

August 24, 2005

Ms Deborah McCombe, PGeo
Ontario Securities Commission
20 Queen Street West, Suite 1903
Toronto, ON M5H 3S8

Dear Ms McCombe,

Geostatistics transformed Bre-X's bogus grades and Busang's barren rock into a massive phantom gold resource. Geostatistics is a genuine scientific fraud but its most diligent enforcer in Canada, Dr Alistair J Sinclair, PEng, PGeo, and Professor Emeritus, endorses *National Instrument 43-110*. Dr Sinclair disagrees that each and every distance-weighted average-cum-kringed estimate has its own variance

What you ought to know is that geostatistics assumes spatial dependence between *in situ* ordered sets of independently measured values, interpolates by kriging, smoothes to perfection, and rigs the rules of mathematical statistics. Qualified persons should know that geostatistics inflates ore reserves and resources because it is a flawed variant of mathematical statistics that violates the requirement of functional independence and ignores the concept of degrees of freedom. In simple terms, geostatistics is the junk science of interpolation without justification.

One would expected those who set the rules of ore reserve and resource estimation to understand mathematical statistics. You know as much about it as your predecessor did when I advised him that geostatistics is flawed prior to the Bre-X fraud. It is not surprising, then, that *Alice in Wonderland* shows more sound statistics than *National Instrument 43-110*. Paradoxically, the Canadian Councils of Professional Engineers and of Professional Geoscientists are as interested in scientifically sound ore reserve and resource estimation techniques as the Ontario Securities Commission.

My work stands unchallenged. I am convinced that the opportunity will come to prove in a court of law my allegation that geostatistics is a scientific fraud.

Yours truly,

J W Merks
President