

1899.
NEW ZEALAND.

THE MOKIHINUI COAL-MINE

(PAPERS RELATING TO).

Laid on the Table of the House by leave, and ordered to be printed.

SIR,—

Seddonville, 2nd September, 1898.

I have been directed by the committee of a public meeting, held in Seddonville on Saturday last, to bring under your notice the matter of opening-up the Mokihinui Coal-mine.

The committee desire respectfully to direct your attention to the following facts: (1.) That the Mokihinui Coal-mine has been lying idle for a period of over twelve months, and that the plant and machinery attached thereto is necessarily deteriorating in value. (2.) That the State railway leading to the mine is at the present time useless, and is contributing nothing to the revenue. (3.) That the opening of this mine by the State would effect a great economy in the expenditure on coal for the State railways on the West Coast, besides providing a payable traffic for the line. (4.) In view of the employment which would be given to coal-miners and other workmen in this district, as well as the direct benefit which would accrue to the State, we venture to assert that any outlay of public money in the direction of opening and developing this mine would eventually prove to be highly reproductive.

Trusting that this matter may receive a portion of your attention at an early date, and that you will take such steps in this behalf as the wisdom of your Government may direct,

We have, &c.,

Right Hon. R. J. Seddon, Premier,
Parliamentary Buildings, Wellington.

CHARLES STEWART, Secretary.
T. CORBY, Chairman.

Acknowledge. Refer Hon. Ministers Mines and Lands.—R. J. S. 16/11/98.

The Under-Secretary for Lands.

WILL you please submit the letter of Messrs. Stewart and Corby to the Hon. Minister of Lands, in compliance with the reference of the Right Hon. the Premier noted thereon.

10/12/98.

H. J. H. ELLIOTT.

Wednesday, 21st December, 1898, at 2.30 o'clock.—UNRESERVED SALE of the MOKIHINUI COAL-MINE, situated at Mokihinui, near Westport, Nelson, New Zealand.—By order of the Liquidator of the Company.

MACDONALD, WILSON, AND Co. have received instructions from Mr. Alexander Simpson, liquidator of the Mokihinui Coal Company (Limited), in liquidation, to sell at their rooms, No. 84, Lambton Quay, Wellington, New Zealand—

Lot 1.—Mine Division, consisting of the lease of Section 1, Block XVI., Mokihinui Survey District, containing 640 acres, and leased from the Crown for sixty-five years, from 1st July, 1888; present rental, £160 per annum. Also, lease of Section 7, Block XV., Mokihinui Survey District; and Section 7, Block III.; and Section 7, Block IV., Ngakawa Survey District, 957 acres, for sixty-six years, from 1st July, 1892; present rental, £239 10s. per annum. The leases are subject to a royalty of 6d. per ton. On these leases are the company's mines and all the plant necessary for the working of the mine, a full schedule of which can be seen at the office of the auctioneers, and office of the *Westport Times*, Westport.

Lot 2 consists of the lease of Section No. 5, Block XV., Mokihinui Survey District, forty-three years, from 8th July, 1885. Rental, £40 per annum, with a royalty of 6d. per ton.

Lot 3.—One ship's boiler, 8 ft. by 10 ft., $\frac{7}{8}$ in. plate, three furnaces; two pairs marine engines complete, eighty-eight nominal horse-power, high-pressure cylinder 17 in., low-pressure cylinder 32 in., stroke 24 in.; bed-plates, standards, and condenser; one funnel; two propeller-shafts, $5\frac{3}{4}$ in. diameter, 15 ft. long; two propeller-boxes and sixteen loose blades; one friction-winch; two drums, single cylinder, 8 in. diameter, 9 in. stroke; two head-gear shaft revolvers, 5 cwt. heavy angle-iron,

engine-room bar grating, deck-ladder; eleven wire-rope stays, 30 ft.; topmast, 25 ft.; rails, two pair truck-wheels, and sundries now lying on the beach.

Lot 4.—One chain cable and anchor, two pieces chain cable, three davits, and four davit-sockets, all now lying on beach at Mokihinui. Also, a lot of chains, blocks, cables, timber, old iron, and sundries, now stored in shed at Corby's, but not including any articles stored therein connected with the marine engines.

Lot 5.—About 150 tons of coal, more or less, now lying on the property.

Over £40,000 has been spent on plant and developments, and all the machinery required for working the mine is now on the ground, and any purchaser can set to work at once and win coal, of which there is plenty in sight.

Complete schedules and any further particulars can be inspected at the *Westport Times* office, Westport; the office of the liquidators, 84, Lambton Quay, Wellington; Messrs. Stout and Findlay, barristers, Lambton Quay, Wellington; or the auctioneers.

INTERIM REPORT ON THE LIQUIDATION OF THE MOKIHINUI COAL COMPANY (LIMITED).

I HANDED over the charge of the mine to Mr. Robert Tennant, Government Inspector of Mines, on the 21st February, on which date the mine was free from water, and everything in good order. On the 1st November I had a new splice put in the wire rope that drives the pump—about 40 ft.—where it was weak, and it ought now to stand for a considerable time. I had all the mine-tubs tarred and put in order, the plant gathered up, and, when necessary, placed under cover.

Hut Seam.—I had samples of coal taken from this portion of the mine, and conveyed here in sacks. The coal stood the handling well. Although a little soft, it is a first-class household coal. The small coal cakes readily, and burns well in an open grate. With a view to the future working of this part of the property, I have gone over a large portion of the level country (to the east of the drive) which appears sound, and I firmly believe contains a large field of hard coal, which I think could be easily worked, and the main drive constructed to do away with the pumping, and on a grade to win the coals without the expense of steam-haulage. With this end in view, I strongly recommend the prospecting of this part of the property by boring, which I think could be carried out at a cost less than £250. As showing the haphazard way in which work was done, there were no bores put down, or prospecting of any kind done before the drive was put in, hence the need for pumping and steam-haulage at this working, which ran into a fault, and caused work to be stopped. Pending further prospecting I would keep the old workings free from water, as at present. I would also recommend that the drive should be carried in a few chains with a view to going through the fault, or a line of bores put down, starting from the end of the drive, which would prove the ground. I am of opinion that coal will be found at a deeper level on the other side of the fault, and will improve in quality and hardness as it advances to the level country.

Big Seam.—This is just the same as when I took charge. I am of opinion that the fire is still burning in this portion of the mine, and steps should be taken at once to locate it, and if possible have it extinguished if still alight, and the old workings examined, as any good coal discovered towards the Cardiff Company's property would, I think, have to be worked through them, and thereby save cost of constructing a fresh drive and new line of tramway. The Cardiff is working good hard coal towards the Mokihinui lease to the south-west, and which I think will prove to run into the Mokihinui lease at the back. So far the coal worked in this part of the mine has proved to be too soft for household purposes, which is the class of coal most in demand. Steaming-coal is not easily disposed of, as there are large quantities put out from Denniston, Gravity Creek, and Cardiff Mines.

Top Mine.—This is useless, and the plant should be at once withdrawn and the working closed up. The tunnel leading to this mine is in a dangerous state, and may collapse at any time, which would mean leaving the plant where it is, as it would not pay to take it down the creek or over the hill. The cost of winning coal, and delivering the same at ships' side, Westport, would be much less than at any of the other mines, as there are no engineering difficulties to contend with. The coal could be delivered at the staiths, Mokihinui, on the incline principle on a very easy grade, and almost self-working, merely requiring the services of a man to regulate the speed and stop the rope when necessary, which cannot be done elsewhere. For good screened household coal, delivered on board ship, Westport, 8s. per ton would leave a good profit over working-expenses; steam-coal, less—say, 7s.; and with low freight to Wellington and other ports the high price of coal now ruling would be a thing of the past. In conveying coals in sacks, for sample purposes, in lots of one ton or over, the Union Company charge the high price of 12s. 6d. per ton, showing that they must have a large profit, and prohibit people from getting coal otherwise than through retail dealers. The Westport Coal Company are now running depots of their own in the chief towns, and selling direct to the consumers; but their retail price is the same as that charged by dealers (or middlemen), thereby giving no inducement to the consumer to buy direct, and thus do away with the middlemen and lower prices.

I would strongly urge the Government, if they desire to get back from the mine the moneys owing to them, to carry out the following measure: thoroughly prospect the mine as suggested, at a cost of from £250 to £500. Unless this is done the mine must be abandoned and the whole expenditure incurred—over £40,000—absolutely thrown away. For a further £500 the Government can thoroughly prove the mine, and, if successful, sell it for from £5,000 to £10,000. If unsuccessful, the £500 would be well spent in saving a further wasteful expenditure of capital on the part of any hopeful but ignorant speculator or syndicate who might take it up.

Wellington, April, 1899.

W. SIMPSON,
Liquidator, Mokihinui C.C.

Department of Lands and Survey, District Office, Nelson, 2nd May, 1899.

(Memorandum.)

Arrears of Rent, Mokihinui Coal Leases.—In reply to your memorandum of the 26th ultimo, No. 38272, as far as I am aware every effort has been made to get payment from the company, which has gone into liquidation and become defunct. Repeated claims were made by this office, especially so on your memorandum of the 28th March, 1898, when it was put in the hands of the Crown Solicitor. Subsequently, on the strength of your telegram of the 10th May following, the Crown Solicitor was requested to send all papers in connection with the case to the Crown Law Officer. The case was then placed in the hands of Messrs. Stout and Findlay, who filed a petition in the Supreme Court. The outcome of these proceedings was that an official liquidator was appointed, at whose request I furnished statements of royalty, &c.; but from that time until now I have heard nothing of the case excepting through the newspapers, from which I learned that the Government had purchased the lease and property.

The Surveyor-General, Wellington.

THOS. HUMPHRIES,
Commissioner of Crown Lands.

(Memorandum.)

Wellington, 13th May, 1899.

Arrears of Rent, Mokihinui Coal Company.—When the winding-up of the company is finished there will be a sum to be handed over to the Government, but I am unable to say what the amount will be until all calls are recovered and the winding-up costs paid. It will be advisable for you to keep your books open until the final winding-up of the company, of which you will get due notice.

W. H. SIMPSON, Liquidator,
Mokihinui Coal Company (Limited), in Liquidation.

The Surveyor-General, Wellington.

SIR,—

Inspector of Mines' Office, Westport, 15th May, 1899.

Mokihinui Coal-mine.—In compliance with your instructions dated the 5th April last, in which I was directed to visit the mine and furnish a full report on its present condition, together with my opinion as to the best means of working it in future, I have made several examinations of the workings, and have the honour to submit the following report:—

During the period this coal-mining property was held and worked as a colliery under the title of the Mokihinui Coal Company the coal won has been mined from three separate districts—namely, the Big Seam Mine, Upper Mine, and Hut Seam Mine.

Big Seam Mine.—This section of the mining lease rises in a terrace situated on the north bank of Coal Creek, and which has formed the chief centre of mining operations. Forming the entrance to the mine, the coal is cut down in a square face on the hill-side to a depth of 30 ft., and the sides are built up with an extensive series of crib-logging. From this face two adits pierce the coal, one on the bottom of the coal-seam, and the other near the top. As regards the exploration of this district of workings information is very limited, from the fact that about 80 yards in the top adit the whole district is blocked by stoppings, which were built to prevent the spread of a gob-fire which extends over a large area of old workings. Indications of this fire still exist, as heat is readily felt on the roof along the top of the stoppings. A fresh outbreak only awaits the removal of these stoppings to admit free ventilation. Referring to the character and quality of the coal as a marketable product, it compares very unfavourably either with Westport-Cardiff or Westport Coal Company's coal. This deterioration is entirely due to the geological conditions of the coalfield, for overlying the highly bituminous coals of Westport and Brunner is a series of hard sandstone grits, while the Mokihinui coal measures underlie a series of soft marls. This stratigraphical change in the coal formations classifies the Mokihinui coal as a semi-bituminous or glance coal.

Upper Mine.—This section of the coal lease is a continuation of the Big Seam that underlies an extensive flat, which is intersected with gullies and small creek-beds, and for a considerable area may be considered coal-bearing. From information received, these gullies are cut down through the shallow roof-cover, and form deposits of clay in the coal (as shown on the plan). The heading that is driven from the Big Seam Mine, which shows to be nearly connected with the upper district of workings, is cut in a mountain-ridge that connects the two sections of the coal-field. On the eastern slope of this ridge the coal is wholly displaced by denudation for a distance of 10 chains. I may here state that at the time this cut-off was discovered in the workings, that the indications were considered favourable to a downthrow displacement. Such is not the case, because all the evidence goes to prove, as stated above, that this displacement is due to denudation. Entering the terrace by the upper adit-tunnel, the first chain-length is driven through broken marl and clay, and where the outcrop is cut the quality seems fairly good, but deteriorates as the workings proceed. This characteristic of outcrop coal is shown in other sections, and very particularly at the entrance of the Hut Seam. Continuing on the main adit, the heavy timber is broken down just inside the main rise-heading, caused by an extensive fall of roof that can be traced on the surface, by which all possible ingress to the lower workings is cut off. Following the rise-heading to the top of the third "gig" another fall is met that gives indication of the surface being broken. As far as can be travelled behind this fall for foul air (Co), the coal is giving signs of pinching out towards the mountain-ridge westward. During heavy rains the roadways are liable to be covered with large deposits of silt that is brought down from these falls by large inflows of water from the surface. The tunnel section of the tramway—that is, the division from the north bank of the creek through the Big Seam mine-workings—is in good condition, with the exception of a few sets near the upper end, where the gob-fire crosses underneath the timber. The bridge

that crossed the creek to connect with the tunnel is washed out by the late flood; also the bridge to the Big Seam Mine is in a very bad state of repair, and may be washed out by flood at any time. After a series of most careful examinations of the workings, all the evidence collected leads to the conclusion that improvement in the quality of the coal, and economy in working this section of the coalfield, are very unfavourable.

Hut Seam Mine.—The Hut Seam, situated directly on the east side of Coal Creek, is entered by two dip-headings, which serve for haulage and pumping, and the other as a second outlet and return air-way. The haulage-road is driven from the cliff about 75° south-east. It has a sandstone roof, and is timbered throughout to 6 ft. in height by 10 ft. in width. The gradient is irregular, but will not exceed 1 in 5. The thickness of the seam is unknown, but from what I have seen the best part is next to the roof. The water to be pumped rises chiefly from the floor in the face of the bottom bords on the north side, and is not increased by rains. After examination of the outcrops about 100 yards north and south of the dip-heading the coal-seam shows evidence of severe downward displacement, which places the present tunnel in an impracticable position to work the Hut Seam from either side of these faults. The magnitude of these faults is further proved by the faulty and soft character of the coal, as seen in the present faces on both sides of the heading. In each of the nine bords on the north side the coal bears the same character—viz., faulty, soft, and intermixed with stone. Along the outcrop where the coal is of better quality the faces are worked furthest in advance, and are showing downward movement. On the south side of dip-heading in the 4 ft. seam which overlies the Hut Seam only one face has been set off. The roof in this face shows a downthrow fault, and the coal is utterly useless. Opinion goes that by driving the heading a further distance into the terrace that coal of a better quality may be found. The facts are against such theory, and may not be accepted as practicable. Firstly, the Hut Seam may pinch out where the roof stone has pinched out. Secondly, the facts proved—that coal of marketable value does not exist during the whole distance the dip-heading has been driven—is sufficient evidence on that point. Collecting the facts that can be gathered in the mine, my opinion is that the two faults above referred to are gradually drawing together, and would ultimately cut off the heading should it be continued.

Considering this matter to be one of great importance to this mining district, I have gone most carefully into every detail that was at my command, and weighed the subject to the best of my experience, in which the result of my notes are condensed in the following:—

Big Seam Mine.—Practically all available coal is worked out, unless westward to the dip. There are a few pillars in the district through which the tunnel to the upper mine is cut, but removal of these pillars would cut off all means of ingress to that mine. Further, the large amount of slack coal produced would leave a very small percentage of marketable coal to cover necessary developments.

Upper Mine.—The large flat that forms the section of the lease may be considered coal-bearing for a very considerable distance towards the ranges, but the soft character, together with the thin or shallow cover that overlies the coal, are the most unfavourable features. Should good coal be discovered, it would be necessary from a practical and economical point to convey the coal from the mine to the loading-station on the Government railway by a system of rope-haulage.

Hut Seam Mine.—I have endeavoured to be very pointed and plain in my remarks on this district. As regards the pumping of the water, I would certainly recommend to the Hon. Minister of Mines that this work be ceased at once, and all movable plant be removed from the mine to a place of safety, as the conditions are practically unfavourable for mining operations to be carried on with success.

For future mining operations, extensive development or prospecting works must be carried out in borings or sinkings, with the view to discover coal of marketable value in other sections of the coalfield.

I have, &c.,

R. TENNANT,

Inspector of Mines.

The Under-Secretary, Mines Department, Wellington.

SIR,—

Westport, 9th June, 1899.

Re Mokihinui Colliery, via Westport: In accordance with instructions received, I have visited this colliery in company with Mr. Tennant, the Inspector of Mines for the district; and also on a second occasion with the caretaker and Mr. Tressman, of Seddonville, the latter being one of those interested in the formation of a co-operative company to undertake coal-mining at Mokihinui. I have also seen Mr. Foster, at Denniston, as desired by the Right Hon. the Premier.

