that.

Question: Did you say anything about an initial public offering?

Answer: Absolutely not.

153. Weissman says he went in detail through the data room and said he never received financials or anything yet Peru financials and BDO audit were in there. Page 344, line 23; page 345, line 5. Resp. Ex. 187.

154. Weissman was curiously very clear on his memory of certain items but could not differentiate between Clug or Crow nor remember who he may, or may not have, spoken with:

- a. Weissman, Page 343, line 19, when asked by Crow on who he had a conversation with: "I don't recall whether it was you or Alex".
- b. Weissman, Page 345, line 16, when clarified by Crow that he had no recollection on whether Crow had attended the November meeting: "That's correct".
- c. Weissman, Page 352, line 15, when asked again by Crow on whether he remembers who between Clug or Crow, he spoke with: "No".

Alta Gold.

155. During 2012 the Aurum team did a field study on Alta Gold (Resp. Ex. 108b). The study was conducted to cover the numerous potential areas of opportunity and over 50 samples were taken.

156. In January 2014 Clug renegotiated the terms of agreement for 11 of the 22 concessions that made up the Alta Gold area. Div. Ex. 626. Statements in that agreement of problems with the community and little mineral reflected the negotiating position, and had nothing to do with the reality of the concessions. Clug was working on extracting the best possible terms from the title holder of those 11 concessions. Clug, Page 2021, line 22 to page 2022 line 21.

HH. Every single number used by Management was backed up with source documents.

157. The Division failed to show that a single number or projection in any of management's communications was not obtained from a source that management had a good faith belief to rely upon. Over 3 years of long hours of work with its local team of engineers, metallurgists and geologists, management received thousands of data points and recommendations on how they should proceed with the mines. Resp. Ex. 66b, 68b, 67, 63, 48, 46, 45, 58. Management, as experts agreed they could (FoFs 57-59), believed in their team's numbers and simply followed their recommendations. For example, the following ounces of gold that management reported at various times for Molle Huacan always came from its team:

Resp. Ex. 68: Mining Plan Oct 2012 - p5 – 1.25M ounces

Resp. Ex. 71: Mining Update Jan 2013 - p1 – 2.8M ounces

Resp. Ex. 67: Mining Plan June 2013 - p2 – 1.08M ounces

Resp. Ex. 66: Mining Plan July 2013 - p2 - 1.08M ounces

158. Aurum management received, over the course of three years, thousands of test results, numerous mining plans, geological reports, projections and recommendations from its engineers, metallurgists, operators and geologists on Molle Huacan. Examples are found in Resp. Exs. 63, 48, 46, 45, 66b, 68b, 67, 57, 69.

159. The numbers used by Clug, Crow and Lana in their PPMs and communications with investors are consistently backed up and provided by their team or, in the case of Brazil,

their JV partners.

Moran, the Division's expert witness backs up this fact throughout his report (Div. Ex. 1) quoting Ciro de La Cruz and Elias Garate for all the projections.

160. An early presentation from Raiss and Coogan sent to Clug shows, on page 10, "18" tons of gold; and on page 19 of the presentation it shows 104 tons of gold which, at the approximate price of \$1,500/oz, lower than the actual price at that time, gives you \$5 billion, showing the source for the number included in an early email from Clug to banker and consultant Curtin (Div. Ex. 55). Page 1591, line 2-20. Presentation was admitted by ALJ on Page 1996, line 22 to Page 1997, line 7.

Other examples of source documents for Clug and Crow's statements discussed in investor communications follow:

161. Q1 2012 Update letter (Resp. Ex. 28) reported grades ranging from 4g/t to 38g/t on smaller veins. Numbers are found in Resp. Ex. 95.

162. Q1 2012 Update letter reported permit process was currently underway. See Resp. Ex. 96 for backup.

163. Q1 2012 Update letter reported the possibility of 500,000 ounces that can be mined at the surface. Resp. Ex. 95 actually shows 1 million tons which at 15 g/ton as they reported is approximately 500,000 ounces.

164. Q1 2012 Update letter reported that 500,000 ounces could imply a valuation of \$42.5 million at an in-situ value of \$85 per ounce. In-situ values backed up by Resp. Exs. 119 and 97.

