

March 24, 2006

Mr Doug Hyndman, Chair  
British Columbia Securities Commission  
PO Box 10142, Pacific Centre  
701 West Georgia Street  
Vancouver, BC V7Y 1L2

Dear Mr Hyndman,

On January 24, 2005, I called on the *Canadian Council of Professional Engineers* and the *Canadian Council of Professional Geoscientists* to examine whether geostatistics is a scientific fraud or sound science. On January 22, 2006, I met with:

Ms Deborah McCombe, PGeo, OSC's Chief Mining Consultant  
Dr Gregory J Gosson, PhD, PGeo, BCSC's Chief Mining Adviser

During our one-hour meeting I admitted that geostatistics might have been a human error when it was hailed as a new science in the early 1960s but pointed out that it turned into a scientific fraud after the Bre-X hoax when practitioners still denied that geostatistics violates fundamental requirements of mathematical statistics.

Geostatisticians, just like BCSC's Chief Mining Adviser and OSC's Chief Mining Consultant, are members of professional associations who would rather uphold the *status quo* than honor their duty to the public in accordance with *Codes of Ethics*. The validity of geostatistics hinges on the response to the following question: does or doesn't each distance-weighted average *aka* kriged estimate have it own variance?

Professional engineers and geoscientists may well be qualified persons but are not quite qualified enough to respond to this question or to derive unbiased confidence limits for metal contents and grades of ore reserves as a measure for risk. Surely, regulatory authorities ought to initiate hearings to resolve whether geostatistics is a scientific fraud or sound science. Mining investors deserve no less.

Yours truly,

J W Merks  
President