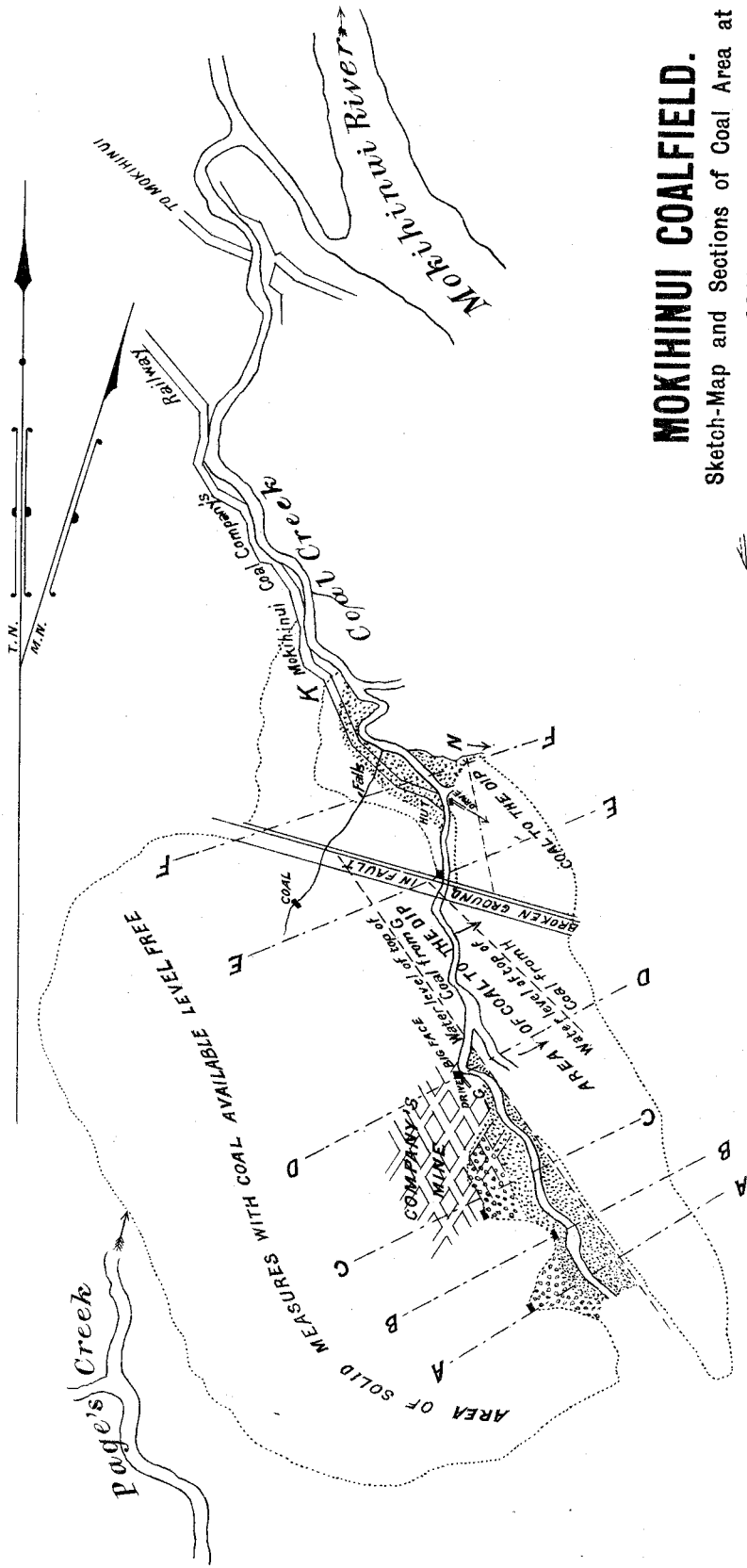
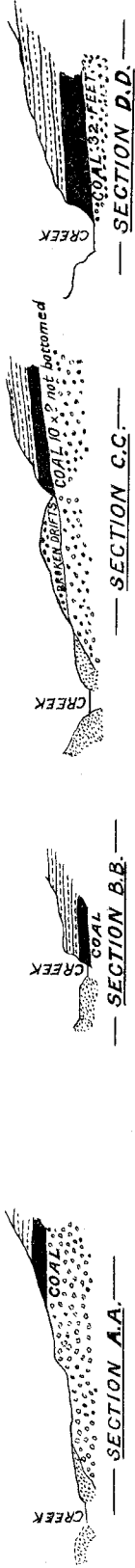
At my interview with Mr. Foster I gathered information as follows:—

(1.) That there are parties wishful to form a co-operative mining company, and lease the Mokihinui Colliery property from the Government, provided the conditions are favourable.

(2.) This co-operative company when formed would consist principally of working miners, some of whom are said to have saved money. The conduct of the undertaking would be somewhat on the lines of a co-operative store, but the company would look for a good share of the coal-supply to the Government railways and steamers. [Memo.—This is a matter which the Government would no doubt consider in its relation to the reasonable distribution of its coal orders in other parts of the colony, and especially to mines already working on Crown lands.]

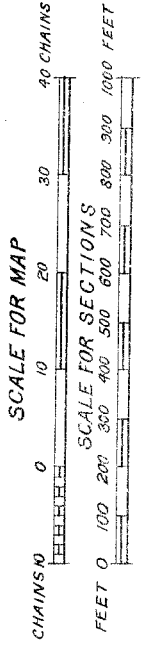
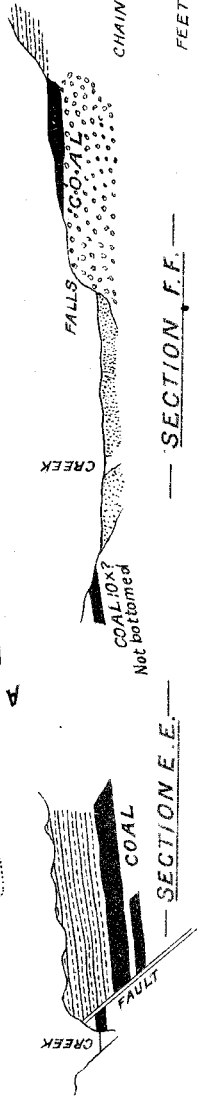
(3.) That a valuation should be made of the mining plant, and a rental charged for its use—such rental being based on a system similar to that adopted under the Advances to Settlers Act, whereby principal and interest are both paid off together during an agreed term, the plant ultimately becoming the property of the lessees. [Memo.—The plant would have to be kept in satisfactory condition till totally paid for.]

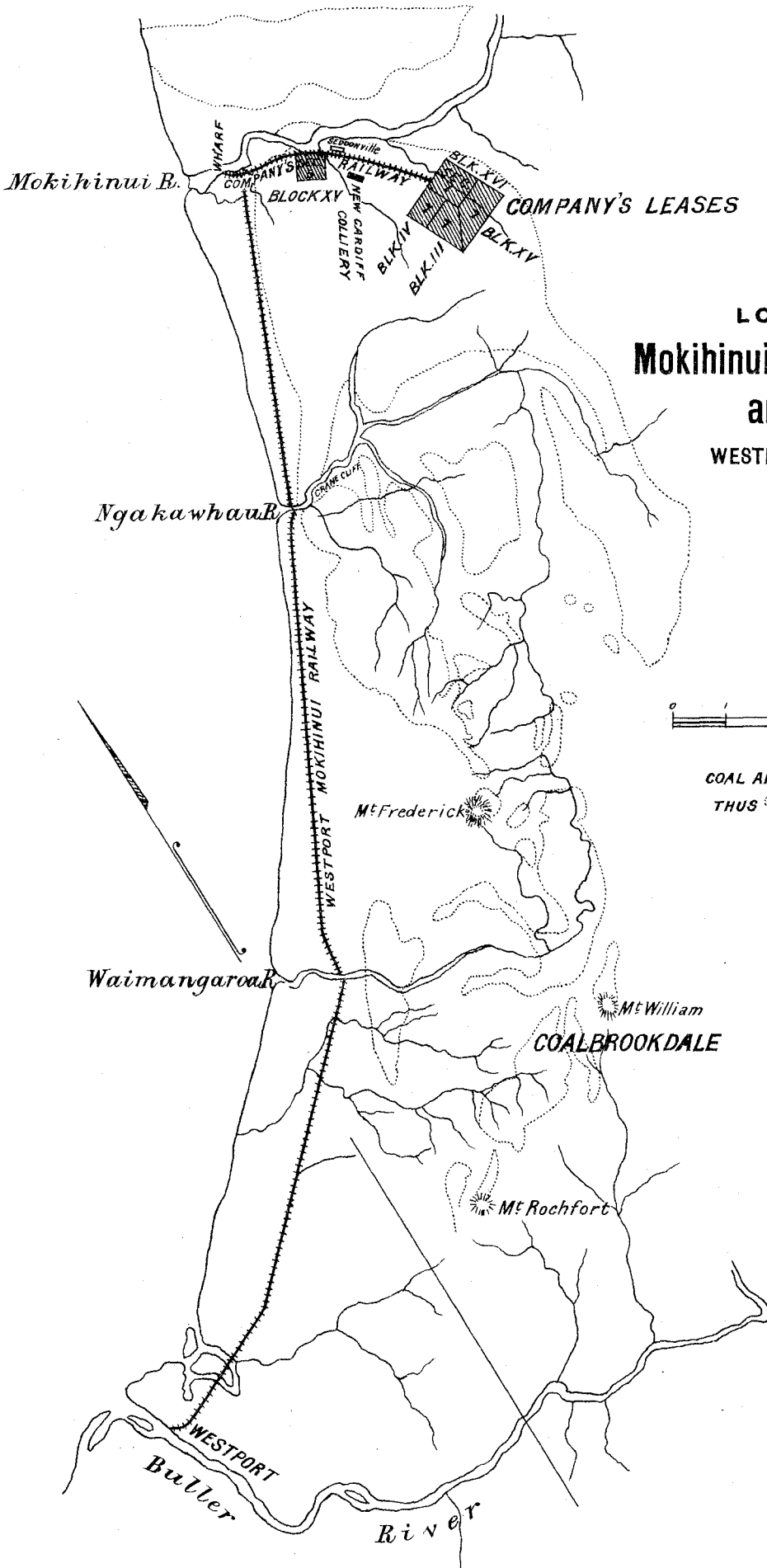
(4.) The parties interested appear to be agreed that boring or other means of prospecting



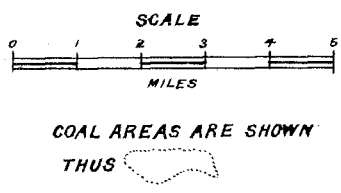
MOKIHINUI COALFIELD.

Sketch-Map and Sections of Coal Area at
 COAL CREEK.





SKETCH-MAP
 SHOWING
LOCALITY OF
Mokihinui Coal Co.'s Leases
and Railway,
WESTPORT, NEW ZEALAND.



should be undertaken first thing, it being practically useless to try to open a trade with the coal formerly worked.

(5.) I was not able to ascertain from Mr. Foster what amount of capital the proposed co-operative company could command for the purpose of opening and developing the colliery. He first wished to see the Government conditions as to lease. Mr. Tressman was similarly reticent when asked as to the ability of the proposed company to provide the required capital.

You have already had a report as to the present condition of Mokihinui Colliery from Mr. Tennant, with which I generally agree. The coal in the Hut Seam is soft as a rule, and intersected by frequent intrusions of stone. A fire exists in the workings of the Middle or Big Seam district, the coal also being soft and unmarketable to a considerable extent, whilst in the upper workings the coal may be said to be commercially valueless as a whole. It is therefore quite evident that if Mokihinui Colliery is ever to be of commercial value as a working mine extensive prospecting must be undertaken in the first place.

From what I can learn as to the general features of the locality as a whole, the coalfield is broken up by intrusions of granite, and the coal in the neighbourhood of these intrusions is very greatly deteriorated; so that, in view of the fact that the Westport Coal Company has coal of so much superior quality, both at Denniston and Granity Creek, and that the mines at the latter place are being developed on a scale which promises to be as extensive as that at the former—the two places being practically equal to supplying the demands of the colony for this class of coal—I do not see how it can reasonably be expected to make a commercial success of Mokihinui Colliery with a coal inferior to that at Denniston and Granity, especially when it is considered that up to the present time no moderately large area of good hard coal has been proved at Mokihinui.

The coal at the Westport-Cardiff Company's colliery appears better than that at Mokihinui (I am informed that the area being worked is further away from the granite intrusion), but this carries a good percentage of soft coal and slack, and the company has not yet been signally successful as a remunerative concern to shareholders. These are considerations which I think should be taken into account in conjunction with the past history of the Mokihinui Mine by any persons who might wish to work the property in future.

A report from Messrs. Cochrane and McKay, in 1894, appears to show that coal-mining to a successful issue on the Mokihinui property is very problematical, but, on the other hand, I have been informed by Mr. M. Straw (a former mine-manager there) that in his opinion the leasehold contains a large area of good hard coal, but a considerable sum of money will have to be expended on plant and proper development. Mr. Straw says the old company had not the means to open out the place in a proper manner, but worked the first coal they came to, and that coal was crushed.

From what I have been able to see, it looks as though the most likely place for immediate prospecting is to the east of the big face (Middle District). The coal is exposed in Coal Creek, which has apparently cut through it, and I see no reason why it should not extend to the dip east of the creek. If it does there is a probability of a fairly large area of coal which would take several years to exhaust, and if this area can be worked to a satisfactory profit, a percentage on profits made should be set apart for prospecting other parts of the leasehold.

Assuming that prospecting operations are quite satisfactory over the area in question, a good plant for hauling and pumping from the dip would be required. A system of mechanical haulage from the mine-mouth to the bins would also have to be adopted, and some rearrangements of the railway sidings at the bins are needed to allow the work to be carried on with facility and economy. There is not sufficient standage for either full or empty wagons. Sundry alterations are also needed at the bins themselves.

In view of the part of the leasehold last referred to showing prospects which will warrant the necessary expenditure, I have, in conjunction with Mr. Tennant, prepared the recommendations accompanying this report, which we think are desirable in any future lease of the Mokihinui property.

JOHN HAYES,

The Under-Secretary for Mines, Wellington.

Inspector of Mines, Southern District.

SUGGESTIONS FOR CONSIDERATIONS *re* LETTING MOKIHINUI COLLIERY.

1. THAT a conditional lease be granted for a term of one year to enable the lessees to prospect a portion of the field, such prospecting to be of a character satisfactory to the Mines Department. For this term the rent to be nominal (say, an acknowledgment of £5), and lessees to have the free use of any plant now on the property for the purpose of such prospecting, but any damage or loss to such plant (fair wear-and-tear excepted) shall be made good by the lessees.

Any coal sent away from the mine during the period to be subject to a royalty-charge of 6d. per ton.

The lessees to expend a minimum sum in prospecting as may be agreed upon.

2. That at the expiry of the said year (or earlier, if desired by the lessees), on the lessees and the Government being satisfied with the result of prospecting operations, a lease shall be granted for a term of _____ years on the usual conditions of coal-mining leases on Crown lands, and the lessees shall, within five years of the date thereof, thoroughly prospect the unproved portions of the lands so leased, keeping the Mines Department regularly supplied with a plan showing all information gained by such prospecting.

As so much of the field is as yet unproved in relation to its coal-bearing area, the Government might advantageously make an allowance from rent or royalties received to assist the work of prospecting, such allowance being based at the rate of _____ per cent. on moneys actually expended by the lessees in *bonâ fide* exploration work on hitherto unproved portions of the leasehold.

The plant now on the property, together with such tramway-formation as may be required by the lessees, to be valued mutually, and the lessees to purchase same at the price arrived at by the said valuation. Payment for same, if desired by lessees, may be spread over a period of _____ years, but with interest on unpaid amounts at the rate of _____ per cent. per annum added.

If plant is purchased by deferred payment the lessees shall maintain the same in proper working-order, and may not sell or otherwise dispose of any portion of such plant until the whole of the payments are completed.

4. That the lessees may except from such valuation any article or part of the plant which they may not require, the same to remain the property of the Government.

Westport, 9th June, 1899.

JOHN HAYES, } Inspectors of Mines.
R. TENNANT, }

MOKIHINUI COAL-LEASE.

Mines Department, Wellington, 10th July, 1899.

OFFERS in writing will be received up to noon of the 1st day of September next from persons willing to lease and work, under the provisions of the Coal-mines Act and regulations, the above coal-mine, comprising an area of 957 acres, situated in the County of Buller, on the west coast of the Middle Island, together with the plant and machinery now on the ground.

The following conditions will apply to any lease that may be granted:—

(a.) A royalty of 6d. a ton to be paid on all coal raised during any one year, such royalty to be payable every six months, on the 1st day of January and 1st day of July in each year.

(b.) Fifty per cent. of the amount paid as rent or royalty will be allowed towards the cost of further prospecting for coal within the limits of the lease.

(c.) The plant now on the ground, a schedule of which can be seen at the offices of the Inspectors of Mines at the Thames, Dunedin, and Westport, or at this office, together with such portion of the tramway formation as may be required by the lessee to be mutually valued, the lessee to purchase the same for the amount of the valuation: payment may, however, extend over a period of five years, or for such further period as may be agreed upon, without interest, or the lessees may lease the same on payment half-yearly of interest at the rate of 5 per cent. per annum on the capital value, as agreed upon.

(d.) The lessee to maintain the plant in proper working-order, and not to be allowed to sell or dispose of any portion of the same.

Applicants will be required to state—

(1.) The terms for which the lease will be taken.

(2.) The quantity of coal they are prepared to produce from the mine every six months, from the 1st day of January and 1st day of July in each year.

(3.) The annual dead-rent per acre they are willing to pay on the 1st day of January and 1st day of July in each year: the amount of rent to be deducted from the royalty of 6d. a ton hereinbefore referred to.

A. J. CADMAN,
Minister of Mines.

SCHEDULE OF AVAILABLE PLANT AT THE MOKIHINUI COAL-MINE.

- 24 chains tramway, of 28 lb. rails (Top Seam).
- 29 chains tramway, of 28 lb. rails (Hut Seam).
- 53 28 lb. rails, 18 ft. long (in stock).
- 2 28 lb. rails, 12 ft. and 16 ft. long.
- 3 points and crossings, 28 lb. rails.
- 24 chains of tramway, of 40 lb. rails.
- 10 40 lb. rails, 9 ft. to 18 ft. long.
- 1 40 lb. rail, 9 ft. to 18 ft. long.
- 10 chains of tramway, of 14 lb. rails (Hut Seam bord-lines).
- 15 chains of tramway, of 14 lb. rails (Top Mine bord-lines).
- 5 chains of tramway, of 14 lb. rails (Bell's heading bord-lines).
- 20 chains of tramway, of 14 lb. rails (Top Mine).
- 90 14 lb. rails, from 6 ft. to 18 ft. long (in stock).
- 35 14 lb. rails, from 1 ft. to 5 ft. long (in stock).
- 7 crossing-plates for 14 lb. rails.
- 1 coil of $\frac{3}{4}$ steel-rope, about 40 chains (new).
- 3 coils of old wire-rope, about 20, 4 $\frac{1}{2}$, and 4 chains long respectively.
- 20 chains $\frac{3}{4}$ steel wire-rope on drum steam-winch.
- 2 pair wagon-wheels, diameter 2 ft., on 2 $\frac{1}{2}$ axles, 3 ft. 6 in. gauge.
- 12 cast-iron wheels, 14 in., 16 in., 20 in., 24 in. and 4 ft. diameter.
- 1 horizontal double-action pump, 8 $\frac{1}{4}$ cylinder, driven by endless rope.
- 1 horizontal double-action pump, 7 $\frac{1}{4}$ cylinder (in stock).
- 1 vertical pump driven either by hand or rope (in stock).
- 1 hand force-pump 3 $\frac{1}{2}$ cylinder (in stock).
- 50 2 in. pipes, 10 ft. to 15 ft. lengths (in stock).
- 10 1 $\frac{1}{4}$ in. pipes, 10 ft. to 15 ft. lengths (in stock).
- 52 cast-iron pipes, 4 in. diameter, chain, 9 ft. long, socket-joints (in use).
- 6 cast-iron pipes, 4 in. diameter, chain, 8 ft. long, flange-joints (in use).
- 9 cast-iron pipes, 4 in. diameter, chain, 9 ft. long, socket-joints (in stock).