165. Q1 2012 Update letter gave projections on estimated cash flows available for distribution of \$2 million in year 1 and \$5.4 million in year 2. These numbers come from Resp. Ex. 98. (Financial model).

166. Q2 2012 Update letter (Resp. Ex. 29) discusses 10 veins, 24 g/ton and that the mine may have 1 million ounces. Backed up by Resp. Exs. 46, 58, 68, 53.

167. Q2 2012 Update letter discusses filing for first mining permits. Backed up by Resp. Ex. 100.
168. Q2 2012 Update letter discusses Alta Gold community agreements. Backed up by Resp. Exs. 102, 103.
169. Q2 2012 Update letter discusses metallurgical testing on Molle Huacan showing over 82% gold recovery when using floatation for processing. Backed by Resp. Ex. 48.
170. Q3 2012 Update letter (Resp. Ex. 146) estimated 1.254 million of ounces of gold. This is backed up by Resp. Ex. 64.
171. Q3 2012 Update letter discusses purchase of processing plant equipment. See Resp. Ex. 106.
172. Q3 2012 Update letter discusses a projected cash flow of \$9 million. This is backed up by Exhibit 120 (Financial model).
173. Q4 2012 Update letter (Resp. Ex. 147) discusses approval of its 'DIA' permit. Backed up by Resp. Ex. 100.
174. Q4 2012 Update letter discusses an estimate of 1.254 million ounces of gold. Backed up by Resp. Ex. 68.
175. Q4 2012 Update letter was updated, corrected and risk factors shared via a Supplement to Q4 2012 Update letter (Resp. Ex. 149).
176. Resp. Exs. 95, 46, 58, 45, 63, 53 show examples of testing, planning and mapping performed at the Molle Huacan by the local team there showing clearly where the 1 million ounces estimate on gold, the 24 g/ton result, and the ten veins come from as they were discussed in the January 2013 PPM.

II. Not one cent is alleged to have been misappropriated by Clug.

177. Not one cent is alleged to have been misappropriated by Clug – all fund movements are documented via Contracts and documented expense reports.

Per table below, Clug/Crow only received about 16% of the Total funds raised in Aurum.

Clug received about 7%. This is over an almost 3 1/2 year period.

All other funds received were documented reimbursements for pre-paid expenses including office equipment, mining supplies fuel, plane tickets etc.

TOTALS		
From PanAm	\$ 40,000.00	
From ABS Fund	\$ 39,563.31	
From Aurum LLC	\$ 650,000.00	16% of \$4M
	<u>\$ 729,563.31</u>	
To Clug/Dolphin	\$ 149,000.00	
To Clug via W2	\$ 137,810.01	
	<u>\$ 286,810.01</u>	7% of \$4M
W2 2012 (Clug started getting paid Jul 15 2012)		
Wages	\$ 68,750.00	
Fed Income Tax withheld	\$ 15,188.71	
Social Sec Tax withheld	\$ 2,887.50	
Medicare Tax withheld	\$ 996.88	
	<u>\$ 49,676.91</u>	(1)
W2 2013 (Clug ceased being paid Oct 15 2013)		
Wages	\$ 125,000.00	
Fed Income Tax withheld	\$ 28,005.00	
Social Sec Tax withheld	\$ 7,049.40	
Medicare Tax withheld	\$ 1,812.50	
	<u>\$ 88,133.10</u>	(2)
	 \$ 137,810.01	(1)+(2)

Div. Exs. 2 and 3, Resp. Exs. 173, 87, 88, 174, 175, 176, 177, 178.

178. Augusto Marin was the head of finance for Aurum Mining in Peru, ran all the bank and accounting affairs of all the Aurum related entities in Peru and was very qualified for the position. See Marin's resume Resp. Ex. 113. Clug, Page 1660, line 21 to page 1661, line 16. Clug, Page 1876, line 20. Clug, Page 2148, line 19-22.

JJ. Clug demonstrated that his actions' were never motivated by a goal to enrich himself. Quite the opposite, he showed that he believed in the projects, giving up income when required, and even investing his own limited capital to keep Aurum moving forward when necessary.

