

diture on cost. Some water-races, however, have not borne out the satisfactory expectations formed of them when their construction was first initiated; but it must be remembered that, in inaugurating this plan of assistance to the gold-fields, it was, in this colony, an experiment, and, although no great revenue has been received direct by the State, yet, by the large communities these works have been instrumental in keeping together in regular and constant employment, a large revenue has been gathered indirectly through the Customs for gold produced and goods consumed by the miners and other inhabitants of the mining districts.

The total cost of water-races constructed by the colony, including all subsidies paid towards them, amounts to £508,906. Those that have been wholly undertaken by the colony are the Thames, Mount Ida, Waimea, Kumara, Nelson Creek, Argyle—Charleston—and Mikonui: the latter has only been partly made, as I deemed it prudent to stop any further expenditure on this race. The Thames race, when completed, was handed over to the Thames County, which body receives, after payment of all charges for maintenance, a large revenue from it. The Mount Ida has been handed over to the management of a Trust; but hitherto the State has contributed about £500 annually towards its maintenance. I hope in the future that the Trust will have sufficient revenue of its own to provide for its requirements.

The water-races still managed under the control of the Mines Department are the Waimea-Kumara, which last year gave receipts beyond expenditure of £4,630; besides, the duty paid on gold obtained by miners using its water was £1,671, which shows a return of interest on the total cost of construction of the combined works of about $3\frac{5}{8}$ per cent. The Nelson Creek and the Argyle gave, last year, small direct returns of revenue above expenditure for maintenance.

Taking the whole of the water-races now maintained or contributed to by the State, including the Mount Ida, and their cost of construction and extension up to the end of March last amounts to £370,206. The surplus revenue over expenditure amounts to £4,459, and the duty paid on gold produced by means of these works amounts to £2,189, which gives a return equal to 13s. 4d. per cent. on the total cost of construction.

Since votes by Parliament for works of this character have been under the control of the Mines Department £42,857 have been authorised towards their construction, and of which £37,241 have been expended, leaving as a liability on account of subsidies at the end of March last £3,466. During the past year I authorised no money for expenditure on works of this character, being desirous of entirely stopping State aid to such as quickly as possible.

Drainage- and sludge-channels, although subsidiary, are necessary works to water-races, that have been subsidised by the State, since the votes have been under the control of the Mines Department, to the extent of £12,756; the cost of such works being £19,852, and there are liabilities outstanding on account of authorised subsidies amounting to £672.

The colony has from time to time given assistance, by way of subsidies, towards prospecting for new goldfields, and I may say that a similar custom obtains in the other gold-producing countries of Australasia; but it is difficult to determine the best method on a fair basis to encourage miners to prospect, for the searching for auriferous drift-wash and mineral-lodes are undertakings in which miners have to undergo severe hardship from the very rugged nature of the country that generally has to be traversed during the process of search. In many instances the land is heavily timbered and thickly interspersed with a dense undergrowth of scrub, and considering that prospectors have to carry everything in the shape of tools, food, &c., on their backs, it is hardly to be wondered at that new discoveries are not of more frequent occurrence. During last year a promising quartz-reef was found in the Waikoromika District, near Coromandel, and very rich specimens have been taken from the reef; but, as yet, there has not been sufficient prospecting done to determine its extent.

Since votes for this purpose have been under the control of the Mines Department the total outlay in prospecting has been £31,598, on account of which £9,956 have been paid in subsidies, and a liability still remains for the same of £4,618. During last year the prospecting done is estimated to have cost £5,671,