



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

P.O. Box 55, 19th Floor
20 Queen Street West
Toronto ON M5H 3S8

CP 55, 19^e étage
20, rue queen ouest
Toronto ON M5H 3S8

**IN THE MATTER OF THE *SECURITIES ACT*
R.S.O. 1990, c. S.5, AS AMENDED**

- AND -

**IN THE MATTER OF
MERAX RESOURCE MANAGEMENT LTD.,
carrying on business as CROWN CAPITAL PARTNERS,
RICHARD MELLON AND ALEX ELIN**

**AMENDED AMENDED STATEMENT OF ALLEGATIONS
OF STAFF OF THE ONTARIO SECURITIES COMMISSION**

Staff of the Ontario Securities Commission (“Staff”) make the following allegations:

The Respondents

1. Crown Capital Partners (“CCP”) is the registered business name in Ontario of Merax Resource Management Ltd. (“Merax”), a federally incorporated entity. CCP was promoted as a private international investment firm with offices in Geneva, Isle of Man and the Caribbean. Staff of the Commission has not been able to confirm the existence of offices in such jurisdictions. Correspondence with investors and European regulators was conducted by representatives of CCP using pseudonyms.
2. CCP operated from offices in Toronto, Ontario which were leased by a company controlled by Richard Mellon (“Mellon”).
3. Mellon is a resident of Toronto, Ontario and is one of the two directors of Merax. Mellon has never been registered in any capacity with the Commission.

4. Alex Elin (“Elin”) is also a resident of Toronto, Ontario and is the other director of Merax. Elin is a former registrant in various capacities, whose registration with the Commission ended on December 1, 2000. Elin was not registered with the Commission between January 2003 to November 2004 (the “Material Time”).
5. The directing minds of CCP are Mellon and Elin.
6. CCP and Merax are not registered in any capacity with the Ontario Securities Commission (the “Commission”) nor are either of them reporting issuers in Ontario.

Sale of Securities by CCP in Karp Mineral Resources and Legacy Mining Corp.

7. During the Material Time, at the direction of Mellon and/or Elin, representatives of CCP contacted investors and represented to them that CCP was acting as an underwriter and agent for two Ontario mining companies: Karp Mineral Resources Inc. (“Karp”) and Legacy Mining Corp. (“Legacy”).
8. Karp is a subsidiary of Claim Lake Resources (“Claim”), a junior Ontario mining firm trading on the Canadian Unlisted Board (“CUB”). Securities on the CUB are unlisted and not quoted but can be bought and traded through brokers registered with the CUB.
9. Staff of the Commission has not been able to confirm where Legacy was incorporated or if it was incorporated at all. Staff was able to ascertain that there are no records showing that Legacy was incorporated federally in Canada or provincially in Ontario.

(i) Karp

10. In December 2002, CCP purchased 2 million shares of Karp at 2.5 cents per share, for a total of \$50,000.
11. Some of these shares in Karp were sold by CCP to investors, primarily from Europe, at prices ranging from \$1.00 to \$1.50 per share.

12. At the direction of Mellon and/or Elin, representatives of CCP made prohibited representations to these investors including:
 - a) representations regarding an impending initial public offering and the listing of the shares of Karp on a stock exchange; and
 - b) representations regarding the increase in the future value of Karp shares upon such listing.
13. In fact, Karp was not about to embark on an initial public offering, and investors were misled about the extent of its mining operations. Karp's exploration operations were very limited given that the proceeds were to be used to perform preliminary test drilling on an abandoned mining site in Northern Ontario.
14. Investors were directed to send any correspondence to an address in Geneva, Switzerland that purported to be the offices of CCP. This address was the premises of Regus Business Centre ("Regus") and was a virtual office for CCP.
15. This virtual office forwarded all correspondence received from investors to a post office box in Toronto rented by Elin. Phone calls were also forwarded to numbers registered to a company controlled by Mellon. Similarly, at the direction of Mellon and/or Elin, representatives of CCP sent promotional materials to Regus in Switzerland for mailing to European investors.
16. Investors who purchased shares in Karp were provided wire instructions to forward the funds via the Bank of America to an account at TD Canada Trust in Toronto in the name of CCP.
17. Karp has never filed a preliminary prospectus or a prospectus with any securities regulator.

(ii) Legacy

18. Nonetheless, some of the investors who had purchased shares in Karp were contacted by CCP some months after their purchase and were told that in order to realize any gains in their Karp shares, these shares had to be sent back to CCP along with additional funds in exchange for shares in Legacy.
19. Some investors did send CCP more money and their shares in Karp and received shares in Legacy. Investors who wanted to redeem their shares in Karp were told that this was not possible, and requests to liquidate were ignored by CCP.
20. The published address for Legacy is another Toronto post office box rented by Elin and the phone number provided was a cell phone registered to Elin's girlfriend at a company controlled by Mellon.
21. Similar to the representations regarding the sale of shares in Karp, at the direction of Mellon and/or Elin, representatives of CCP made prohibited representations to these investors including:
 - a) representations regarding an impending initial public offering and the listing of the shares of Legacy on a stock exchange; and
 - b) representations regarding the future value of Legacy shares upon such an offering.
22. In reality, Legacy was not about to embark on an initial public offering.
23. Investors were also directed by parties from CCP to a website (www.legacyminingcorp.com) for more information about Legacy. The text and content for this website was provided by Mellon.
24. The website portrayed Legacy as an ongoing and successful gold exploration firm with multiple projects in China, Alberta and Nevada. All projects reported high potential, millions

of ounces in reserves and highly qualified mining experts in management. The website also contained press releases, which were not, in fact, released. The information posted on this website cannot be verified and portions of the website appeared to have been copied directly from other mining companies' websites.

25. Staff has not found any evidence that Legacy has any assets. Investors who purchased shares in Legacy received nothing in return for the money invested.

Funds Received from the Sale of Securities by CCP in Karp and Legacy

26. Accounts under the name of Merax and CCP were set up for receipt of these funds at TD Canada Trust by Elin and Mellon.
27. Through these accounts, Elin and Mellon received over \$500,000 from these sales of shares in Karp and Legacy to approximately 84 investors, primarily from Europe. To date, none of the persons who sent CCP funds for shares in Karp and/or Legacy have received anything of value in return.

Conduct Contrary to the Public Interest

28. By trading in securities without registration, making prohibited representations respecting securities and engaging in an illegal distribution of securities, the actions of the Respondents are contrary to sections 25, 38 and 53 of the *Securities Act*, R.S.O. 1990, c. S.5, (as amended) and contrary to the public interest.

Dated at Toronto, this 3rd day of November, 2010