- 3 cast-iron pipes, 4 in. diameter, chain, 8 ft. long, flange-joints (in stock).
 12 cast-iron pipes, 4 in. diameter, chain, elbow and short joints (in stock).
 10 elbow couplings for 2 in. pipes.
 2 three-way pieces for 2 in. pipes.
 1 three-way piece for 1 in. pipes.
 1 water-wheel, 12 ft., diameter 2 ft., breast on 3 in., shaft 10 ft. long, broken.
 20 chains endless wire-ropes $\frac{3}{4}$ in. diameter (driving-pump).
 1 winding-drum, 6 ft. diameter, 5 ft. 6 in. wide, on 6 in. shaft, screw-break.
 1 winding-drum, 4 ft. diameter, 3 ft. 6 in. wide, on 6 in. shaft, screw-break.
 86 mine-tubs, in good order, newly tarred.
 35 pair mine-tub wheels on axles (in stock).
 2 6 ft. sheets corrugated iron and 24 ft. ridging (new).
 5 6 ft. sheets corrugated iron (second hand).
 20 7 ft. sheets corrugated iron (second hand).
 5 $\frac{1}{2}$ in. jig-chains, 23 yards long.
 15 ft. $\frac{5}{16}$ in. chain.
 Lot of cable and other chains.
 1 2-ton patent block; 4 long-handle shovels.
 1 timber-trolley; 1 turntable-trolley.
 1 steam-winch; 1 hand-winch.
 2 sledge-hammers; 2 hand-hammers.
 1 anvil; 2 vices.
 1 48 in. bellows; 1 engineer's shifting-spanner.
 4 new iron rollers; 68 iron rollers (in use).
 6 safety-lamps; 1 crosscut saw.
 3 union screws; 1 grindstone.
 1 iron snatch-block.
 32 flat sheets iron; 1 steel dog-bar.
 1 steel lever-bar; 1 iron lever-bar.
 1 double-shear iron block; 3 marlinspikes.
 1 oil-drum, with tap and strainer; 1 large kerosene lantern.
 1 safety-jack; 1 tar-brush.
 1 long iron-handle shovel; 3 expansion-joints for 2 in. pipes.
 1 $\frac{3}{8}$ in. and $\frac{1}{2}$ in. spanner; 1 $\frac{3}{8}$ in. and $\frac{3}{4}$ in. spanner.
 1 $\frac{3}{4}$ in. spanner; 1 $\frac{7}{8}$ in. spanner.
 1 1 in. and 1 8 in. spanner.
 3 large spanners.
 1 screw gas-tongs; 2 common tongs.
 8 cast-iron frames for curved rollers.
 2 pieces $1\frac{1}{2}$ in. square steel, 5 ft. 6 in. and 2 ft. 6 in. long.
 1 piece sheet-steel, $1\frac{1}{2}$ in. by $\frac{1}{2}$ in., 5 ft. long.
 1 piece sheet-steel, $\frac{1}{2}$ in. to $\frac{3}{4}$ in., 4 ft. long.
 3 crossings for 40 lb. rails, no points.
 1 iron coal-screen, 11 ft. long, 6 ft. wide, 10 in. sides.
 Coal-bins.
 5 cwt. $\frac{5}{8}$ in. chain.
 10 cwt. iron in rack (new), various sizes.
 1 panel-door and 2 window-sashes.
 An assortment of bolts and nuts.
 An assortment of blacksmith's tools in smithy.
 Blacksmith's shop, office, and other buildings on leases, but not including the house occupied by John Lenihan.
 Tramway sleepers and other timber; remains of hull of s.s. "Lawrence."
 Quantity old iron and sundries.
 All and singular the rails, bins, and other mining plant, chattels, and effects now shut up in the Big Seam portion of the mine, the subject of the said leases, and of which, for that reason, the vendor is unable to furnish any particulars.

INTERIM REPORT ON THE LIQUIDATION OF THE MOKIHINUI COAL COMPANY (LIMITED),
 TOGETHER WITH THE FOLLOWING REPORTS ATTACHED:

- | | |
|--|--|
| 1. Report by Joseph Proud, Mining Expert. | 6. Report and Balance sheet, 31st December, 1897. |
| 2. Report by Thomas Alexander: Underground Workings. | 7. Plans of Mine Property. |
| 3. Report by Thomas Alexander: Mine Property. | 8. Report, Committee of Inquiry, 7th December, 1892. |
| 4. Inventory of Mining Plant. | 9. Extracts from the Government Inspector's Reports. |
| 5. Estimate of Cost New Machinery, by E. Seager. | |

INTERIM REPORT ON THE LIQUIDATION OF THE MOKIHINUI COAL COMPANY (LIMITED).

I was appointed liquidator of the company on the 3rd day of August, 1898. I at once took the necessary steps to make myself thoroughly acquainted with its past history and present position. With that object I visited the mine, and made an exhaustive inspection of every portion of it, being much delayed with the work by exceptionally wet weather.

I found that the mine has been shut down since December, 1896, one man being kept on to keep what is known as the Hut Seam clear of water, and to act as general caretaker. With a

view of dispensing with the expense of pumping I examined the workings closely, but found to do so would mean the flooding of the mine within twenty-four hours, which might also mean the collapse of the workings. I have therefore given orders to keep the pump going so long as it will keep the mine free from water. The pump is driven by water-power and an endless wire-rope. The axle of the water-wheel is broken, and may collapse at any time. The wire-rope is giving way at the original splice, and will require a new piece put in of about 40 ft. in length (there is spare rope on the ground sufficient for this purpose); it will, I think, last the wheel out. Should the wheel give way, I have left instructions with the caretaker to have the pumps, pipes, and rails withdrawn from the mine.

The middle portion of the mine is known as the Big Seam. A fire started in these workings in 1896, and they were at once shut down, and no attempt has been made to examine them since. The plant was not withdrawn, and no record appears to have been kept of what plant has been shut up in the mine. I cannot give an opinion as to the cost of reopening this part of the mine; it would require the services of an experienced miner to do so, and one familiar with the workings. At the mouth of this seam there are large bins for the storage of coal, but they are badly constructed and useless; had the money been spent in erecting further storage-accommodation at the railway-siding it would have saved an extra handling of coal. They should be removed. Close beside the mouth a tunnel has been driven through the hill 10 chains in length, and apparently over the old workings; at about 3 chains from the top end there is a subsidence of the roof, caused, I think, by the props going through the floor into the old workings. Should this continue, I have given instructions to put extra timbers in, and then have all the rails and plant removed from the whole of the top workings and stored at the lower end of the tunnel. If the tunnel collapsed it would be a matter of great expense to have the plant removed—there being no road, it would have to be conveyed down the bed of the creek.

The Top Mine, where the Knights of Labour worked, should be closed and all plant therein removed without delay, the coal-seam having given out. Plant, the mine-tubs, rails, ropes, &c., are lying scattered about in all directions, and daily depreciating in value. I have given instructions to have them gathered up, and properly stored and protected where possible. The bins at the railway-siding are in good order, but will require new decking before being used again.

After careful inspection of the works and plant on the company's leases, I can only come to one conclusion—that the directors have been guilty of mismanaging the affairs of the company. I shall be in a position at a later date to deal more fully with this question.

The company owes the Government the very large sum of over £3,633 for rents, royalties, and interest (the latter on the Westport-Ngakawau Railway Extension); Buller County rates overdue, £143 12s. 11d.; besides ordinary creditors; and the only available assets of the company are the plant and mining leases. The disposal of the mine and plant to the best advantage possible is a matter in which I shall have to ask the assistance of the Government. It is somewhat doubtful whether a purchaser is likely to be found who would be willing to take up the liabilities of the present company and carry out the terms of the existing leases. It will therefore be necessary for the Government to take into consideration the terms of sale, the concessions to be made in existing leases, and the guarding against the mine falling into the hands of a company who would be able to command a monopoly of the coal-output in that quarter. I have no doubt one of the shipping companies would be only too ready to secure such a monopoly should the property be sold without reserve.

I would therefore suggest the following course should be adopted:—

1. The mine be submitted for sale by public auction in Wellington at an early date. I suggest Wellington as, the old shareholders and directors being here, an effort may be made by them to protect the £40,000 they have expended on the works.

2. That the reserve price be fixed at the sum required to meet the claims of the Government to date—say, from £4,000 to £4,500.

3. That the purchaser be allowed three months from the date of sale before the new rental commences, to allow them time to open up the mine; all present conditions to be incorporated in new leases, but no liability for the past to lie with the purchaser.

4. In the event of there being no outside purchasers, the Government to protect themselves by purchasing at the reserve price. The benefit of this policy is self-evident. (a.) It would save the heavy loss they at present stand to make if the property is not at once sold and properly developed. (b.) The prospecting by boring to avoid unnecessary waste, as in the past, in constructing development-work, would be under £1,000, and with this work done and the mine cleared ready for work at a cost of under £500, the property would have an immediate marketable value of fully £10,000, and prove a valuable asset. (c.) If the mine was worked by the Government for their own coal-supply it would mean an enormous saving in their coal-expenditure, and it might be made a valuable object-lesson in connection with the coal industry of the colony.

A perusal of the reports of Sir James Hector, F.R.S., dated 7th January, 1887; Mr. Alex. McKay, dated 11th April, 1891; Mr. Joseph Proud, mining expert, 31st December, 1896; Mr. Alexander, as to the underground workings, and his report as mine-manager, dated 5th May, 1897, will show that the company's property is considered of great value, and all that is now required is systematic prospecting of the whole property by boring, and thereby finding the extent and quality of the coal and fixing the levels from which it can be worked.

The company has an asset in the hull and machinery of the s.s. "Lawrence." The fore part of the hull is lying on the south beach at the mouth of the Mokihinui River, and partly buried in the shingle. A large number of the plates could still be taken out and used at the mine; it would pay to have them taken out by contract. The hull, therefore, should go with the mine-plant. The boiler is laying up on the spit near the hull, and can be easily removed to the Mokihinui Railway-station, when it could be placed on the truck for shipment. The heavy parts of the engines have

been stored in a shed close to the boiler; they are not broken or cracked in any way. Some of the small parts were removed to a shed at Corby's, the balance being in the beach shed. Both are now, unfortunately, roofless, and the machinery is exposed to the weather. Davits, funnel, shafts, propeller-blades, and parts of the engine-room fittings are laying on the beach close to the engine-shed.

The District Engineer claimed the shed erected by the company at Corby's, and stripped the iron off the roof; he also claimed the contents, and had some of them removed. I claim them as the property of the company, and will dispose of them along with the engines and boiler; they are of no use in connection with the working of the mine. Before submitting them for sale by public auction arrangements will have to be made with the Railway Department to run some of the six-wheeled wagons (now being used on the Cape Foulwind line) to Mokihinui to load the boiler and heavy parts of the machinery for conveyance to Westport, and a price fixed for the same.

Attached is an inventory of the plant in and about the mine.

Wellington, 31st December, 1898.

W. SIMPSON,
Official Liquidator.

GENTLEMEN,—

Wellington, 1st December, 1896.

In accordance with your instructions, I have examined your Mokihinui Coal-mine and Coalfield, and beg to submit the following report:—

Geology.

As the geology of the field has been exhaustively treated by Sir James Hector, F.R.S., Director of the Geological Survey, and Mr. Alexander McKay, Geologist to the Mining Department, both of whom have expressed opinions of the great importance of your property, it will be needless for me to deal with this part of the subject. I will, therefore, endeavour to lay before you the economic value of your coalfield.

Topographical Features, &c.

The coalfield naturally divides itself into two parts—viz., the western and the eastern.

Western Portion.—About 4 chains above the bins a borehole has been put down, which proved the coal-seam to be about 4 ft. thick; between this and the Cardiff boundary there are about 100 acres of country in which it is probable that a good quantity of coal of fair quality may be won. This could be proved, should the coal not be affected by the granite, by a borehole, which it would be well to make before any work is done in this part, in order to determine the thickness of the seam. I am informed that the Cardiff workings are being driven in this direction, and that the coal they are working is fairly coherent. Passing along Cooper's track I found the country very much broken, and it is probable that the strata are dislocated in many places between the workings driven under the direction of Mr. Straw and your westerly boundary. In Chasm Creek the coal-measures have been cut out by the granite. I inspected an outcrop of coal in this district. I found it to be hard and of good quality, but it thinned out to the south, and was cut out or thrown down to the north. Mr. Grant informed me that he had sunk near this place, and after going through 6 ft. of sandstone he came upon a seam of coal 10 ft. thick, of excellent quality. As the outcrop is only exposed for a short distance, I could not form any opinion as to its extension.

Eastern Portion.—After leaving the steep ground immediately above the Hut level, I found the surface to consist of table-land to a considerable extent north, south, and south-east. It is probable that in this part of your lease, which comprises the principal portion of it, the coal-measures will be found in a much less disturbed state than in the western portion. Mr. Hartley informed me that he had found outcrops of coal on the Mokihinui River, and the southernmost borehole that had been put down pierced a coal-seam 14 ft. thick, proving that the Hut Seam is continuous in a great portion of your coalfield.

Coal-workings.

I could not inspect the workings, driven in a great part under the direction of Mr. Straw, owing to their being filled with black-damp. I examined those recently worked by Mr. Alexander, and regret to report that I found the coal-seam mixed with large boulders and bands of clay, and the coal of a friable character. I would not recommend that any further workings be executed at present in this part of your property, owing to the friability of the coal and the dislocation of the strata, coupled with the large number of faults. It has been a great surprise to me that the workings have been continued so long in this portion of your coalfield.

I examined your workings in the Hut Seam. I found a small quantity of inflammable gas in the face of the heading near a fault, but it could easily be diluted by putting in wood stoppings in the stentons, stowing refuse behind them, enlarging the return airway in a few places, and keeping the brattice well forward. I found the coal of very good quality, easily worked, but wanting in coherence. The upper seam has been proved at the farthest point. It is here about 6 ft. high. I had it tested, and it made a strong bright fire and very little ash, but its texture is the same as the lower seam. As far as the present workings have extended the coal appears to have been crushed. I would therefore recommend that two exploring drifts be driven in a north-east direction in the Hut Seam, in order to ascertain whether or not the coal is of a harder nature under the table-land than in the present disturbed ground. Assuming that the coal becomes sufficiently hard as to be suitable for household purposes, I beg to suggest that it be divided into the following classes: House coal (Wallsend), steam (Hartley), unscreened (bunkers, &c.), gas, nut, pea, smithy, small, and duff.

Should the coal prove to continue of the same tender nature as it is at present, it would then have to be considered whether it could be disposed of at a profit as unscreened and gas. It could be very cheaply worked, and the production could in a short time be increased to 400 tons per day. It is desirable that a pair of drifts should be set off due south, but the workings would probably be to the rise, and to ventilate them it would be necessary to erect a fan. I do not think that a fan would be required for the drifts going north-east to prove the coal in that direction. Your coal would be an excellent one for making producer-gas, and a good foundry-coke could be manufactured from the washed slack. It is of great calorific value. I might add that an adit-level could be driven to drain the workings in the Hut Seam.

I inspected your staiths for shipping coal on the Mokihinui River, and it occurred to me, in view of the high rates of freight you have to pay, it might be advisable to convey your coal from this place to Wellington in lighters similar to those by which Messrs. Cory and Son bring their coal from the Humber to the Thames; and if your company bought a turret-built steamer carrying about 1,000 tons it would, in my opinion, be a profitable investment.

Coal Creek, which intersects the property, will supply a cheap motive-power, and there is a large quantity of valuable timber upon your property.

It should be borne in mind that the coalfields of this country are limited in area, that the whole of the coal in them is only equal to one year's production of Britain, and that they must, in consequence, become of great value in the future. In the event of your having a good household coal, I think it would be wise to establish depots in the principal towns of the colony.

I beg to append an inventory of the plant and materials. The coal in stock was as follows: Unscreened coal in bins, 420 tons; small coal in heaps, 300 tons.

In conclusion, I have a favourable opinion of the quantity of coal in your lease, its position for economical mining, its quality, and its calorific power; but whether or not it has sufficient coherence to command a sale for domestic use requires yet to be determined.

I am, &c.,

JOSEPH PROUD.

The Directors, Mokihinui Coal Company (Limited),
Wellington.

N.B.—I regret to report that I did not find any hard coal in my examination of the working-places. I consider it very important that all work be executed under contract and not by daily wages; also, that the coal should be undermined from 3 ft. to 4 ft., and nicked at one side accordingly, and that it either be wedged or blasted. I examined your coal while it was being shipped into the s.s. "Rosamond." I found it to be much smaller than what I saw at the mine, owing to the defective mode of shipping, which causes great breakage.

EXTRACTS FROM THE GOVERNMENT INSPECTOR'S REPORTS.

Mokihinui Mine.—This mine was worked last year by what was known as the Knights of Labour, but they handed it over again to the company. Owing to the numerous faults met with, together with the difficulty of disposing of the coal, the men were unable to make wages. (15/5/95): Eight men engaged in splitting pillars in the old mine, and the water was being allowed to rise in the dip-workings. For the purpose of opening up the outcrops known to exist ahead of the old workings, three shifts of three men each were driving a new road in the line of the extension of surface tramway, and were in about 3 chains. The size was 9 ft. by 6 ft. 6 in., and heavy sets of black-birch were being put in. Four men had started to drive back to meet this from a point on the opposite side of the spur, about 10 chains from the mine-mouth. They were in about half a chain, and had just touched brown marl, so I pointed out they would probably have coal underneath, and this was shortly afterwards cut. Four men were also making a road on the surface in the line of the extension of the new drive. The total number of men employed was thirty-six. (30/9/95): The new incline and surface tramway—the latter some 9 chains in length—have been completed, and a top drive has cut the coal about a chain and a half in. After running about a chain in coal some driving in stone had to be done, as a trough in the measures was met with. Two places are now working, employing four men per shift. The coal does not look very good, clay backs showing, and a little stone coming in. A new drive has been also put in, running south from the west side of the surface-incline, cutting the coal at a chain-length in. The coal is only of moderate quality, and about 5 ft. in thickness. Two places are working, employing eight miners in two shifts; air good, an air-shaft having been sunk to the level. At date of writing steps are being taken to open up the Hut Seam, near the old workings, as the coal near the outcrops opened up by the new incline has not, so far, turned out very well.

REPORT BY MR. ALEXANDER ON THE UNDERGROUND WORKINGS OF THE MOKIHINUI COAL-MINE.

At the time Mr. Alexander took charge the south-west heading was being driven, and was in about 17½ chains, being then in a faulty ground. He continued driving the same heading, and after driving about 3 chains a good class of coal began to come in from the bottom, a sample of which was sent to the directors. Just about this time a fire broke out in the Lawrence Section, and by blocking all of the return airway prevented further prospecting of this heading.

The Lawrence Section when the fire occurred was practically wrought out; the pillars had been split a short time previous to the breaking-out of the fire. The coal in this section was of a better class than that wrought in the south-west heading; it was not so much troubled with stone, but it was of a very friable nature. The Lawrence heading coming to a fault running south caused the stoppage of this heading. No more work has been done in this portion of the lease since the fire was extinguished.

The Knights of Labour then proceeded with some new work—viz., the opening of a new portion of the lease. A drive running north and south was put through a spur 10 chains in length. Eight chains of open incline was then formed, and a drive into the terrace cut the coal after a few yards' driving. The coal obtained in this portion, contrary to expectation, turned out very inferior. After putting a good many places off the main heading a prospecting-drive was turned off towards the south-west heading. After driving in this direction a long distance it was finally stopped, as nothing was obtained but dirty soft coal.

Attention was then turned towards the portion known as the Hut Seam. A drive had been made some time previously in this outcrop, going east; but after driving for about 5 chains had for some reason been stopped. This drive is dipping about 1 in 7, and it had been allowed to fill with water. After getting the water out a back-air drive was started and kept running parallel with the main heading. Great quantities of stone were met with, and had to be driven through. The main heading seemed to be in trouble nearly all the time, some days giving indications of a change for the better, and then going back. After driving on a level for about 2 chains a downthrow appeared. This was followed down, and a change came apparently of a flat or rise, when an inbreak of water came through the bottom, and quickly filled the dip to the flat above; the pump situated here coped with the water until another pump was placed, which speedily drained the mine. After getting to the heading face-driving was again proceeded with, and the seam was found to be going level again, but the coal was unmarketable, being very dirty. After driving about 2 chains on this level a prospecting-drive was put in to the right, and after 3 yards got a face of nice hard coal, but, the roof dipping and gas showing, it was stopped.