179. If Clug did not believe in project and viability that the Molle Huacan mine could be successful and the plant would produce gold, then it makes no sense that he would have kept using the funds, which were available, to move the mine and plant forward, which he did, processing several thousand tons. If, as the Division alleges, Clug was just in it for money and lifestyle, then funds could have been kept in the Peru bank accounts and Clug could have continued receiving a salary and have his expenses covered for a long time. Instead, he even depleted his own limited funds, investing approximately \$70,000 to keep Aurum moving forward. See Resp. Ex. 180 (Clug payments to Aurum & Alta Gold).
180. Balances in Peru Aurum bank account in August 2013 were S/627,723 (Div. Ex. 3, #4) and \$16,327 (Div. Ex. 3 #3).
181. Clug, Crow and Corsair voluntarily stopped receiving payments from Aurum, even though they were contractually allowed to keep receiving them (Resp. Ex. 7 – Corsair Aurum Advisory Agreement) after October 15 2013. Div. Ex. 2 and 3. Clug, Page 1925, line 23.
182. Clug voluntarily stopped receiving any payments from Aurum since Oct 15 2013 even though there were funds available. See Div Ex 3, #2 for inflows into Aurum Peru: From August 2013 thru Feb 2014, Div Ex 3 shows inflows into Aurum Peru US\$ and Soles accounts of \$410,112 and S/2,296,529, respectively. This totals approximately \$1,276,727.
183. Peru can be a dangerous and difficult place to live. Resp. Ex. 33. Clug did not relocate to Peru with his wife, who does not speak Spanish, while still having to pay for all his living costs in the US, including a homestead apartment in Miami, for pleasure or an easy lifestyle. Clug did not have a car in Peru either. Clug, Page 2029, line 17.

KK. VARIOUS

184. At the time of his investments Stern was in good health but his health had

unfortunately deteriorated between the time of his last investment in Aurum and his appearance at the Hearing. Lana, Page 1021, line 1 to 12 : "...his health has really deteriorated a lot in the last 6 months..."

185. Ross was working on a potential transaction for PanAm that was over \$100 million. Ross, Page 1628, line 12-22.

186. Production, the extraction of mineral from the ground, began at Molle Huacan early in 2013. Small production had begun before that. Resp. Ex. 57 (Mine Daily Reports showing production - May 1-19 2013)

187. Lana testified that Clug did not want to have a general meeting with investors in early 2014 after the bad results of the Molle Huacan mine came in but instead Clug "... would be glad to meet them on a one-on-one basis." Lana, Page 905, line 3-5.

188. On July 2nd 2012 \$250,000 were withdrawn from the bank account of Oceano Pacifico to purchase a flotation plant equipment. Div. Ex. 3A 14,16; Resp. Ex. 106. Clug, Page 1818, line 13.

189. Clug: Page 2032, line 16 to 2033, line 3 – explains why Maria Luz property passed on after further testing.

190. Molle Huacan's mine superintendent Ciro de La Cruz just started working in February 2013. (Clug: Page 1874, line 25) when he wrote his report on Molle Huacan (Div. Ex. 802). In that same report La Cruz recommends a Phase I of beginning production immediately. And his later Mining Plan a few months later (Resp. Ex. 66b) reports '1,082,951' ounces in gold.

191. Lana reviewed all of Aurum Mining's PPMs. Lana, Page 978, line 9-11.

192. In Div. Ex. 56 Clug did not say "Expect" but that management 'project'. Same email says that should project not work out then would not move forward and liquidate.

