hardness of the seam it was deemed advisable to sink at least two shafts. Sites were selected for two shafts, the distance separating them being 40 chains. These shafts have been sunk, and the seam in each found to be over 20 ft. thick of hard coal.

Three samples of coal from the first shaft were forwarded to the Dominion Laboratory for analysis, and the following is an average of the three samples:—

Fixed carbon	55·14
Volatile hydrocarbons	41·89
Water...	1·61
Ash	1·36
	100·00

Sulphur (per cent.), 5·04.

From the analysis it will be seen that the sulphur is rather high, but when compared with the sulphur in other coals, such as Blackball, Millerton, and Westport-Stockton, the percentage difference is not great.

The chief drawback in the development of this field is the access into it. There are two ways or means by which this area could be worked, viz.: (*a*) By constructing a railway from Ngakawau to the centre of Charming Creek valley and winning the coal by means of a shaft; (*b*) by constructing a long tunnel from Seddonville. Both schemes are costly, but the latter would probably be the cheaper, as the tunnel could also be made to act as a drainage adit, thus doing away with pumping, which would no doubt be required if the area was worked by means of a shaft. However, before anything is done regarding the development of this area it will be necessary to have surveys made in order to enable an estimate of the undertaking to be arrived at.

General.

Although the output from the Liverpool Colliery shows an increase when compared with last year's figures and the output from Point Elizabeth shows a slight reduction, it must be pointed out that the output from each colliery would have been greater by over 10,000 tons had it not been for the miners adopting the go-slow policy during the months of November and December, 1916, and also during February and March of this year. It will also be noticed that exceptionally good time has been worked at the mines during the year. This is due largely to the Greymouth bar being workable practically every day throughout the year, thus enabling the steamers to arrive and depart with little or no delay.

In conclusion, permit me to say that all the officers in the various branches have performed their duties in a most satisfactory manner, and the Consulting Engineer has in the course of his duties rendered good service.

I have, &c.,

I. A. James, Manager.

The Sales Manager, State Coal-mines, to the Under-Secretary, Mines Department, Wellington.

Sir,— State Coal-mines, Wellington, 28th May, 1917.

I have the honour to present the annual report and balance-sheet of the New Zealand State coal-mines for the year ended 31st March last.

Financial.

The net profit for the year, after making full provision for interest, depreciation, war bonus, and all annual charges, amounted to £18,521 5s. 9d., made up as follows:—

	£	s.	d.
Point Elizabeth Colliery (net profit)	£18,016	15	1
Liverpool Colliery (net profit)	254	10	3
Seddonville Colliery (recovery)	44	15	0
Depots (net profit)	205	5	5
	£18,521	5	9

The profit earned represents a return of 5·28 per cent. on the gross capital expenditure to date, and is equal to 7·44 per cent. on the turnover.

Turning to the financial results for the year, it will be noted that Point Elizabeth Colliery has made a profit of £18,016 15s. 1d., as against £8,779 0s. 1d. for the corresponding period last year. The increase in profit at this mine has therefore been substantial, but is partly due to the decreased amount charged as depreciation as compared with former years, and to the cessation of expenditure on development-work in view of the approaching exhaustion of the mine. The assets of this colliery have now been written down to such an extent that no further provision for depreciation is necessary. The present book value of the valuable plant and machinery at the mine, together with the buildings and workmen's cottages, is only £1,486—a purely nominal value.

The Liverpool Colliery returned a net profit of £254 10s. 3d., as against a loss of £10,118 12s. last year. While the figures indicate a good recovery, the result is disappointing in view of the tonnage produced and the large capital expenditure (£172,068) on which interest has to be earned. In order to place this colliery on a sound footing it is imperative that the present f.o.b. rates for coal should be increased to such an extent as to provide a reasonable net profit on the undertaking and to permit a sufficient sum to be set aside annually as a sinking