The main heading was then gone on with, but the coal met in the prospecting-drive did not appear for a good distance. It was reached at last, but after following it a short distance it was found to be dipping to the east. A seam of good coal was found to be coming in overhead, so to catch it the heading was driven level, and the main seam went underneath. Upon breaking the top seam it was found to be good coal, but unfortunately it was also dipping to the east. Having no appliances to work the dip advantageously, and expecting a rise of country, I turned off to the right of the heading, and as it went in the roof began to take a rise. I soon had 3 ft. of good coal, but on the day of stopping the mine a downthrow of about 1 ft. 6 in. came in. There is no change visible in the grade of the bottom, by which I think it is simply a roll, and will ultimately return to its original height. The coal generally obtained from the Hut Seam was of a thin cleat, and, after exposure to the atmosphere, very friable. But since going further ahead in the mine to the right the coal is more solid and not so friable.

Prior to Mr. Alexander taking charge of your mine, a large amount of work had been done under the direction of Mr. Straw. The heading described as the south-west heading was driven by him from the outside. Of the quality of the coal obtained there is no record at the mine, but judging from the sides of the drive the coal would be of fair quality. A dip going westerly had been driven by him, and to judge from appearances four distinct faults were met running at right angles across the said dip. At the bottom of the dip a level seam was found showing a nice face of coal, but, after driving a short distance in it, for some reason it had been stopped. The return air was conveyed through this dip, and up by an undercast under the main heading, which was the intake.

After the fire broke out in the Lawrence Section, and tight stoppings were put in to stop the air from reaching the site of the fire, it became unnecessary to employ a man to keep the dip dry, so it was allowed to be filled up. An outbreak of fire was reported shortly after in another part of the mine to the right of the main heading, so it was necessary to put a tight stopping across the main heading to exclude the air.

DEAR SIR,—

Wakamarina Gorge, 5th May, 1897.

I received your letter yesterday afternoon, and I am losing no time in answering the same: it gives me great pleasure in doing so.

I will give all the information I possibly can, not now, but at any time. I say, without exaggeration, that I know the Mokihinui Company's property in a practical way as well as any one that ever was on it. I have been on the coalfields of the West Coast, New Zealand, for the last twenty-seven years; I have been eighteen years connected with management of mines; I was twelve months prospecting for coal for different companies: the rest of my time I was mining with the pick—I rose from the pick. I sunk the Wallsend first deep shaft, 675 ft., on contract. This gave a good insight into the different coal-measures I passed through, as I have always taken a note of all measures I have come in contact with. I am not writing on thought, but on practice; therefore I have not the least hesitation in saying that the Mokihinui Coal Company's property is one of the finest properties on the West Coast. Although I failed to carry it through, if I had had £3,000 and boats to take away the coal I think I could have made it the best-paying mine on the Coast. The lease commands a large amount of unbroken country to the South Hut Seam—I should say, three miles long by about one mile wide—and no one can command the ground at the back of the company's lease without large outlay, such as £40,000, in order to construct a road to it, where the Mokihinui Company would be making a road to it all the time through coal—and, I believe, through the best class of coal that is around Westport, as the lower seam is a different class of coal altogether than the top coal; I was sorry I did not get a trial of some at the gasworks before I stopped, as I know it is good gas or coking coal.

Native Reserve.—I do not think so much of that part as I did. There is not much ground altogether, and I do not know if it would pay to lay out the amount of capital it would take to take the coal out, as your Hut Seam is right over against the county road, or within about 2 chains of it; therefore, about 40 or 50 acres is as much as there will be of it of high-land drainage-fall, and there would be a deal of water to contend with. There would have to be a shaft put

down above the school to take the coal out; and the other way, going towards the south, you would be getting out of the water all the time, as the coal would be rising as you went south. When you got high enough you could put in a drainage-tunnel to drain the field.

The country east of Coal Creek, or, I should say, south-east from Hut Seam to where the Coal Creek takes to the bottom of the main range, is all good country, unbroken right to Hut Tunnel. The only trouble you will have is just where we left off last, and even that will not be much. You will have about 2 chains stone-drift to drive to catch the coal on the rise to south-west, a matter of £30.

The country going south towards the Ngakawau River is all good country; over a mile beyond your back-boundary place where I found outcrop in Coal Creek is about 40 chains from No. 4 bore-hole, in towards the main range, right east. But you will see on plan where I got another outcrop, about 10 chains below the No. 4 borehole. This was top coal, the same as the Knights were working, but the same sandstone was below this coal as was in No. 4 bore. About 8 ft. under this was the coal. I went down into it 4 ft. It was good hard coal—same class as Hut Seam. It was right in the bed of Coal Creek, and I expected I would catch the full body of coal about $1\frac{1}{2}$ chains above the creek. This was not long before we stopped, while that was the reason why I marked that tram-road on plan. If you had the engine-power—that is, where you could get in to the coal with very little trouble—by putting down the endless haulage, it would be level road from the top of the Knights' first tunnel.

Country west of Straw's Heading.—I think nothing of about 10 chains to the west of heading. There is the Granite Belt, off which coal is cut. The coal is traced close on two miles south-west into the Ngakawau River, and it crosses Chasm Creek where Cooper's Track crosses the creek, and it must go through the Native reserve about the Hut Seam boundary. I only found this out just before we stopped, and I did not think my advice was wanted by the short notice I got.

There was pretty fair coal in Straw's Heading when I knocked off, but very stony. I got half a chain of good clean coal—there was a band of stone coming into it. These drives going to the west of Straw's must have been close to the Granite Belt. There is very little coal to the westward of this heading; it goes into the Cardiff lease when it crosses Chasm Creek. There is no borehole about Straw's Heading that I know of with 12 ft. of coal. Straw I do not think ever bored; he sunk a shaft about his heading and got 12 ft. of coal, I believe. That borehole at figure 7 is not right. I put down that bore. I went down through the top coal and got into sandstone, but they broke the bit in the hole. It was the last bore I put down, as I could get no boring-bits to work with. Straw was about the most useless man I have ever come in contact with. I thought it a shame to take back the things to Mr. Broom. All flat country extreme south and a mile further south, then your lease goes right on to Ngakawau River; you can see the outcrops in bank of the river.

You ask my opinion on Hut Seam. I cannot but give you a good one, as I am sure the coal is there. You will have to drive a stone drift for $1\frac{1}{2}$ chains; you will catch coal on the rise; the heading is now into that fault that shows in the creek above Hut Tunnel, and it is a downthrow. Furthermore, I have no hesitation in saying that the Mokihinui Company has one of the best leases on the West Coast. I am not afraid to stand before any of our Government experts, and I am of opinion that with about £3,000 Mokihinui could raise the cheapest coal on the Coast, as wear-and-tear will be very small.

Mr. C. D. Morpeth.

Yours, &c.,

THOS. ALEXANDER.

INVENTORY OF PLANT IN AND ABOUT MOKIHINUI COAL-MINE.

- 43 28 lb. rails, 18 ft. long (in stock).
- 24 chains tramway, of 28 lb. rails (Hut Seam).
- 29 chains tramway, of 28 lb. rails (Top Mine).
- 24 chains tramway, of 40 lb. rails (Top Mine).
- 40 14 lb. rails, 12 ft. to 15 ft. lengths (in stock).
- 10 chains rails, 12 ft. to 15 ft. lengths (bord-lines, Hut Seam).
- 15 chains rails, 12 ft. to 15 ft. lengths (bord-lines, Top Mine).
- 5 chains rails, 12 ft. to 15 ft. lengths (bord-lines, Bell's Heading).
- 20 chains rails, 12 ft. to 15 ft. lengths (tramway, Top Mine).
- 1 coil of $\frac{3}{4}$ steel wire-rope, about 40 chains (new).
- 3 coils of old wire-rope, about 20, 4, and $4\frac{1}{2}$ chains long respectively.
- 20 chains $\frac{3}{4}$ steel wire-rope on drum steam-winch.
- 2 pair wagon-wheels, diameter 2 ft., on $2\frac{3}{4}$ axles, 3 ft. 6 in. gauge.
- 12 cast-iron wheels, 14 in., 18 in., 20 in., 24 in., and 4 ft. diameter.
- 1 20 cwt. weighing-machine.
- 1 horizontal double-action pump, $8\frac{1}{4}$ in. cylinder, driven by endless rope.
- 1 horizontal double-action pump, $7\frac{3}{4}$ in. cylinder, driven by endless rope (in stock).
- 1 vertical pump, driven either by hand or rope (in stock).
- 1 hand force-pump, $3\frac{1}{2}$ cylinder (in stock).
- 50 2 in. pipes, 10 ft. to 15 ft. lengths (in stock).
- 10 $1\frac{1}{2}$ in. pipes, 10 ft. to 15 ft. lengths (in stock).
- 52 cast-iron pipes, 4 in. diameter, 9 ft. long, socket-joints (in use).
- 6 cast-iron pipes, 4 in. diameter, 8 ft. long, flange-joints (in use).
- 9 cast-iron pipes, 4 in. diameter, 9 ft. long, socket-joints (in stock).
- 3 cast-iron pipes, 4 in. diameter, 8 ft. long, flange-joints (in stock).
- 12 cast-iron pipes, 4 in. diameter, elbow and short joints (in stock).
- 1 water-wheel, 12 ft. diameter, 2 ft. breast on 3 in. shafting 10 ft. long.

1 winding-drum, 6 ft. diameter, 5 ft. 6 in. wide, on 6 in. shaft, screw-brake.
 20 chains endless wire-rope, $\frac{3}{4}$ in. diameter (driving the pump).
 1 winding-drum, 4 ft. diameter, 3 ft. 6 in. wide, on 6 in. shaft, screw-brake.
 1 2-ton patent blocks; 4 long-handle shovels.
 2 6 ft. sheets corrugated iron and 24 ft. ridging (new).
 5 6 ft. sheets corrugated iron (second hand).
 5 $\frac{1}{2}$ in. gig-chains, each about 22 yards long.
 86 mine-tubs.
 35 pair mine-tub wheels on axles (in stock).
 1 timber-trolley; 1 turntable-trolley.
 1 steam-winch; 1 hand-winch.
 2 sledge-hammers; 2 hand-hammers.
 1 anvil; 2 vices.
 1 48 in. bellows; 1 engineer's shifting-spanner.
 4 new iron rollers; 68 iron rollers (in use).
 6 safety-lamps; 1 aneroid barometer.
 1 thermometer; 1 copying-press.
 1 cross-cut saw; 1 set taps and dies.
 3 union screws; 1 grindstone.
 32 flat sheets; 1 iron snatch-block.
 1 iron coal-screen, 14 ft. long, 6 ft. wide, 10 in. sides.
 1 panel door and 2 window-sashes (new).
 5 cwt. $\frac{3}{4}$ chain; 10 cwt. iron (in rack).
 3 crossings, 40 lb. rails, no points.

ESTIMATE OF COST OF NEW MACHINERY.

ESTIMATE of hauling machinery required for the Mokihinui Coal-mine to put out 300 tons per day from the Hut Seam or low-level workings. The tram on this portion of the mine is laid from the bins right up to the coal-face, and is in fair working-order. This portion of the mine is drained by an 8 $\frac{1}{2}$ in. double-acting pump, 20 in. stroke, driven by a water-wheel. There is also another spare 8 in. double-acting pump for advancing the heading with when required:—

	£	s.	d.
One 20-horse-power engine and multitubular boiler	350	0	0
Winding gear	250	0	0
Rope wheels	100	0	0
Rope	100	0	0
Road	150	0	0
Enlarging and covering in the present coal-bins, equal to storing 1,200 tons	350	0	0
	£1,500	0	0

Prepared by Mr. E. Seagar, May, 1897.

CIRCULAR TO THE SHAREHOLDERS OF THE MOKIHINUI COAL COMPANY (LIMITED).

DEAR SIR,—

Wellington, 24th February, 1897.

Herewith I beg to hand you report and balance-sheet of the Mokihinui Coal Company (Limited) for the year ending the 31st December, 1896, and to inform you that, as it is now impossible to carry on the company without further capital, it becomes necessary to consider the subscription of a sufficient amount to enable work to go on.

The directors have for some time been carrying on the work at the mine, and continuing the exploration for good coal. Good coal has been struck at various places, and notably so in the seam called the Hut Seam, but in that seam there is the trouble of water, necessitating pumping. This work has hitherto been carried on with insufficient appliances. The general character of the mine and coal will appear from Mr. Proud's report annexed hereto.

The means of the company are quite insufficient for carrying on the working of the coal, and without some additional capital the work must stop; indeed, the mine is at a standstill now. The directors, therefore, wish the shareholders to consider whether they will continue to work the mine, and for that purpose provide the necessary capital, or at once wind up the company.

The directors, in order to give shareholders a full and impartial account of the character of the mine, employed Mr. Proud, a mining expert, to examine the company's land and workings, and furnish an opinion as to the character of the coal. A copy of his report is appended hereto, and will speak for itself.

The following alternative propositions will be submitted to the shareholders at the forthcoming annual general meeting: (1.) That the shareholders apply for the unallotted shares to the value of £7,600, the shares to be paid up at the rate of 6d. per share per month. (2.) Failing No. 1, that the company be wound up voluntarily. (3.) That the directors be authorised to sell the company's property upon the best terms obtainable, shareholders consenting to take whatever may be coming to them in paid-up shares.

The directors are of opinion that, with a further expenditure for prospecting, it is possible that hard coal may be struck, as the heading is now driven through the broken hill country to the edge of the unbroken country or flat table-land at the back. (*Vide* Mr. Proud's report.)

The shareholders will be asked at the forthcoming meeting to vote on these propositions, and, in the event of carrying a resolution involving the continuation of the work, to provide the necessary ways and means.

Will you kindly sign the enclosed proxy-form, indicating by letter for which of the three alternatives you wish your proxy used. If for No. 1, please state how many shares you are willing to apply for.
By order. C. D. MORPETH, Secretary.

The Mokihinui Coal Company (Limited), Westport, County of Buller, Nelson Province, New Zealand. Head office: Wellington. Capital: £50,000, in 50,000 shares at £1 each. Directors: Thomas Gale, Esq., Chairman; John Barton, Esq., Edward Seagar, Esq., Robert Sloan, Esq., T. Roskrige, Esq., Martin Chapman, Esq., James Colvin, Esq.

ANNUAL REPORT.

To the shareholders of the Mokihinui Coal Company (Limited).
THE directors beg to present to the shareholders their annual report and balance-sheet for the year ended 31st December, 1897.

The mine has not been worked during the year at all, owing to the insufficiency of capital necessary to further prospect and open up the Hut Seam. The directors, acting on the resolution passed by you at the last annual general meeting, placed the mine under offer last May on very favourable terms to a gentleman on the point of starting for London. He undertook to endeavour to form a company in London to buy the property, but no word has as yet been received from him indicating that he has been successful.

The expenses have been kept at a very low point during the year, a caretaker at the mine, who superintends the running of the pump in order to keep the mine free from water, being the only other employé besides the secretary.

The business to be brought before the annual meeting is shown in the accompanying notice.

Proxies must be lodged at the company's office seventy-two hours before the time of meeting.

C. D. MORPETH, Secretary.

RECEIPTS AND EXPENDITURE FROM 1ST JANUARY, 1897, TO 31ST DECEMBER, 1897.

1897. Receipts.				1897. Expenditure.			
	£	s.	d.		£	s.	d.
To Coal sales (net)	322	5	5	Jan. 1. By Bank balance, Dr., 31st December, 1896	44	13	7
Calls	304	16	5	Haulage	74	1	8
Sundry debtors	1	14	7	Wages and salaries	211	18	2
Receiver-General's Deposit Account	55	0	0	Income-tax (on debentures)	13	4	0
Sale of iron	4	19	9	Mine and plant	168	17	7
Transfer fees	0	2	6	Advertising, printing, and stationery	6	11	6
				Legal expenses	50	0	0
				Stores	36	18	10
				Sundry creditors	16	15	0
				Miscellaneous expenses	51	9	6
				Interest on overdraft	0	12	7
				Balance at bank	13	16	3
	<u>£688</u>	<u>18</u>	<u>8</u>		<u>£688</u>	<u>18</u>	<u>8</u>

PROFIT AND LOSS ACCOUNT.

1897.				1897.			
	£	s.	d.		£	s.	d.
Jan. 1. To Balance	19,951	14	8	Dec. 31. By Mine receipts	5	0	0
Dec. 31. To Rates	58	12	4	Transfer fees	0	2	6
Interest	0	12	7	Interest on overdue calls	35	16	4
Advertising, printing, and stationery	3	18	6	Balance	20,865	4	3
Miscellaneous expenses	31	14	2				
Rents and royalties	407	10	0				
Salaries	40	18	4				
Wages	226	10	10				
Haulage on coal	74	1	8				
Directors' fees	100	0	0				
Auditors' fees	10	10	0				
	<u>£20,906</u>	<u>3</u>	<u>1</u>		<u>£20,906</u>	<u>3</u>	<u>1</u>

BALANCE-SHEET, 31ST DECEMBER, 1897.

Liabilities.				Assets.			
	£	s.	d.		£	s.	d.
Capital: 50,000 shares at £1	50,000	0	0	Mine and plant*	24,560	13	3
Called up: 42,400 shares at 19s. 9d.	41,870	0	0	Machinery s.s. "Lawrence"	298	0	0
Less calls unpaid	288	9	7	Sundry debtors	200	1	9
				Plant on hulk "Omega"	13	16	0
Sundry creditors	4,406	18	4	Office furniture	36	17	3
				Bank of New Zealand	13	16	3
	<u>£45,988</u>	<u>8</u>	<u>9</u>	Balance Profit and Loss Account	20,865	4	3
					<u>£45,988</u>	<u>8</u>	<u>9</u>

* Mine and plant is set down at book-value.

C. D. MORPETH, Secretary.

AUDITOR'S REPORT.

I hereby certify that the preceding accounts of receipts and expenditure, profit and loss, and balance-sheet, correctly record the transactions of the company during the period, and its position at the close, as shown by the company's books, and as directed by the company's articles of association. I have verified the bank and cash accounts. I am of opinion that the balance-sheet clearly represents the position of the company as on 31st December, 1897.

JOHN SCOTT, F.I.A.N.Z., Auditor.

Wellington, 22nd February, 1898.

[Vide Plans.]

RESOLUTIONS OF THE SHAREHOLDERS OF THE MOKIHINUI COAL COMPANY (LIMITED) SETTING UP A COMMITTEE OF INQUIRY, CONSISTING OF MESSRS. MILES, MACDONALD, AND GREENLAND.

MINUTES of an informal meeting of Wellington shareholders in the Mokihinui Coal Company, held at the company's office, Customhouse Quay, Wellington, on Saturday, the 22nd October, 1892, at 7.30 p.m.

Present: Messrs. Macarthy (chairman), Allen, Barton, Brandon, Deacon, Gale, Chapman, C. Luke, Miles, McGlashan, McAlister, O'Connor, Riddick, Sloan, Townsend, and Travers.

The chairman read the circular, as under, calling the meeting:—

MOKIHINUI COAL COMPANY (LIMITED).

An informal meeting of shareholders of the above company will be held at the company's offices, Customhouse Quay, to-morrow (Saturday), the 22nd October, at 7.30 p.m. The above meeting is convened at the request of Mr. E. J. O'Connor. Your attendance is particularly requested.

THOS. G. MACARTHY, Chairman of Directors.