193. Chris Curtin was not an investor but a banker and consultant. Resp. Ex. 38. Page 1499, line 14-20.

194. Simon Leach was not an investor but a consultant. Resp. Ex. 38. Page 1036, line 14; Page 2229, line 21-22.
195. Mitchell Manoff did not invest in Aurum. Resp. Ex 38.
196. Eric Donsky did not invest in Aurum. Resp. Ex 38.
197. Eric Rice did not invest in Aurum. Resp. Ex 38.
198. Steve Ross did not invest in Aurum. Resp. Ex 38.
199. Jeff Knepp did not invest in Aurum. Resp. Ex 38.
200. Pedro Hernandez-Itriago did not invest in Aurum. Resp. Ex 38.
201. Div. Ex. 559. Email is from Crow to Lana, not to investors
202. Resp. Ex. 28, Q1 2012: states management want to close on PPM raise. Not a direct solicitation.
203. Resp. Ex. 29, Q2 2012: states management are nearing close of PPM raise, try not to dilute too much etc. No direct solicitation.
204. Resp. Ex. 146, Q3 2012: states that management are looking to raise additional \$500K and offering it first to existing investors.
205. Resp. Ex. 147, Q4 2012: management update on potential of going public, dilution etc. and do offer/ask investors to consider additional investment.
206. Resp. Ex. 149, Q4 2012 update letter supplement: includes many caveats/risks, no guarantees, clears up IPO/reverse merger
207. Resp. Ex. 148, Q1 2013: states Aurum's current financial situation/raise. No direct solicitation.

AS TO DIVISION'S FINDINGS

Respondents would adopt the Findings of Fact of Michael Crow to the extent applicable to these Respondents. Further, Respondents would incorporate their objections to the Division's Findings of Fact.

No objection is asserted to the remainder of the Findings of Fact to the extent consistent

with testimony elicited at trial and exhibits introduced.

CONCLUSIONS OF LAW

I. Respondents' Violations

1. The Division has failed to meet its burden and has not proven Clug, Aurum or PanAm willfully violated Section 17(a) of the Securities Act of 1933 ("The Securities Act"), and Section 10(b) thereunder, which prohibit fraudulent conduct in the offer and sale of securities and in connection with the purchase or sale of securities. Clug did not willfully aid and abet Crow or cause such violations by Aurum and PanAm.

2. Clug and Aurum did not make material misrepresentations and omissions in the offer and sale of Aurum securities concerning, *inter alia*, Batalha and the closing conditions in Aurum's PPMs; the use of investor proceeds; results and prospects of the mineral properties in Brazil and Peru; and Crow's background.

3. Clug and PanAm did not make material misrepresentations and omissions in the offer and sale of PanAm securities concerning, *inter alia*, Crow's status as a control person and de facto officer of PanAm; Crow's background; the use of investor proceeds; facts about a purported application for listing on the OTCBB; and Crow's sale of restricted PanAm shares.

4. PanAm did not willfully violate, and Clug did not willfully aid and abet or cause PanAm's violations of Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1 and 13a-13 thereunder.

5. Crow was not a de facto officer or control person of PanAm and was required to be identified in the Company's Form 10, 10K and its 10Q filings with the Commission.

6. Clug did not willfully violate Rule 13a-14 of the Exchange Act, which requires that principal executive and financial officers of an issuer of a security registered pursuant to Section 12 of the Exchange Act to certify to the accuracy and completeness of the issuer's annual and quarterly reports filed with the Commission.

7. Clug did not willfully violate Section 15(a)(1) of the Exchange Act, which prohibits any entity from making use of the mails or any means or instrumentality of interstate commerce to effect transactions in securities without registering as a broker-dealer nor did Clug willfully aid and abet Crow in such regard.

II. Relief

A. Cease and Desist Orders

8. In light of the Division's failure to meet its burden as outlined in the above Conclusions of Law, a Cease and Desist Order is not appropriate.

B. Disgorgement and Prejudgment Interest

9. In light of the failure of the Division to meet its burden as set forth in the above Conclusions of Law, disgorgement and prejudgment interest are not appropriate.

C. Civil Money Penalties

10. In light of the above Conclusions of Law money penalties are not appropriate.

11. Alternatively, Clug has met his burden to demonstrate an inability to pay. *In re Disraeli*, Securities Act Rel. No. 8880, 2007 WL 4481515, at *19, n. 118 (Dec. 21, 2007), which is sufficient to reduce disgorgement or penalty amounts to \$-0-.

D. Industry Bars

12. Based upon the Division's failure to meet its burden, no industry bar is appropriate against Clug.

E. Officer and Director Bar Against Clug

13. Based upon the Division's failure to meet its burden, no officer and director bar is appropriate against Clug.

14. Based upon the foregoing, the OIP shall be dismissed as to Respondents, Alexandre Clug, PanAm, Aurum and Corsair.

Dated: Fort Lauderdale, Florida

October 2, 2015

Respectfully submitted,

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