

December 8, 2003

Mr William H Donaldson, Chairman  
US Securities and Exchange Commission  
450 Fifth Street NW  
Washington, DC 20549

Dear Mr Donaldson,

The terms *Proven ore* and *Probable ore*, as defined in Herbert Hoover's "*Principles of Mining*" to differentiate between all the uncertainties associated with estimating metal grades and contents of ore deposits, stood the SEC's test of time until 1981. In the early 1960s, the world's mining industry embraced geostatistics because of its promise to reduce the high cost of mineral exploration. Its evolution coincided with that of personal computers because geostatistics is based on computing large sets of distance-weighted averages from small sets of independently measured values. This simplistic practice is tantamount to perpetual motion in exploration data acquisition. Not surprisingly, geostatistics violates fundamentals of classical statistics. Perhaps ironically, Stanford University, where Hoover graduated in 1895, plays a key role in teaching geostatistics and suppressing criticism. It is an incontrovertible scientific fact that geostatistics is a fundamentally flawed variant of classical statistics.

Unlike geostatistics, classical statistics gives realistic confidence limits for contents and grades of ore reserves. However, kriging-enhanced mineral inventories make more attractive annual reports until they shrink during mining after the statute of limitations for commercial fraud has expired and class action litigation becomes the only recourse for mining investors.

Only the US Securities and Exchange Commission is in a position to stipulate that *proven reserves* be reported with confidence limits for contents and grades, and that *probable resources* be reported with confidence limits for contents and grades of *proven* parts. Please browse through the attachments and have your mining experts examine my work. I would be delighted to provide more information.

Yours truly,

J W Merks  
President