Mr. O'Connor then addressed the meeting at some length, after which Mr. Travers proposed and Mr. O'Connor seconded the following resolution: "That in view of the charges made by Mr. O'Connor, and their effect upon the business of the company, that a committee of inquiry be appointed, to consist of three persons, who shall be instructed to report and examine upon the management, accounts, and general affairs of the company from its incorporation, with a view of enabling the shareholders to advise upon the future proceedings of the directors. That the committee be requested to report within one month, and that the directors place at their disposal for the purpose of investigation the minutes and accounts of the company. That the persons so appointed shall be elected, one by shareholders at Wellington, one by shareholders at Christchurch, and one by the shareholders at Westport."

The chairman, having put the resolution to the meeting, declared it carried unanimously.

MINUTES of an informal meeting of Wellington shareholders of the Mokihinui Coal Company (Limited), held at the company's offices, Customhouse Quay, on Thursday, the 3rd day of November, 1892, at 4 p.m.:—

Present: Messrs. Macarthy (chairman), Allen, Blair, Brandon, Chapman, Deacon, Gale, Gannaway, Miles, Riddick, Sloan, Townsend, Travers, and J. Warnock.

Proposed by Mr. Travers and seconded by Mr. Warnock, "That Mr. A. H. Miles be appointed the Wellington representative to sit on the committee of inquiry." Carried.

MEETING of the Christchurch shareholders in the Mokihinui Coal Company (Limited), this 27th October, 1892, Mr. A. Cuff in the chair:—

The following is a copy of the resolution passed at the meeting: "That, while regretting that there should be need for holding an inquiry into the charges brought by Mr. O'Connor against the directors of the Mokihinui Coal Company, and the counter-charges brought by the directors against Mr. O'Connor, mainly on account of the attendant expense and unpleasant character of the proposed investigation, we are unanimously of opinion that (in view of the impossibility of making the proper financial arrangements for future working of the company while such serious allegations as to past and present management of the company's affairs remain unproven, or are found to be groundless; and for the purpose of obviating the apparent present deadlock) the directors are justified in the course proposed to be taken, and we hereby nominate Mr. Kennedy Macdonald, of Wellington, to represent the Christchurch shareholders on the commission of inquiry, and on such terms of remuneration as the directors may arrange, such inquiry to be made as speedily as possible. We are also of opinion that, there being now no legal difficulty as to title, no time should be lost in raising the necessary funds, by the issue of debentures or otherwise, for the purpose of putting the company's line in order, and placing coal on the market, at as little additional expense to existing works as possible." Proposed by C. Edkins, seconded by H. Andrews, and carried unanimously.

ALBERT CUFF, Chairman.

RESOLUTIONS passed at a meeting of the Westport shareholders in the Mokihinui Coal Company, 27th October, 1892:—

Resolved, "That Westport shareholders concur in the proposed inquiry as asked for by Mr. O'Connor, and appoint Mr. C. N. Greenland as a member of the committee, having every confidence in his competence and reliability to investigate the affairs of the company and report according to evidence, in regard to the past and also in regard to the present position and future prospects of the company."

Resolved, "That written instructions should be given to the inquiry committee, to be agreed to by both parties, as to the precise subjects of inquiry, and that written statements from either side be prepared and placed at the disposal of the inquiry before it commences. Committee to be

convened by arrangement, Wellington appointee to act as convener. The fee shall be fixed to be paid to the gentlemen appointed, Mr. O'Connor to act on behalf of the Westport shareholders as regards fixing the same."

Resolved, "That this meeting desires to express regret that the original proposal that Westport shareholders appoint one member of the inquiry, and Wellington shareholders another, and those two be authorised to select a third, was departed from, as it may be urged against the committee if it is not very carefully selected that two of the three are virtually appointed by one of the parties interested—with the hope that no questionable decision may be arrived at, and that the result of the inquiry may be final and conclusively accepted. The shareholders at Westport are inclined to take part in the inquiry, although it does appear to start unfairly."

I hereby certify that the foregoing resolutions were duly put and carried at a meeting of Westport shareholders in the Mokihinui Coal Company (Limited), held in Westport, on the 27th day of October, 1892.

THO. THOMPSON, Chairman of Meeting.

REPORT.

GENTLEMEN,—

Wellington, 7th December, 1892.

In accordance with resolutions arrived at by meetings of shareholders held in Wellington, Westport, and Christchurch, in the latter end of October, 1892, Messrs. A. H. Miles, C. N. Greenland, and T. K. Macdonald were appointed to act as a committee of inquiry in order to examine into certain charges made against the board of directors of the company by Mr. Eugene O'Connor, M.H.R., and "to report and examine upon the management, accounts, and general affairs of the company from its incorporation." The committee met on Friday, 11th November, and arranged the order of procedure. They commenced the taking of evidence on Monday, 14th November, and continued from that day, with certain necessary adjournments, until this 7th day of December instant to hear evidence and investigate the affairs of the company. Mr. O'Connor was first called upon to make his statement and submit such evidence as he desired to bring forward in order to substantiate his charges. After he had concluded a serious difficulty arose between the members of the committee and Mr. O'Connor, on account of his refusal to deliver to the committee the extracts made from the books of the company by clerks appointed by the committee at his request, he having alleged that these references were necessary as evidence to support his case. The committee felt that Mr. O'Connor was acting improperly in refusing to comply with their request, and adjourned the inquiry for two days in order that he might consider his position. Mr. O'Connor, however, still persisting in his refusal, the committee decided to continue the inquiry, and to examine the books, records, and documents of the company without having the aid of the special extracts made at Mr. O'Connor's request. This has necessarily involved a much larger expenditure of time on the part of the committee than would otherwise have been the case. Another embarrassment also arose in consequence of Mr. Greenland, a member of the committee, departing from Wellington on the conclusion of Mr. O'Connor's statement, leaving behind him a letter stating that he had to return to Westport on account of his official duties. The committee telegraphed to Mr. Greenland expressing their surprise at his conduct, and have received certain communications in which he expressed a hope that he would be able to return at an early date. He has failed to put in any further appearance, and the committee have had to continue and conclude their labours without assistance from him. Mr. Greenland has, however, committed an act of impropriety in preparing, without any consultation with his colleagues, what he has been pleased to term an *ad interim* report and certificate respecting the affairs of the committee, and in issuing the same to some of the shareholders. It will be seen by reference to the printed minutes of the proceedings of the committee that they have called Mr. Greenland's attention to the fact that in such so-called *ad interim* report he has made very serious and misleading statements which entirely misrepresent the true position of affairs, and that in coming to a conclusion as to the merits of the case after hearing only Mr. O'Connor's statement he has not acted as an impartial arbitrator. The committee have recognised the very grave and serious position in which the company has been placed by the accusations made against its present management by Mr. O'Connor. They have felt that it was necessary to make a thorough and exhaustive inquiry in order that a true opinion, founded upon absolute facts, could be conveyed to the shareholders, who might thus be enabled to see how and by whom the affairs of the company should be managed in the future. It has been found impossible to print the whole of the large amount of material brought under the consideration of the committee, but from the statements and evidence which we attach to this report the shareholders will, we trust, be enabled to get a fair and comprehensive view of the whole position.

The Balance-sheet of 1890.

The first and most important charge made by Mr. O'Connor against the directors was that they had been parties to issuing a false balance-sheet in reference to the transactions for the year ending the 31st December, 1890. The grounds of Mr. O'Connor's contention were that the accounts were falsified by the way in which the different items were entered. In order to prove his statement Mr. O'Connor called attention to the item appearing in the balance-sheet, "Receipts for coal sales, f.o.b. Mokihinui, £2,190 8s. 9d., less £150 13s. 6d. allowances to Union Steamship Company outstanding last year." He stated that no such sales f.o.b. Mokihinui took place at 10s., that these items were transferred from the accounts of the steamers "Lawrence" and "Terranora" at a fancy price not sufficient to pay the working-expenses at Mokihinui, and that the effect of such entries was a deliberate attempt to mislead the shareholders into the belief that there was a profit on these steamers when such was not the case. With respect to this matter the evidence is entirely against Mr. O'Connor. Mr. O'Connor is technically correct in stating that no such sales

f.o.b. at Mokihinui at 10s. took place. The practice of the company was to sell the coal at an agreed price per ton deliverable at various ports. In order, however, to show a true statement of the respective earnings of both mine and steamer, it was necessary to separate the value of the coal and freight. In 1889, when Mr. O'Connor was chairman, the company sold for delivery at certain ports 1,970½ tons coal at prices varying from 15s. 6d. to 18s. 6d. per ton, delivered. In making up the balance-sheet for that year the mine was credited with 10s. per ton on such coal, making a sum of £985 5s., which, with sundry other receipts amounting to £46 17s. 1d., made up of an amount of £1,032 2s. 1d, which appears in the balance-sheet of 1889 as "Coal sales, £1,032 2s. 1d." In 1890, it appears from the minute-book of the 26th November that the question of the price to be credited to the mine from the gross proceeds of sales of coal was considered by the directors, and a resolution was then passed *nem. dis.* (Mr. O'Connor being present) that 12s. 6d. per ton, less a discount not exceeding 25 per cent., be the price for coal f.o.b. Mokihinui, thus fixing the net price at 9s. 4½d. per ton. During the year 1890 the company sold for delivery at certain ports 3,991 tons 5 cwt. 3 qr., at prices varying from 23s. to 50s. per ton delivered, which coal was carried by the steamers "Lawrence" and "Terranora." In making up the balance-sheet for 1890 the mine was credited with 10s. per ton on the 3,991 tons 5 cwt. 3 qr., £1,995 12s. 11d., which, with net proceeds of sundry other sales amounting to £194 15s. 10d., made up an amount of £2,190 8s. 9d., which appears in the balance-sheet of 1890 as "Receipts for coal sales, f.o.b. Mokihinui, £2,190 8s. 9d." It appears to the committee that the directors in 1890, in following the example set them by Mr. O'Connor, chairman in 1889, in crediting the mine with 10s. per ton on the coal output, and placing the balance to the credit of the steamers, were acting quite within the discretion always allowed to directors. That the steamers were entitled to the large sum credited to them as freight is clearly proved by the fact brought before the Committee that the "Lawrence" was one of the few steamers running at the time of the labour troubles in 1890, and that the directors were thereby enabled to make sales of coal at as high a price as £2 10s. per ton. With respect to Mr. O'Connor's statement that the price of 10s. per ton was a fancy one, not sufficient to pay the working-expenses at Mokihinui, the books of the company show that the wages account at Mokihinui for the year 1890 — and which wages included all the expenses incidental to prospecting, opening up the mine, coal-getting, working the railway, wharf, &c. — amounted to £2,067 2s. 8d., as against £2,190 8s. 9d. actual receipts credited to the mine for coal. It therefore follows that Mr. O'Connor's statement is inaccurate. In dealing with the accounts of the steamer "Lawrence" in the balance-sheet for that year Mr. O'Connor has alleged that the account was "cooked," because payment for coal which was put on board the steamer "Lawrence" at Mokihinui in the month of December, 1890, but not delivered at Napier until the 5th January, 1891, and that payment for coal on the "Terranora" not delivered till the 9th January, 1891, was included in the receipts of the steamers for 1890. The evidence on this point clearly shows that the directors were desirous of having as far as possible a true statement of the earnings of both mine and steamers during the year 1890 put before the shareholders. With that view they instructed the secretary of the company to credit the mine with the price of coal delivered at the wharf to steamers at Mokihinui up to the 31st December, 1890; to credit the steamers with the freight on all such coal in course of transit at the close of the year; and to debit both mine and steamers with all wages and expenditure in connection with such coal. It is in evidence that the expenditure at the mine and of the steamers "Lawrence" and "Terranora" in reference to such coal was included in the charges for the year 1890. As an absolutely strict matter of account it is not usual to credit a vessel with its freight until its voyage is completed and the freight earned; still, in the particular cases under review, and bearing in mind the fact that the voyages were respectively ended within five days and nine days of the closing of the year's transactions, that the voyages were delayed by accident in both cases, and that it was well known prior to the making up of the balance-sheet the freight had been earned and belonged to the profits of the year 1890, the committee consider that the directors were quite warranted in placing the amount to the credit of the operations for that year.

We find that the allegation of Mr. O'Connor that the coal consumed by the "Lawrence" was not charged against her and credited to the mine is correct. It also appears, however, that freight on goods for the mine taken by the "Lawrence," and cost of passengers travelling on the company's business, were not credited to the steamer. While all this shows a want of clear and accurate analysis in connection with the company's book-keeping, it in no way affects the net result of the profit and loss account.

With reference to the £150 13s. 6d. allowed to the Union Steamship Company, it appears from the evidence that at a meeting of the board of directors held on the 12th December, 1889, Mr. O'Connor being present, Messrs. Johnston and Co., the agents of the company, were authorised by resolution to settle a claim made by the Union Steamship Company in connection with coal delivered to them in 1889 which had not come up to the sample supplied to them by Mr. O'Connor. In accordance with that resolution a compromise was effected after considerable negotiation by which an allowance was made of this sum of £150 13s. 6d.

Although Mr. O'Connor complains of the action of the directors in taking credit in the accounts for the year ending the 31st December, 1890, for coal only delivered at Napier on the 5th January, 1891, he also makes it a charge against them that they did not bring to account as expenditure for the year 1890 the cost of placing the steamer "Lawrence" upon the slip in the month of January, 1891, after her return to Wellington from Napier, and the necessary expenditure in repairing her on that occasion. In the opinion of the committee the cost of such repairs was fairly chargeable to the year 1891, especially as the balance to the credit of the profit and loss account was carried forward to the next year's account.

In the opinion of the committee, Mr. O'Connor's statement that the account of the "Lawrence" was in any sense a "cooked" account is not justified by the evidence and books of the company.

In dealing with the question of what he calls the falsification of the balance-sheet, Mr. O'Connor made a large number of statements, many of them unsupported by evidence. The committee have, however, taken the whole of Mr. O'Connor's statements and examined the books of the company in connection with them. As a result of that examination the committee have come to the conclusion that a number of the points of difference between Mr. O'Connor and the directors may be described as book-keeping differences, Mr. O'Connor being of opinion that an account should be stated in particular way, while the directors have deemed it proper to state it in another form. It appears to the committee that, while a clearer and better system of bookkeeping should have been adopted, the statement of accounts presented by the directors to the shareholders in 1890, bringing, as it does, the whole of the business into a focus, is an accurate statement, and gives the true net results of the working of the business and the financial position of the company. The committee are of opinion that Mr. O'Connor has failed to show any motive for the directors being guilty of such an act as the wilful issue of a false balance-sheet. The evidence and the books of the company clearly set forth that the whole of the profits of the company, with the exception of an amount reserved to meet a contingent claim, were ordered by a resolution of shareholders at the annual meeting on the 9th March, 1891, to be utilised in the reduction of the amount shown as the value of railway equipment and mine-plant account. Had the directors declared or paid a dividend, or shown an intention of unduly enhancing the profitable character of the company's operations with a view of paying a dividend, there might have been some foundation for Mr. O'Connor's belief; but when the policy of the directors appears to have been to abstain from overestimating the profits of the company, and to consult the shareholders before dealing with them, there is no doubt whatever in the minds of the committee that the charge of falsification respecting the balance-sheet of 1890 is without foundation.

Auditors.

Mr. O'Connor makes a serious charge against the auditors of the company in connection with the expression used in the balance-sheet for 1890: "Steamer 'Lawrence,' plus expenditure, less freights." He very properly contends that as freights were not deducted the balance-sheet is inaccurate when it states the contrary. The auditors explain this matter in a letter dated 18th November, 1892, which appears on page 31 of the evidence attached hereto. The evidence shows that the heading of this account in the year 1890 was copied from the balance-sheet for 1889, and that the words "less freights" for 1890 is a literal error which ought to have been corrected prior to the issue of the balance-sheet. This point, however, in no way affects the accuracy of the figures in the balance-sheet, which are made up as follows: Balance-sheet, 1889—Assets, s.s. "Lawrence," £6,136 16s. 10d.; balance-sheet, 1890—expenditure on steamer "Lawrence," £4,636 2s. 5d.; amounting together to £10,772 19s. 3d.: which amount appears in the balance-sheet of 1890 under the heading of "Assets, steamer 'Lawrence,' plus expenditure, less freights, &c., £10,772 19s. 3d."

The committee have not deemed it part of their duty to express any opinion as to the fitness as auditors of Messrs. Townsend and Chapman, who are referred to by Mr. O'Connor in his statement. These gentlemen were appointed by the shareholders, and not by the directors. No evidence has been brought before the committee to show any failure of duty on their part.

The Circulars.

Considerable reference has been made by all parties to certain circulars which have been issued to shareholders. First, a circular signed by Messrs. O'Connor, Nahr, Greenland, and Kerr, dated 3rd June, 1892; second, a circular in reply thereto by Mr. T. G. Macarthy, chairman of the board of directors, dated 27th June, 1892; and third, a further circular in reply to the latter, signed "Eugene O'Connor," dated 4th August, 1892. These circulars deal with nearly the whole of the matters referred to by Mr. O'Connor and Mr. Macarthy in their respective statements. We have carefully examined the allegations and replies on both sides, and we are of opinion that it is a matter for regret that such circulars were ever issued. Many of the statements are of a personal character. Those which are of real moment in this inquiry are dealt with in our references to the general evidence submitted to us on the different points.

The "Lawrence."

The question of the responsibility for the purchase of the "Lawrence" has had our close attention. Mr. O'Connor took up the position that he was not a consenting party to this purchase. We have, however, satisfied ourselves that the letter of instructions upon which Mr. Charles Seagar purchased the vessel was signed by Mr. O'Connor himself, and not by Mr. Allen and Mr. Macarthy, as alleged by him. The minutes of the board of directors show that Mr. O'Connor was chairman at a meeting on the 1st August, 1889, when the resolution was passed appointing Mr. Seagar to act as agent for the purchase, at Sydney or Newcastle, for the sum of £5,500, subject to instructions. Mr. O'Connor himself wrote the instructions for Mr. Seagar, and in his evidence stated that these instructions were signed by Mr. Allen and Mr. Macarthy, two of his fellow directors. Both these gentlemen in their evidence denied having ever signed the instructions as stated, and upon the original being obtained from Mr. Seagar and submitted to the committee it was found that Mr. O'Connor was in error, the only signature upon the document being his own. Great stress was laid by Mr. O'Connor upon the fact that the instructions to Mr. Seagar contained a provision that the steamer should be subject to a thorough examination and test by Mr. Seagar and a nautical surveyor to be appointed by Messrs. McGee and Newbegin, of Melbourne, and, further, that the vessel was purchased without these gentlemen appointing a surveyor as directed. The evidence goes to show that, while Messrs. McGee and Newbegin did not appoint a surveyor as originally intended, they approved of the purchase, and that a qualified surveyor chosen by the

Marine Department in Sydney was employed. Upon the vessel's arrival in Wellington she was inspected by the Marine Underwriters' surveyor, who reported most favourably respecting her. The committee are of opinion that the responsibility attending the purchase of the "Lawrence" rests with Mr. O'Connor alike with the other directors, and, further, that on her arrival in New Zealand all parties concerned appear to have agreed that she was a good purchase and a suitable vessel for the trade.

Mr. O'Connor charges the directors with shameful negligence, and with causing the loss of the "Lawrence," which was wrecked on the Mokihinui bar on the 28th April, 1891. There is no evidence to support such a charge. An official inquiry was held at Westport, and the captain's certificate was returned to him. Mr. O'Connor makes severe strictures upon the directors with reference to their dealing with the wreck. The committee are, however, of opinion that such strictures are undeserved, and that the directors acted throughout with considerable prudence.

