

August 23, 2005

Mrs Susan Wolburgh Jenah, Acting-Chair
Ontario Securities Commission
20 Queen Street West, Suite 1903
Toronto, ON M5H 3S8

Dear Mrs Wolburgh Jenah,

It was a waste of your time and mine to request your Chief Mining Consultant to respond to my letter of June 21, 2005, to Mr David Brown. What concerns me is not only that those who developed *National Instrument 43-101* do not comprehend basic elements of sampling and statistics but even more so that its development relied on a geostatistical scholar who did not know how to prove that Bre-X was a salting scam.

You are familiar with opinion polls where samples are selected, responses counted, and 95% confidence intervals for central values of counted responses reported. In mineral exploration, too, samples are selected, prepared and analyzed but confidence intervals for contents and grades of ore reserves are not reported. The reason is that geostatistics, the junk science of interpolation without justification, cannot possibly provide unbiased confidence intervals. It inflates ore reserves because continuity of mineralization between boreholes is assumed rather than verified by applying analysis of variance. Inflated mineral inventories may well make attractive annual reports but shrink during mining when the statute of limitation is likely expired.

It is beyond reasonable doubt that geostatistics is a scientific fraud. Yet, professional engineers and geoscientists engaged in geostatistical reserve estimation do not even have peers who are thoroughly familiar with the fundamental differences between mathematical statistics and geostatistics. Do you believe that a professional who makes a mockery of peer review will respect any code of ethics? The OSC may not be mandated to set standards but it ought to rule against a scientific fraud. It would be erroneous to assume that I kept no record of my involvement with the Bre-X fraud, and of mind boggling encounters with the geostatistical fraternity.

Yours truly,

J W Merks
President