

of the gold-workings are at present utilised, and still they are quite inadequate to supply the demand for water. As water-races of a costly character will have, in the future, to be constructed to bring in water from the main rivers, provision has been made in the regulations under the Mining Act for granting one-third the cost of construction of water-races having a carrying capacity of twenty sluice-heads and upwards, when it is shown that water is required to supply men having mining claims in the locality, and that the price charged for water from such a supply will be reasonable.

The water-races constructed by the Government, and now working entirely under the control of the Mines Department, are the Waimea-Kumara and the Mount Ida Water-races. These have proved a great boon to the mining community, and have been the means of finding profitable employment for a large number of people, many of whom, had these water-races not been constructed, would have left the colony for other fields. During the last sixteen years the average number of men working mining claims by the aid of these water-races has been 517, and, as each of these men has either a family or some one depending on him for support, it may be asserted that these water-races have been the means of providing a livelihood for a population of about 2,585 persons.

The total cost of the construction of the water-races worked under the control of the department was £348,214. The approximate value of gold obtained from claims worked with water from these supplies is £1,274,082, and the net profit on the working, including the amount paid in gold duty before it was abolished in the Middle Island, was £82,150.

The net profit on the working of the Waimea-Kumara Water-race for the last year was £2,596 13s. 5d. Extensions and deviations now require to be constructed to open up new ground, and also to dispense with a long flume on the Waimea portion of the race which is now totally decayed. These works have been undertaken, and during the last year there was an expenditure of £1,049 incurred upon them, and it will yet take about £4,000 to complete them. When these extensions and deviations are completed the cost of maintenance will not only be cheapened, but a considerable area of new ground will be opened up, which will increase the revenue from the races, and very little expenditure will be required for further extensions for a considerable time.

There was no expenditure upon the Mount Ida Water-race last year beyond the ordinary cost of maintenance, and, notwithstanding the extremely dry season, there was a net profit of £15. The Blackstone Hill Water-race, which was purchased two years ago from the Official Assignee for £1,000, continues to give good returns for the money invested. During the last year £37 was expended in making some alterations, which now brings up the cost to £1,037, and the net profit on last year's transactions was over £129; equal to nearly 12½ per cent. on the capital cost. Taking the whole of the water-races controlled by the department last year, there was a net profit of £2,740 19s. 3d.

The total revenue derived from the water-races last year was: Waimea-Kumara £5,635, while the expenditure on maintenance amounted to £3,038; the revenue from Mount Ida was £1,067, and the expenditure £1,052; and from the Blackstone Hill Race the revenue was £136, while the cost of maintenance was only £7.

PROSPECTING.

A considerable amount of prospecting has been carried on during the past year, and I am happy to state that good results have been obtained in some cases. But there are very large areas of ground, both in the North and Middle Islands, where prospecting operations, if carried on extensively, would be likely to open up much larger fields for mining. A remarkably rich lead of auriferous wash-drift has been discovered at the Blue Spur, in the Westland District, which is likely to extend for a considerable distance. There is a good depth of wash-drift, and some of it yields as much as 3oz. gold to the load. At Reefton, in the Keep-It-Dark Mine, and also in the Wealth of Nations Mine, new quartz lodes have been found at deeper levels than hitherto worked, containing good payable ore. In the North Island, an auriferous lode has been struck in