Honorarium.

Mr. O'Connor has charged Mr. Macarthy with improperly drawing the sum of £105 for directors' honorarium. This sum was voted to the directors by the shareholders at the annual general meeting held on the 9th March, 1891. It is admitted that Mr. Macarthy, as chairman of the board of directors, has drawn the amount and signed the voucher. Mr. Macarthy states that the amount is held in trust by two directors, Mr. Barton and himself, pending a meeting of the directors amongst whom it is to be apportioned.

Articles of Association.

Mr. O'Connor, in his statement, dealt at great length with the alterations made in the articles of association. These alterations having, however, been made and duly confirmed by the shareholders, it does not appear necessary to express any opinion regarding them.

Johnston and Co.'s Commission.

Mr. O'Connor has charged the directors with allowing Messrs. Johnston and Co., the agents of the company, to charge $2\frac{1}{2}$ per cent. commission upon sales of coal delivered at Napier and Lyttelton, those ports not being specified in the agreement with that firm. He states "that the money given to them for those places was a pure gift." Mr. O'Connor further charges the directors with allowing Messrs. Johnston and Co. to charge $2\frac{1}{2}$ per cent. upon coal sold to the Railway Commissioners. If appears from the evidence and accounts submitted that the directors, after discussion, in some cases allowed Messrs. Johnston and Co. $2\frac{1}{2}$ per cent. commission where a strict reading of the agreement might have limited the commission to 1 per cent. It is, however, in evidence that the total amount due to Messrs. Johnston and Co. on a statement of account under the strict letter of agreement during the three years amounted to the sum of £502 8s. 4d. The amount paid to Messrs. Johnston and Co. in settlement of their claims was £402, the directors thereby benefiting the company to that extent. In several cases outside of the agreement it appears that Messrs. Johnston and Co. charged $2\frac{1}{2}$ per cent. commission, when they would by ordinary usage have been justified in charging a higher rate.

Railway and Plant.

Reference has been made by Mr. O'Connor in his circulars to shareholders, and before the committee, to the question of the cost of opening the railway to the mine, which work, he states, will not entail a heavy outlay. It appears, however, clear from the evidence brought before the committee that the line does not at present comply either with the conditions laid down by the Government, or with the agreement with the Railway Commissioners, to enable it to be used for goods and passenger traffic. A large expenditure is undoubtedly necessary to complete the line and to bring it up to the Government standard for both goods and passenger traffic, but no evidence has been brought before the committee to show what sum will be required. The amount will depend upon the manner in which the directors go to work. They appear to be fully alive to the importance of the position.

The question of the purchase of certain wheels, axles, and pedestals from the Manawatu Railway Company was severely criticized by Mr. O'Connor. He stated that they had been tried on the trucks and abandoned, being useless. The evidence of the mine-manager directly contradicts this statement. The total cost of these wheels, axles, and pedestals was £26.

Office Expenditure.

In the opinion of the committee, there is no foundation for Mr. O'Connor's complaint regarding the amount of office expenditure in Wellington. There is no evidence to show that any office expenditure has been incurred at Mokihinui under the present management.

County Road.

The committee have carefully considered Mr. O'Connor's statements in reference to this matter. It appears clear from the evidence that the company could not obtain a title to the two miles of railway first constructed without coming to an arrangement with the Buller County Council respecting the making of a county road in lieu of the roadway taken for the railway. This work is rendered compulsory by the provisions of "The Westland and Nelson Coalfields Administration Act 1877 Amendment Act, 1892," and has yet to be completed by the company. In the opinion of the committee no other course was open to the directors under the circumstances.

Directors' Counter-charges.

Mr. Macarthy, chairman of the board of directors, in his statement and evidence, has, in addition to replying to Mr. O'Connor's charges, dealt at some length with the early history of the

company, from its formation at Westport until the removal of the management to Wellington. Mr. Macarthy has drawn the attention of the committee to the fact that numbers of cheques issued on the company's account have been paid into Mr. O'Connor's own bank account; also that considerable irregularities exist with reference to a number of vouchers. The committee have satisfied themselves from the evidence of the company's banker, and from an inspection of the vouchers, that these matters require explanation.

Mr. Macarthy has also directed the attention of the committee to the first minute-book and share-register of the company. An inspection of these books shows them to be very imperfect records of the company's business. The minute-book and share-register is in such a condition that it is impossible in many cases to arrive at a correct conclusion as to what transfers were authorised by the directors, or how the shares had been acquired by those appearing as proprietors. A number of entries are in pencil, and there are evidences of various erasures. The committee feel that the officers and directors of the company responsible for the state of these books have failed to recognise their responsibilities to the shareholders. The defective vouchers which the committee have examined, and which represent a considerable expenditure at Mokihinui and Westport, point to a very perfunctory performance of their duties by the auditors at Westport. In the opinion of the committee sufficient evidence has been submitted to them to warrant doubt alike as to the prudence of the Westport administration and the accuracy of its records.

Future Arrangements.

In the resolutions creating the committee of inquiry the shareholders have indicated a desire that the committee should make recommendations regarding the future conduct of the company's affairs. The committee, from the facts submitted to them during the inquiry, are of opinion: (1.) That the present board of directors are thoroughly conversant with the business of the company, and are desirous of conserving the interests of the shareholders. (2.) That no evidence has been submitted to justify the shareholders in withdrawing their confidence from the directors. (3.) That the company have in their mine at Mokihinui and railway an extremely valuable property which only requires the expenditure of a few thousands of pounds sterling to produce satisfactory returns to the shareholders. (4.) That unless the majority of the shareholders are determined to give to their management a full measure of confidence, it will be impossible to continue operations, and an inevitable loss of capital must ensue.

Conclusion.

The committee in bringing their labours to a close can only express the hope that the effect of the report and evidence they now submit will be to restore the shareholders' faith in the company, and to enable them to arrive at a correct conclusion as to the future. The committee regret to say that the inquiry has been prolonged and embarrassed by the conduct of Mr. O'Connor, who throughout has displayed strong feelings of personal hostility to the directors. The committee understand that their report and accompanying evidence is intended for the private and confidential information of shareholders alone.

T. KENNEDY MACDONALD,
ALFRED H. MILES,

Members of the Committee of Inquiry.

The Shareholders, Mokihinui Coal Company (Limited).

MINUTES (T. KENNEDY MACDONALD, Chairman).

MINUTES of proceedings of the committee appointed to inquire into certain charges made against the management of the Mokihinui Coal Company (Limited):—

First Day, Friday, 11th November, 1892.

The committee met at the offices of the Mokihinui Coal Company (Limited), Wellington, at 2.30 p.m. *Present*: Messrs. T. K. Macdonald, C. N. Greenland, and A. H. Miles; and in attendance, Mr. T. G. Macarthy (chairman of the board of directors), and Mr. Eugene O'Connor.

The resolutions passed at the meeting of shareholders of the company in Christchurch and Westport, signed by the respective chairmen of the meetings, were read. The Christchurch shareholders appointed Mr. T. K. Macdonald, and the Westport shareholders Mr. C. N. Greenland. The minutes of the meeting in Wellington, appointing Mr. A. H. Miles, were produced and read.

It was resolved: That Mr. Le Grove be appointed shorthand-writer at a remuneration of £1 1s. per day, and 1s. per folio. That the fee of the members of the committee be £5 5s. per day for each day they are engaged in connection with the inquiry. That the taking of evidence be commenced on Monday, the 14th instant, at 10.30 a.m., at the offices of the company. That Mr. O'Connor have the books and accounts of the company placed at his disposal from 9 a.m. till 1 p.m. on Saturday, in order to enable him to formulate certain charges he states he was desirous of making.

The committee then adjourned.

Second Day, Monday, 14th November, 1892.

The committee met in Mr. Miles's office, Wellington, at 10 a.m. *Present*: The full committee.

Resolved, That Mr. Macdonald be appointed to act as chairman of the committee, with a deliberative vote only.

The committee then adjourned to the office of the Mokihinui Coal Company (Limited) for the purpose of taking evidence, when there were in attendance Messrs. Macarthy, Allen, Barton, and Gale (directors), and Mr. O'Connor.

Mr. Eugene O'Connor, M.H.R., formerly managing director of the company, made a statement, which was taken down by the shorthand-writer.

The committee adjourned at 5.30 p.m. until 10.30 a.m. on Wednesday at Mr. O'Connor's request, to enable him to further examine the books and papers of the company, which were ordered to be placed at his disposal during the whole of the intervening period.

—

Third Day, Wednesday, 16th November, 1892.

The committee met at 10.30 a.m. *Present*: The full committee, and Messrs. Macarthy, Allen, Barton, and Gale (directors), and Mr. Eugene O'Connor.

The chairman reported the receipt of a letter from Mr. O'Connor, dated the 15th instant.

Mr. O'Connor continued his statement and concluded it, notes of the same being taken by the shorthand-writer.

The committee adjourned till 7.30 p.m., to enable the directors to consult together with a view to arranging their course of procedure in reference to their reply to the charges made by Mr. O'Connor.

Evening Sitting.

Present: The full committee; and in attendance, Messrs. Macarthy, Allen, and Gale (directors), and Mr. O'Connor.

Mr. Macarthy, chairman of directors, presented a written statement indicating the course proposed to be taken by the directors.

A discussion ensued, which was taken down by the shorthand-writer.

The committee adjourned until Monday next, on the understanding that the directors should be supplied on Friday at 10 a.m. with a copy of the shorthand-writer's transcript of the notes taken of Mr. O'Connor's statements, such transcript to be corrected and signed by Mr. O'Connor.

—

Fourth Day, Friday, 18th November, 1892.

The committee met, at Mr. O'Connor's request, at 11 a.m. *Present*: The full committee.

Mr. O'Connor requested that one or more clerks should be appointed to take the necessary extracts from the books and records of the company referred to by him in his statement, as his statement was valueless without them. They were the evidence upon which he relied. Mr. Arthur Kember and Mr. Gibson were appointed to undertake the work, and ordered to proceed immediately.

A telegram was ordered to be despatched to the secretary of the company at the racecourse for keys of safe, in order that the work could be proceeded with. During the day the keys were procured and the work proceeded with, Mr. O'Connor and Mr. Greenland being in attendance.

—

Fifth Day, 21st November, 1892.

The committee met at 10 a.m. *Present*: The full committee, and Messrs. Macarthy, Allen, Gale (directors), and Mr. O'Connor.

The chairman stated that he had received from Mr. O'Connor a copy of his corrected statements, accompanied by a letter, and detailed what had taken place since Wednesday evening, a note of which was taken. A discussion ensued, which was taken down by the shorthand-writer. The gentlemen in attendance on the committee then withdrew for ten minutes.

Mr. Miles moved, "That this inquiry shall not proceed further until the committee has received from Mr. O'Connor at least one of the copies of the records and documents made by the clerks employed by the committee, which copies Mr. O'Connor, without the authority of the committee, has taken away."

Mr. Greenland moved, as an amendment, that the following words be added to the motion: "Such copy to remain with the committee for its own particular use."

Amendment negatived. Motion agreed to.

The substance of the motion having been communicated to the parties interested, the committee adjourned till 2 p.m.

Afternoon Sitting.

The committee met at 2 p.m. *Present*: The full committee.

Resolved, on motion of Mr. Greenland, "That any member of the committee be supplied with any documents he requires for the use of the committee from the records of the company during the sittings of the committee."

Proposed by Mr. Greenland, "That, the committee being now in full possession of the charges made by Mr. O'Connor, the inquiry do now take place forthwith, commencing with the first charge against the balance-sheet of 1890."

Mr. Miles moved, as an amendment, "That, as Mr. O'Connor has not yet complied with the resolution carried this morning by this committee calling upon him to deliver to the committee at least one of the copies of the extracts from the records and books of the company prepared by the clerks appointed by this committee, and which were taken by Mr. O'Connor from the office without the consent of the committee, the committee adjourn until 10 a.m. on Tuesday, 22nd instant,

by which time the committee trust that Mr. O'Connor will conform to the request made for the papers referred to."

Amendment agreed to, and ordered to be inserted in the minutes as a resolution.

Messrs. Macarthy, Gale, and Allen (directors), and Mr. O'Connor met the committee at 2.30 p.m., when the foregoing resolution was communicated to them.

The committee adjourned till 10 a.m. next day accordingly.

Sixth day, Tuesday, 22nd November, 1892.

The committee met at 10 a.m. *Present*: The full committee. The minutes of previous meetings were read and confirmed.

The shorthand-writer presented a written answer to a question in reference to the completeness or otherwise of the report furnished of Mr. O'Connor's statements before the committee.

The gentlemen interested in the inquiry were then invited into the committee-room, when there were present Messrs. Macarthy, Allen, Gale, and Barton (directors). The chairman of the committee made a statement, and a discussion ensued, which was taken down by the shorthand-writer. The directors then withdrew.

Mr. Miles proposed, "That, as Mr. O'Connor has not acceded to the request of the committee calling upon him to return to the committee at least one of the copies of the extracts from the records and books of the company which were prepared by clerks appointed by the committee, and were taken from the office by Mr. O'Connor without the sanction or consent of the committee, and as the absence of the information contained in said extracts is delaying the investigation into the charges brought by Mr. O'Connor against the directors of the company, this meeting stands adjourned until Thursday, 24th instant, 10.30 a.m., by which date the committee hope Mr. O'Connor will return the document or documents wrongfully obtained by him, failing which the Committee will place upon the record of these proceedings that Mr. O'Connor, having made serious charges against the directors, has declined to furnish this committee with the aforesaid extracts from the records and books of the company which he (Mr. O'Connor) has asserted contained his evidence in support of the charges made by him, and which in his letter to the committee dated 19th instant he undertook to produce."

Mr. Greenland moved, as an amendment, "That the committee do now make inquiries into Mr. O'Connor's statement as to the falsifying of the company's balance-sheet of 1890." The committee divided on the amendment: For, Mr. Greenland; against, Mr. Miles and Mr. Macdonald. Motion agreed to, Mr. Greenland dissenting.

The secretary was instructed to forward a copy of the foregoing resolution to Mr. O'Connor without delay.

The committee then adjourned until Thursday next, at 10.30 a.m.

Seventh Day, Thursday, 24th November, 1892.

The committee met at 10 a.m. *Present*: Mr. Macdonald and Mr. Miles. The minutes of the previous meeting were read and confirmed.

The Secretary stated that, according to instructions received at the previous meeting, he had forwarded to Mr. O'Connor a copy of the resolution adopted by the committee calling upon him to return certain copies of documents, &c.

Mr. Miles reported that he had received a letter from Mr. Greenland stating that the committee had no authority to act without his presence, that he had been summoned to Westport, and requesting that the committee should adjourn until his return to Wellington.

Resolved, "That a telegram be forwarded to Mr. Greenland requesting him to advise this morning definitely when he can return."

Resolved, "That it be placed upon the records of these proceedings that Mr. O'Connor, having made serious charges against the directors of the company, has failed to furnish this committee with the extracts from the records and books of the company which were prepared by clerks appointed by this committee, and were taken from the office by Mr. O'Connor without the sanction or consent of the committee, and which in his letter to the committee, dated 19th instant Mr. O'Connor undertook to produce."

Messrs. Macarthy, Gale, Barton, and J. R. Blair attended, when the chairman of the committee made a statement, and a discussion ensued, which was taken down by the shorthand-writer. The shorthand-writer's report of Mr. O'Connor's certified statement was handed to Mr. Macarthy at 11 a.m.

The inquiry was then adjourned until 10 a.m. next day, and the committee agreed to meet at 4 o'clock the same afternoon (Thursday), with a view of giving time for receipt of an answer from Mr. Greenland.

Afternoon Sitting.

The committee met at 4 p.m. *Present*: Mr. Macdonald and Mr. Miles.

The Secretary reported that he had received no answer to the telegram despatched to Mr. Greenland. Mr. Macdonald and Mr. Miles also reported that they had received no reply.

The committee resolved to obtain the opinion of Mr. Brandon, the company's solicitor, as to whether they were justified in proceeding with the inquiry in the absence of Mr. Greenland, and with a view of obtaining that opinion waited upon Mr. Brandon at his office. Mr. Brandon advised that, as Mr. Greenland had left of his own accord, the remaining members of the committee were not only justified in proceeding to complete the inquiry, but they were bound in justice to the share-

holders to hear whatever evidence the directors had to offer in reply to Mr. O'Connor's statement and charges, and to submit the facts so ascertained in a report to the shareholders.

The committee then returned to the company's office, when a discussion took place respecting the future course to be adopted.

Resolved, "That, as no reply has been received to the telegram sent to Mr. Greenland this morning, and in view of the evident loss entailed upon the company through operations being at a standstill pending the result of this inquiry, the committee will meet at 10 a.m. to-morrow, 25th instant, and will sit daily at that hour until the inquiry is concluded." *Resolved*, "That a telegram be sent to Mr. Greenland apprising him of this resolution." *Resolved*, "That Mr. O'Connor and the directors be advised of this resolution."

The committee then adjourned until 9.45 a.m. next day.

Eighth Day, Friday, 25th November, 1892.

The committee met at 10 a.m. *Present*: Mr. Macdonald and Mr. Miles. The minutes of the previous meetings were read and confirmed.

The secretary reported that he had written to Mr. Eugene O'Connor and to the chairman of directors of the Mokihinui Coal Company, advising that the inquiry would be resumed at 10 a.m. on Friday, 25th November.

The secretary of the Mokihinui Coal Company waited on the committee to advise them of the receipt of a telegram from Mr. Greenland, of Westport.

During the day a telegram addressed to Messrs. Macdonald and Miles was received from Mr. Greenland.

Mr. Macarthy (chairman of directors), Mr. Deacon (secretary), and Mr. Straw (mine-manager of the company) gave evidence respecting the affairs of the company, which was taken down by the shorthand-writer.

The inquiry lasted from 10 a.m. to 1 p.m., from 3 to 5 p.m., and from 7.30 to 10 p.m., when it was adjourned to the following day at 10 a.m.

Ninth Day, Saturday, 26th November, 1892.

The committee met at 10 a.m. *Present*: Mr. Macdonald and Mr. Miles. The minutes of the previous meeting were read and confirmed.

Mr. Macarthy continued his statement, and called Mr. Straw, mine-manager.

The proceedings were interrupted by Mr. O'Connor, who demanded that certain letters should be returned to him, and that he should be supplied with a report of the proceedings from day to day, according to agreement.

The chairman's efforts to restore order proving fruitless, resolved, "That, owing to Mr. O'Connor's disorderly conduct, the committee do now adjourn."

The committee adjourned at 11 a.m. The committee resumed at 7.30 p.m., when Mr. Macarthy continued and concluded his case.

The Chairman announced that the committee would examine the statements made, and compare them with the books and papers of the company, and report at as early a date as possible.

The committee then adjourned.

Tenth Day, Wednesday, 30th November, 1892.

The committee met at 10.30 a.m. *Present*: Messrs. Macdonald and Miles.

The committee proceeded to examine the books and accounts in the company's office, and after a lengthy investigation,

The committee adjourned till 10.30 a.m. on Thursday.

Eleventh Day, Thursday, 1st December, 1892.

The committee met at 10.30 a.m. *Present*: Messrs. Macdonald and Miles. Examination into the books and accounts in the company's office was continued.

Mr. O'Connor called, and requested that some letters handed in by him at previous sittings should be returned to him. Mr. Macdonald informed him that they were in the possession of the committee, and on completion of their report would be returned to him in due course. Mr. O'Connor then retired.

The committee adjourned till 10.30 a.m. on Friday.

Twelfth Day, Friday, 2nd December, 1892.

The committee met at 10.30 a.m. *Present*: Messrs. Macdonald and Miles. Examination of the company's books and accounts was further proceeded with.

The directors having informed the committee of their desire to have a full report of the proceedings printed for the information of shareholders, the committee acceded to the request, and furnished the necessary information for the purpose.

The committee adjourned till 10.30 a.m. next day.

Thirteenth Day, Saturday, 3rd December, 1892.

The committee met at 10.30 a.m. *Present*: Messrs. Macdonald and Miles. The minutes of previous meetings were read and confirmed. Certain proofs of the proceedings were handed in from the printer, and were examined and passed.

The chairman of the company (Mr. Macarthy) waited upon the committee and handed to them a circular signed by Mr. Charles N. Greenland, dated Wellington, 22nd November, 1892, contained in an envelope bearing the Westport post-mark, 27th November, 1892, purporting to be an *ad interim* report and certificate upon certain matters referred by the company to Messrs. T. K. Macdonald, A. H. Miles, and himself. Mr. Macarthy strongly protested as to the unfairness of any such circular being issued, more especially as Mr. Greenland's statements were untrue.

Mr. Miles reported receipt of a letter addressed to Mr. Macdonald and himself by Mr. Charles N. Greenland stating that "As already wired to you, I have applied for leave of absence. [See copy of application attached.] The end of each month is always a very busy time with me, and a time at which I can least be spared. I was surprised at your protest to my leaving Wellington at the expiration of my second term of leave of absence, as I had clearly told you both on several occasions that I should not be able to stay much longer away from my duties in Westport. You know how I pressed on every occasion I could for the inquiry to proceed on the specific charges made by Mr. O'Connor against the directors, and when this was met by constant adjournments I saw it was futile for me to expect to see the inquiry completed during my then present leave of absence—hence my return to Westport. I will wire you directly my fresh leave of absence is granted to me."

The committee forwarded the following reply to Mr. Greenland:—

"DEAR SIR,—

Wellington, 3rd December, 1892.

"Your letter of the 28th ultimo addressed to the care of Mr. A. H. Miles was received by us this morning. We are sorry to learn from same that your avocations have prevented your attendance at the committee, and we observe from your letter now before us that you are still in a state of uncertainty as to the further leave of absence you have applied for.

"We cannot allow your statement to pass as to what you term the 'constant adjournments' taking place without reminding you that, while you are quite correct in saying that you were anxious for the inquiry to go on, still, your eagerness in this respect was not evinced until Mr. O'Connor had finished his statement of charges, when you were undoubtedly anxious for the inquiry to be hurried on without giving the directors an opportunity of making a counter-statement in their defence and in reply to Mr. O'Connor.

"We have seen a document bearing your signature, dated the 22nd instant, purporting to be an *ad interim* report and certificate by you upon certain matters referred by the company to Messrs. T. K. Macdonald, A. H. Miles, and yourself. We must express our extreme astonishment at your conduct in issuing such a document. You have never heard one word of the directors' defence, and yet you have deliberately committed yourself to definite conclusions of a most condemnatory character. You not only do so, but, without any consultation with your colleagues, you communicate to shareholders a series of statements which we have no hesitation in saying are most untrue and misleading. That you should not send us a copy of the document you have issued, although dated six days prior to the letter under acknowledgment, is another proof of the peculiar conduct displayed by you in connection with the inquiry—conduct which we feel bound to tell you warrants the accuracy of the statement made by you in the company's office—that you had 'come from Westport to watch Mr. O'Connor's interest.'

"Yours truly,

"T. KENNEDY MACDONALD,

"ALFRED H. MILES.

"Chas. N. Greenland, Esq., Westport."

Consideration of the evidence and records was proceeded with until the adjournment.
The committee adjourned until 10.30 a.m. on Monday.

Fourteenth Day, Monday, 5th December, 1892.

The committee met at 10.30 a.m. *Present*: Messrs. Macdonald and Miles. The minutes of previous meeting were read and confirmed.

The committee were occupied all day in examining the books and documents of the company, and in considering portion of their report.

At 5 p.m. the committee adjourned till 10.30 a.m. next day.

Fifteenth Day, Tuesday, 6th December, 1892.

The committee met at 10.30 a.m. *Present*: Messrs. Macdonald and Miles. The minutes of previous meetings were read and confirmed.

The committee were engaged all day in the analysis of evidence and the preparation of their report.

The committee adjourned till 10 a.m. next day.

Sixteenth Day, Wednesday, 7th December, 1892.

The Committee met at 10 a.m. *Present*: Messrs. Macdonald and Miles. The minutes of previous meeting were read and confirmed.

The committee were engaged in the examination of evidence and the books of the company.

During the day the committee interviewed the manager of the Bank of New Zealand, and examined a number of cheques referred to in the evidence of Mr. Macarthy.

The committee concluded the preparation of their report, signed the same, and advised the directors of its completion.

THE MOKIHINUI COAL COMPANY (LIMITED).—INQUIRY INTO CHARGES MADE AGAINST THE MANAGEMENT BY MR. EUGENE O'CONNOR, M.H.R.

REPORT of proceedings at an inquiry held by Messrs. T. K. Macdonald, chairman, A. H. Miles, and C. N. Greenland. Directors present: Messrs. T. G. Macarthy, F. Allen, T. Gale, and John Barton. Mr. E. O'Connor was present and made a statement.

Mr. T. K. Macdonald: Gentlemen, this inquiry has been brought about by certain resolutions being arrived at by meetings of shareholders held in Wellington, Westport and Christchurch. The minutes of proceedings at the various meetings are upon the table. The resolution passed at Wellington on the 22nd October appoints Mr. Miles to act as a member of the committee on behalf of the Wellington shareholders. The resolution at Westport passed on the 27th October appoints Mr. Greenland to act on the committee, and the meeting held in Christchurch on the 27th October appointed myself to act as the representative.

Mr. T. G. Macarthy: The whole of the directors accused by Mr. O'Connor are not here; two or three are absent. I have to put it to you, sir, whether in the absence of these directors, and possibly with a view to protect ourselves in the event, perhaps, of Mr. O'Connor having ulterior objects, the directors could not be represented by counsel if they desire.

Mr. Macdonald: I take it that the committee will have no objection either to Mr. O'Connor or the directors being represented by counsel if it is so desired, but the committee will not allow counsel to take any part in the proceedings.

Mr. Macarthy: We have no authority to represent absentee directors, and we may not be able to give our undivided attention to this inquiry. Assuming that Mr. O'Connor might act so as to worry the directors, or endeavour to prolong the inquiry, that would be a very awkward position for the directors to be placed in.

Mr. Macdonald: The practice the committee will adopt will be this—and in this connection I may say that the committee desires that the work shall be brought to a close as speedily as possible, and it will therefore depend upon Mr. O'Connor and the directors whether economy of time will be observed or not: Both Mr. O'Connor and each director will be supplied with a copy of the proceedings if possible from day to day, so that each director will have a verbatim account of what takes place. You will have this record, and at the close of Mr. O'Connor's statements you will be able to reply fully to anything he may have said.

Mr. Macarthy: If the remarks made by Mr. O'Connor extend over a considerable time the question of remuneration will have to be considered.

Mr. Macdonald: The inquiry ought not to extend over more than two or three days if both Mr. O'Connor and the directors put their case pithily before the committee.

Mr. Macarthy: The directors do not know what the case may be which will be put before the committee, and therefore it is suggested that they should be represented by counsel.

Mr. O'Connor: I wish to say that that is quite unnecessary. What I have to say will be taken down by a shorthand-writer and submitted to me for correction, and initialled. I want that report, and wish to have it placed honestly in the hands of the directors and myself to make what use of it we like. The directors, if they think proper, will have the statement made by me before them, and they can employ counsel if they like at their own expense. What I have to say, and I am sorry to say it, will impugn the integrity of the directors. In the circulars issued I have plainly stated that, and I am bound to do that to protect my own interests and the interests of those gentlemen who are acting with me. I object to the directors saddling the company with any more expense.

Mr. Macdonald: The committee are of opinion that if the directors wish to employ counsel to watch the case on their behalf there is no objection to that being done.

Mr. O'Connor: In the first instance, I wish to know, as I have been asked to furnish a statement of my charges, and have done so on Friday last, whether it is intended to bring anything in the way of a counter-charge against me. It was stated that charges were to be made against me and the previous directors.

Mr. Macdonald: The committee know nothing about what has taken place in the past.

Mr. O'Connor: I was asked to furnish a list of my charges through the committee, and Mr. Macarthy said I was not to see the books or papers until I supplied the directors with my charges.

Mr. Macdonald: At a formal meeting on Friday last you requested that facilities should be given you to look through the papers and books of the company, so that you would be prepared on Monday morning to inquire into the different matters. The committee suggested that facilities should be given to you, and have now met in accordance with the resolution for the purpose of hearing you. After you have made your statements, and supported them by vouchers and documents, it will be for the directors, if they think it desirable to do so, to show wherein you are wrong, or otherwise to stand convicted of the charges made against them. It is clearly your business to proceed with your statements and charges, and support them by evidence.

Mr. O'Connor: On Friday last, when I handed in my charges, Mr. Gale said there were no charges made against me or the former directors. I have understood since that there were some charges to be made against me, and say now that it is manifestly unfair that I should be called upon to go on until I know the nature of the counter-accusations to be made against me. The next thing I have to submit to you is this—without impugning the fairness of the committee, which is yet to be seen—I have to impugn the fairness of the election of the committee. Two of its members have virtually been elected by the directors or under their influence. I am representing a section of unsatisfied shareholders. Now, Sir, this inquiry is in the nature of an arbitration—an arbitration in which one side appoint two of the arbitrators and the other side one; and, if I get anything like fair-play on this occasion, it will certainly not be due to the manner in which the committee has been elected. I have to complain of the combination which has placed me at the disadvantage of being overruled by persons not nominated in a spirit of fairness. Notwithstand-

ing this I shall go on and show, in the first instance, why I impugn the balance-sheet; and, in the second instance, the action of the directors in the purchase of the steamer "Lawrence." I say the balance-sheet of 1890 was a false balance-sheet. This is a copy of the amended articles of association in which the original articles were not embodied, but which should have been, as they are supposed to be under the heading. And under "The Companies Act, 1882," clauses 26 and 89, there is a penalty involved upon the company for not supplying them; but there is a reference to page 1. [Reference not supplied by Mr. O'Connor.] I now read from the Companies Act, clauses 79, 80, 82. Now, I produce the balance-sheet of 1890. I produce two different balance-sheets of 1890. With regard to this balance-sheet I first wish to point out to you that on Friday, 30th January, 1890, a meeting of directors was convened for the purpose of considering the draft balance-sheet. [Minute-book, 30th January, 1890, pages 276, 278, 286.] I wish to call attention to the balance-sheet of 1890 itself, and to the statement of assets and liabilities of the gross income and expenditure of the company, distinguishing the sources of the amounts received and expended. There is really no statement such as that unless it be in the statement of transactions for the year. I wish to call your attention to the way in which the different items are entered, and therein I say the accounts are falsified. There is a fictitious balance which is placed to show the account of certain steamers which are working for the company in the distribution of coal; and I shall call your attention to the way in which the items debited and credited are arrived at, and you will see that, while on one side the credit has been magnified, on the other the debits have not been fairly put, that there have been items put to the credit of this account—even supposing that it is a proper balance-sheet account—which are not honestly chargeable to the year's proceedings; and that other items which should appear are suppressed. In this also you will find several material misstatements. But one brick does not make a building, and if there were only one misstatement I should put it down to accident; but after I have shown what took place at our meetings I think you will agree with me that the directors were honestly bound to look into the accounts and see particularly whether what I had stated was right or not. There is not a single statement in which the company's property was involved where a misstatement has not been made to cover misstatements made with regard to profit and loss account. I do not think I should be warranted in making the statements I have made if there was only one misstatement, but there are many, and I have to call attention to the false certificate appended by the auditors of the company at the foot of the balance-sheet, for the statement there made and signed is not true. If these errors were solely errors of account, and there was no object in making them, I would pass them by. I would have refused to give my assent, but I should have passed them by. But at the time the balance-sheets were passed there was an active disagreement between myself and the directors. That disagreement amounted to the extent that they were endeavouring at the time to prejudice the shareholders against me, and to replace me on the directory by one of themselves. It was my contention that there was great mismanagement taking place with regard to the working of the steamer "Lawrence," and loss. The first item I find in the assets from the profit and loss account, £3,284 15s. 1d. It is entered there as if it were a *bona fide* transaction in which the company gained the amount, whereas it is nothing of the kind. It is an item falsely arrived at on certain fictitious accounts, in which only steamers were concerned and in which the steamers get credit for moneys not earned. The first false entry in the statement of transactions is "Receipts for coal sales f.o.b. Mokihinui, £2,190 8s. 9d., less £150 13s. 6d. allowances to Union Steamship Company outstanding last year." One lie begets another. The allowance given to the Union Steamship Company was an allowance wrongfully given to them on coal delivered in 1889, not f.o.b. at Mokihinui, but Wellington. The item £2,039 15s. 3d., after deducting that allowance, is arrived at in this way. I cannot say that I am absolutely correct to the shilling in these items copied from the books. I give the value in every case, and if there is an error in any of the figures it can be corrected. I had very little time to prepare the list from the books, and was consequently very much hurried, but I will place the figures at the disposal of the shorthand writer. [Figures not supplied by Mr. O'Connor.] That is the only coal which seems to be charged to the "Lawrence" in this account. What became of that coal I do not know. That is how the sum £2,039 15s. 3d. was arrived at. No such sales f.o.b. Mokihinui took place at 10s., and no such vouchers could be shown to the auditors with regard to them. These items were transferred from the accounts of the "Terranora" and the "Lawrence" at a fancy price not sufficient to pay the working-expenses at Mokihinui. At the time when the company sold the coal at Napier, Lyttelton, Foxton, Wanganui, and Wellington, coals were at 47s. 6d. to 37s. 6d. That is the first lie in the endeavour to show that there was a profit on these steamers—the first deliberate attempt to mislead. There are many other errors to be met with, but I do not wish to encumber this inquiry with more than is necessary. The next item with regard to the steamer "Lawrence" is receipts, freights, £6,977 4s. 6d., less wages, insurance, &c., £4,254 16s. 4d., leaving a supposed balance to profit of £2,722 8s. 2d. This is what I call the cooked account of the "Lawrence." In folio 48 of the ledger. These items are the gross price paid by the Railway Commissioners and other wholesale buyers of coal which the company delivered by means of the "Lawrence" in the different places named within the time stated by the balance-sheet of 1890, except one of coal at Napier on 5th January, 1891. There is an item for delivery which should not appear in the balance-sheet. The coal was not delivered at Napier until the 5th January, 1891, but it is included in the receipts of the steamer "Lawrence" for 1890. I say that that money was not due until delivery, and that it was put into that account for the purpose of magnifying the receipts. All the items of coal delivery I have read are of the same effect, but this is in a different way, as it is going outside the year. I say none of these items are available for ordinary fair calculations as to what the boat was doing. I have shown you how the sum of £6,977 4s. 6d. has been arrived at, less wages, insurance, &c., £4,254 16s. 4d., making it appear that a debit account is opened for the "Lawrence." That £4,254 16s. 4d. is made up as follows:

[Details not supplied by Mr. O'Connor.] The full insurance on the vessel, valued at £10,000 or £11,000, was not entered in that charge. 2,866 tons 11 cwt. of coal is transferred to the mine account at 10s. a ton, but note that it is a deduction of 10s. a ton on the sales of the company delivered at the ports I have named, and which deduction is given to mines account, not being coal sales f.o.b. at Mokihinui. This allowance is made for the purpose of this account to the mine account, taking all the balance to the credit of the boat—namely, an amount varying from——— to——— as freight. [Amounts not supplied by Mr. O'Connor.] It does not appear to me that the commissions paid to Johnston and Co. have been deducted from these, but I am not certain upon the subject. I am certain that the coal consumed by the steamer has not been charged as far as I can see by an examination of the book. Her consumption was 10 tons a day, and for sixty days that would be £300. In December the vessel was run upon the rocks at Mokihinui, and damage done to the extent of £500. With great difficulty she was brought over the bar to the Sounds, where some temporary patching was effected, and she went on to deliver coal at Napier on the 5th January. On the 7th January, long before the balance-sheet was prepared, she had to be placed upon the slip, and the accounts for repairing that damage are, I think, about £500, an amount which ought to have been charged under the articles, and fairly charged, against the boat, or against the expenditure for the year, for it was a contingent liability which occurred during the year. There is no sum for depreciation or wear-and-tear on the boat. When the boat was put into commission she was then just finished and everything in her was comparatively new, and her depreciation was very rapid. There was no share of the cost of management charged against the boat in that account. There is no interest which figures in the expenditure here—interest on the overdraft, £433 2s. 1d., contracted by the company in order to purchase the boat. I think I have shown plainly that the receipts on account of the ship "Lawrence" have been dishonestly stated, inasmuch as they have been added to by the addition of what is really the income of the company, and nothing like fair freight allowed. If the account had been made up in a fair way to show what the boat was earning, I would not have objected. I have shown that was not so, and that the allowances are absurd. I made at the time a calculation which I now give to the committee with regard to the approximate trial for a separate profit and loss on the "Lawrence's" working account for 1890, and also for the gross business. [Details not supplied by Mr. O'Connor.] Johnston and Co.'s commission does not appear to me to be in the account. The advance to the boat, for which I charge the interest, £433 2s. 6d., was for money actually obtained by the company for the purchase of the boat. That is one side of my trial balance. I give credit for the whole of the freights as far as I can get them, from my abstracts taken from the ledger and balance-sheet. This would leave a debit balance as against the boat of £2,684 5s. 11d. Now we will pass to the "Terranora," which was chartered by the company or engaged at 15s. a ton to carry coal. The entries here (company's balance-sheet, 1890) are £1,958 10s. 3d., less freights, &c., £1,396 3s. 4d.—£562 6s. 11d. That sum is arrived at in the following way: [Details not supplied by Mr. O'Connor.] Last item is for coal delivered at Wellington. I claim that this item has no right to appear in the balance-sheet. The coal was not delivered until the 9th January, and the freight was not due until that date. [See the heading of the balance-sheet and the certificate of the auditors.] I want to know how men calling themselves honest can issue such a balance-sheet, and the auditors append their signatures to such an account. If a balance-sheet can be made out like that, and you take nine days out of the following year, why not take the whole of the year? It is merely a question of degree. In the first instance the freights are taken as a credit, and in the second instance they are taken as a debit. The next item is the transfer of the "Terranora's" account to the mine account, and forms a part of the fictitious entry for receipts for coal sales f.o.b. Mokihinui. Johnston and Co.'s commission on this £1,958 10s. 3d., at 2½ per cent., is £49; insurance on the coal, £9 1s. 5d.; freight on the coal, Mokihinui to Wellington, £114 3s. 7d. The January coal is a deduction also. I have said all I wish to say with regard to this account. I have shown you that there are many misstatements, and I shall show another one which was necessary to carry out the fraud in the balance-sheet. There is an item in the assets, "Railway and equipment." I will call your attention to this: that, if there is anything a company as trustees are bound to do, it is not to mix the ordinary expenditure with the capital account. The way in which the great frauds in the other colonies occurred is by disguises in this way, making it appear that a profit was made by paying the profits out of capital-account. I will call your attention to the way in which this was made up. The steamer "Lawrence" entered in the balance-sheet as *plus* expenditure less freights, &c., is the next false item. It would be impossible to make that statement as it is if the steamer "Lawrence" was really entered "*plus* expenditure less freights," because it is shown that the expenditure is [amount not supplied by Mr. O'Connor], and the freights and charges [amount not supplied by Mr. O'Connor]. It is quite plain that that £10,772 19s. 3d. could not be arrived at by any such process as that. I will tell you how it has been arrived at. The "steamer 'Lawrence,' *plus* expenditure less freight," is arrived at from the expenditure shown in the balance-sheet. I say on the face of it that is a gross misstatement, and it is no wonder that I used the language I did before a meeting of shareholders and a meeting of the directors. I call your attention to only one item that is omitted here that evidently shows that there was no attempt to fairly state the "*plus* expenditure less freight." There is an item £433 2s. 1d. charged by the bank for interest against the boat. That is not charged against the "Lawrence." Is there any share of the management of the company charged against the "Lawrence"? Not a farthing! Therefore I say that the item, "Steamer 'Lawrence,' *plus* expenditure less freights," is utterly false. The item owing for coals, £1,423 16s. 6d., is also a false item. It takes credit for the amounts I have mentioned for coal delivered at Napier on the 5th January, and Wellington on the 9th January respectively. The reason why I draw attention to these particulars is because I want to

show you that it is not a solitary brick I am quarrelling about. In order to complete the description in the account the whole thing has to be fabricated.

Mr. Macdonald: You say that the amount is made up for the "Lawrence" with £6,136 16s. 10d. in the balance-sheet of 1889, and of the amount which appears in the expenditure upon the "Lawrence" this year—viz., £4,636 2s. 5d., the two together totalling up £10,772 19s. 3d. on the asset side. Have you taken into account the fact that in the statement of transactions for the year 1890 there is a debit entry of £2,722 8s. 2d., receipts, freights, &c., less wages, insurance, &c., which later on is called the profit account of the "Lawrence" and appears on the debit side as a liability?

Mr. O'Connor: No, I have not taken that into account, because the assets have not been given the credit. It is taken as a profit upon the whole transactions of the company. The item you speak of is £2,722 8s. 2d. That is a fictitious credit on the profit and loss account. I say that if the expenditure on the "Lawrence" was according to this false balance-sheet properly entered the "Lawrence" would have got credit for the £2,722 8s. 2d., which was here declared to have been made a profit on the business of the company which never was made.

Mr. Macdonald: Your contention is that the "Lawrence" should have shown £8,500?

Mr. O'Connor: No, I say the profit was not made. I say the statement is untrue as to fact and untrue as to the balance-sheet itself.

Mr. Miles: The receipts and freights of the steamer "Lawrence" are stated at £6,977 4s. 6d., less wages, &c., £4,254 16s. 4d. Do you contend that is an insufficient amount to deduct from the £6,977 4s. 6d.?

Mr. O'Connor: No. I was last speaking under the head of assets, steamer "Lawrence." I will give an answer to the question provided you will connect the two. I stated that the entry £6,977 4s. 6d. is a fictitious entry in which there are credits entered falsely, and I say that the wages, &c., £4,254 16s. 4d., is false. Both are fictitious and false. But I add that, if true, the £2,722 8s. 2d. shown as a profit upon the "Lawrence" ought to appear in deduction from the £10,722 19s. 3d., showing the value of the "Lawrence," plus expenditure less freight, &c., if the balance-sheet were true. I have also to show—but it will not very much affect the contention—that the receipts for coal f.o.b. Mokihinui are not anything like sufficient to cover the cost of the coal to the company. But that is not part of my charges. I now propose to pass away from the balance-sheet, and to take the accusations made by me in the circular as the basis of my further remarks. I propose to take the directors' circular and reply thereto, and in doing that I will deal with them either confirmatory or otherwise, and anything I have omitted I will supply afterwards. I have two balance-sheets for 1890. I have one which was submitted to me at a directors' meeting, in which I have pointed out misstatements of the facts, and also that contingent liabilities were omitted. I pointed out the claim for the "Hapuku," and that was afterwards inserted by the auditors. One balance-sheet has that item and the other has not. I produce that to show that some of my contentions were attended to and others not, showing that if there was not some object in it every one would have been attended to. It is stated in the first paragraph of the circular that it has come to the knowledge of the directors that a circular dated 3rd June has been issued to some of the shareholders, &c., I reply to that [circular produced]. Here is the circular, marked 1st July, with the compliments of Mr. O'Connor indorsed upon it. You will remember that at the meeting on Friday Mr. Gale said that their circular was issued on the 27th June. I myself met one of the directors on the 4th or the 5th July, and he told me my circular was going to be dealt with, and he was going to the meeting of directors. Mr. Gale said in the presence of the chairman, who has never denied that their circular was issued before they got my circular. [Minutes of the 6th July referred to.] The object of entering that is for the purpose of misrepresenting my action. These circulars were sent to me at my request from Westport. The day the circulars were posted by me they were sent to the directors. They got the circular on the 1st July. [Minutes and the postmark of the 1st July, referred to.] That is dated the 27th June, evidently for a purpose, nine days before the Board had appointed their Committee to reply to it. [Minutes quoted—"Prepare a defence to the allegations in the circular."] It does not appear to me that they have brought up a report. I have had very little time with the minutes, but the 6th July, 1892, is the date on which the committee was appointed, and when we consider that statement in the circular it is just as well to take notice in the same way of what is said here by the writers. The next item in the circular is a general statement for the information of the shareholders that the directors submit extracts from the company's minute-books in refutation of the allegations made by me. In order to show this a string of resolutions is given passed at meetings of the directors at which Mr. O'Connor acted as chairman, it being well known by the chairman who signed this circular that the business was done in spite of the violent opposition of Mr. O'Connor. That is one thing about which I feel very strongly, for Mr. Macarthy knew this and was a party with me in resisting the purchase of the "Lawrence." In the minutes, of which I have a copy, the resolutions are irregularly shown, as on two different days there is somewhat of mixture. There is one item which is underlined in my copy of the minutes which is underlined here also, but there is this addition in the minutes, that the whole line is underlined. I charge the directors with dishonestly omitting a portion of a resolution they have quoted. I say distinctly that if there is a duty devolving on the directors great care, it is to give no misleading information to their employers for whom they are acting as trustees, and in so serious a matter as the records of their meetings where they are making an accusation of untruthfulness against a man. I am here considered to be a consenting party to the purchase of this boat. I say they should have been very careful in not misstating any of their minutes. [See minute-book, p. 131.] I say that the substance of that has been eliminated by the directors when giving that to be copied. The minute-book reads "subject to instructions" was underlined, and I now find it underlined in the book, but also the words preceding it are

underlined. The other part is suppressed, and it is not suppressed in the minute-book. There is another suppression. Why was it not mentioned in the directors' circular that instructions were given to Messrs. Newbegin and McGee as well to be associated with Mr. Seagar, who was authorised to survey the "Lawrence"? It was understood that the first resolution was qualified by not allowing the purchase of the boat except by instructions. I have asked for a copy of these instructions, but I do not think Mr. Deacon has been able to find them.

Mr. Deacon: They were written by yourself.

Mr. O'Connor: I wrote them, but I handed them to you to hand to Mr. Seagar. You should have a copy or the original. These instructions were signed by Mr. Allen and by Mr. Macarthy. These are the instructions. I say these are the true instructions given by Mr. Macarthy, Mr. Allen, and myself, and he acknowledged this afterwards in his correspondence, copies of which I have. Not one line of that was penned by any one but myself. They just signed it and accepted it. It shows my mind on the subject of the boat, and whether I was a consenting party to the purchase of it. That was apart from the false allegations made in regard to myself by Mr. Seagar. My disagreements with him were of a serious character. I made representations to the directors of what I was doing, and the language I used to that committee meeting was such as I should not care to repeat, but certainly I declared that I would not trust him. In order to effect a compromise in my opposition to Mr. Seagar being intrusted with any such power, I accepted a suggestion given by Mr. Macarthy that we should get some one else to join with him in examining the boat, Mr. Macarthy being anxious for peace, so that we should limit the instructions previously given that he should be subject to instructions. These instructions were prepared, and Mr. Newbegin and Mr. McGee were appointed coadjutors, and that was covered by an agreement which would have left the company perfectly safe in their purchase. I say that I have something to complain of that a gentleman who was associated with me in preventing a blow being given to this company should say I was a consenting party, and I am very sorry for his sake that he has done it.

Mr. Allen: I will acknowledge everything if I see my signature.

Mr. Macarthy: I would like to see if the letter of instructions was signed.

Press-copy of letter produced. 4th August, 1889, letter-book, page 282. [Letter copied in Mr. O'Connor's private letter-book not supplied by Mr. O'Connor.]

Mr. O'Connor: I say Mr. Allen was supposed to have signed the letter because Mr. Macarthy took it to him to be signed. Mr. Seagar ordered everything in Sydney, and paid £50 deposit. I put in a copy of the letter of Mr. Seagar's showing the circumstances under which he bought the boat, and I have asked for a copy of the letter to Mr. Newbegin to us showing how Mr. Seagar bought the boat, in no way complying with the instructions whatever. I could show that when Mr. Seagar brought the boat down here she was handed over to his custody and kept in the greatest secrecy for a considerable time. He gave instructions to the officers of the boat to be very careful what they said to me about her, and he misrepresented everything about the boat and purchased a large quantity of material for her. It was only after taking a trip in her that I was able to show how totally unsuited she was for our trade, and impressed that upon the other directors. The boat was not long running when she came into Westport full of water, and soon after the shareholders were afraid that the men would be drowned in her. I referred to that in my memorandum of instructions, and said that she was weak in the centre. When I was on board I found the vessel was working in the centre. The insurance companies stopped her running, and she had to be put into dock and repaired at a cost of some £500 or £600. I do not think it is necessary for me to go into the badness of the bargain, and the way in which the wretched thing was done, owing to the commissions made out of the transactions. The boat was absolutely worthless for our purposes. She involved us in endless expense, and was quite unfitted for our work. I do not propose to take up the time of the inquiry on that subject. All I wish to do is to maintain the truth of what I have said, and the falsehood of the statement of the directors in their circular, showing how they suppressed part of the resolutions in order to make it appear that because I was chairman of the meeting therefore I was giving my consent; and I say that must have been known to one of the gentlemen signing the circular—Mr. Macarthy. I do not think Mr. Macarthy would deny that, and if he did, I could bring witnesses to prove it. Now with regard to the purchase of the "Lawrence" I have done. I have shown that the directors have purposely eliminated words here which are underlined, so that they could not say they did not see the words "subject to instructions," and that they have also suppressed the instructions, that they have also suppressed the resolution of the 2nd August, page 23, and all connection with it, and also suppressed what they know to be the case, that they have frequently discussed the matter with others and have acknowledged that Mr. Seagar's instructions were evaded. It was discussed that Seagar should be made responsible, and these discussions took place over and over again, and were known by every member of the Board. And it was known that such matters would come up when the original matter came to be discussed. The next thing is that "Mr. O'Connor states that the 'Lawrence' was run during the labour troubles at very great disadvantage and at great risk." The refutation to that is that I moved that the directors be allowed to run the steamer, and also to discontinue the insurance. As I said in my circular, the risk was that she was a bad boat to steer, that she was unfitted for the trade, and that she was only running three trips a month, and we were losing by her, that through the obstinacy and bad management of the directors we only had five trucks on the railway line, and both vessel and men had to wait while trucks went up and down, and that the whole thing was grossly mismanaged, and tons upon tons of coal sent into the river. At the same time, under the arrangement with Johnston and Co., the boat only averaged three trips a month. I would like to look at the log-book. The accounts will show the dates on which the boat left Mokihinui, and what loads she was capable of taking with plenty of water on the bar, and the results will show exactly whether she was treated as I

say. It is a very well-known thing that nothing less than 1,200 tons a month would pay for the boat's running, and I say that 750 tons would be nearer what she carried. She was not properly attended to, and was worked at a disadvantage, and the risk is this, that she was unsuited to the place, and was only covered for £2,000. I pass on to the next paragraph. "Mr. O'Connor states that Messrs. Johnston and Co. have been receiving commission upon every ton of coal sold from ships which have been carrying coal from Mokihinui." In reply to that the directors say: [Letter of 18th September, 1889, to Messrs. Johnston and Co. put in, letter-book, page 189.] It is said that the memorandum of agreement with Messrs. Johnston and Co. was never departed from or altered. I say that Johnston and Co. have charged $2\frac{1}{2}$ per cent. upon coal delivered at Napier and Lyttelton, as well as at Wellington, Foxton, and Wanganui, and Mokihinui; and that Johnston and Co.'s contract did not extend to those places, and that the money given to them for those places was a pure gift. No wonder that Mr. Gale wanted to get on the directory. $2\frac{1}{2}$ per cent. has been charged upon those items, and if the accounts of Messrs. Johnston and Co. are produced they will show it. [Letter of 19th September, 1889, accepting terms, put in.] We have never reached the second year's operations with Johnston and Co. because of the stoppages. I want also to show what they have been charging since—namely, $2\frac{1}{2}$ per cent. on contracts and cargoes of coal. The agreement has been departed from in two instances. Johnston and Co. have been allowed to charge $2\frac{1}{2}$ per cent. on coal delivered under contract with the Railway Commissioners when they were bound to keep the railways open, and could get no coal from any one but our company, and Johnston and Co. got at the rate of £125 instead of £50, their contract; that is the state of the account, honestly and truly, under which Johnston and Co. have terminated their contract; and I say that Mr. Gale has no right to be on the board—neither he nor Mr. Blair, for both have benefited by and worked for the company. I want the agreement made with the Railway Commissioners, and the account of the coal supplied to them.

Mr. Macarthy: A large portion of the sales were conducted on the undertaking of Mr. Gale and myself to deliver the coal.

Mr. O'Connor: The only object I have is to show that the whole of this coal was under offer as cargo, and consequently only 1 per cent. was warranted. Now with regard to my statements as to the directors. "Mr. O'Connor states that Mr. T. G. Macarthy has such a multiplicity of interests that he cannot attend to the company's business." The directors say—[see circular]. I say that Mr. Macarthy never visited the mine until the other day, and that shows that his business is of such an engrossing character that he cannot attend to the company's affairs. And he has admitted to me that his business is of a very important nature. Mr. Barton is a sheep-farmer, and I do not say anything to depreciate him on that account. As far as injuring him is concerned, I can only say that I have known him coming to give opinion on works on which he has shown himself to be uniformly wrong in his experience in engineering and coal mines. I have taken the trouble to inquire into his antecedents, and find that as an engineer he has never had any employment in the colony except under the Provincial Government during the last days of the provinces, when they were rushing forward works in order to get a loan. He laid out a road and tracks, and also had something to do in connection with the waterworks. I know he is called in the circular a civil engineer. He had taken upon himself to give engineering opinions upon the works of the company, and he ought to have satisfied me and others that he was qualified. He has never to my knowledge practised as an engineer. I have traced him for the past twenty years; and he is not an old man. If he has I will beg his pardon. I have no idea of his being a competent or practising engineer, and I only make the statement for my own protection. I know he made a great mistake about the company's line. He made several remarks about the staiths being off the plumb and that the line was wrong. He has resurveyed the line and been constantly pressing that a large sum of money be spent on it. He maintains that the line wants altering, and I say nothing wants doing to it except a few repairs and altering the track and cant of curves to put it in reasonable order at the cost of a few pounds for the purpose of carrying our coal in any quantity. He thinks that a great deal of money ought to be spent upon it, and the directors have authorised such expenditure, as will be seen by the resolution in the minute-book. As to his credentials, if I have made a mistake, and anyone will take the trouble to show me that I am wrong, I will withdraw what I have said at once. "Mr. O'Connor says Mr. Roskrige is in England, and his occupation precludes his giving much time to the company's affairs." [See directors' reply in circular.] That is in no way a denial of what I have said. I have taken an extract from the minutes of the attendance of the different gentlemen, and I find that Mr. Roskrige was absent for eight months. With regard to Mr. Sloan I have got to say that he was in Invercargill, and that his brother told me that he has a business there. Mr. Sloan's attendances were three for seven and a half months, when there were eight meetings held. In 1890, from 11th March to 11th October, there were thirteen meetings, at which he attended. "Mr. O'Connor makes some insinuations about Mr. Gale." [See director's reply in circular.] I mean by past experience, the connection he had with the purchase of the "Lawrence" and the system of charges on the agreement with Johnston and Co., which Mr. Gale succeeded in foisting upon the company. I stated that I objected to these charges, and immediately afterwards I heard that Johnston and Co.'s travellers were reported to be soliciting proxies for the annual meeting to put Mr. Gale on the board of directors. I wish to say now that the articles of association of the company, before they were amended, disqualify under clause 57 any person if he is concerned in or participates in any of the profits made out of the company. Who does it by his servant does it by himself—that is the rule of law. Mr. Gale is a servant of Messrs. Johnston and Co. (our agents), who have 1,000 shares in his name, and took that interest when the company was floated here. I say that any man, before accepting such a position, would find out whether he could honestly perform the duties, and it is not possible for any human being to serve two masters. I find Mr. Gale, for instance, on the board coupled with Mr. Macarthy in arranging for coal and

various other matters in which his employers, Johnston and Co., have an interest. And I find that, notwithstanding the protest of myself and others, that the "Lawrence" was run to Mokihi-nui, and he participates in the profit of that running. I know perfectly well that in taking a position of that kind a man must be prepared to subordinate one interest to another, and he has to say whose interests he subordinates—his employer's or that of the company. I say that Johnston and Co., through Mr. Gale, have in every way endeavoured to further the interests of the customers of Johnston and Co. by his position on this board, and that any ordinary business man dealing with his firm would expect to get a share of patronage from him in return; and since Mr. Gale is in a position to exercise patronage at the expense of the company, it may fairly be said that he is here for a business consideration. The articles of association—clause 57—have been altered to suit Mr. Gale's position by removing the disqualification. Clause 8, new regulations, says, "Provided always that no director shall vacate his office by reason of his being a member of a firm contracting with or doing work for the company; but he shall not vote in respect of such contract." That is for the purpose of qualifying Mr. Gale and Mr. Blair, who are both disqualified as participating in the profits from contracts or work performed for the company, and I say that shows with perfect plainness that previous to the articles of association being passed, certainly Mr. Gale had no right to be on the board of directors, and his being so now is entirely to look after the interests of his employers. His interest in the company is only about 250 shares. And I would like to add that Mr. Gale is one of the persons who prepared this directors' circular, and he adds in the circular, "Mr. Gale in his capacity of director has been of great service to the company."

At this stage an adjournment was taken for lunch.

Afternoon Sitting.

Mr. O'Connor: With regard to the balance-sheet, there were some accounts I wish to see to complete my statement. [Ledger of company, pp. 54 and 59, referred to, showing Johnston and Co.'s accounts *re* "Lawrence" and "Terranora," 2½ per cent.] You have got the balance-sheet for 1890-91, and I would like to say who the auditors are. Joseph Townsend was and is an employé or servant of Johnston and Co., and a shareholder of the company, and Mr. Chapman is reputed to be a gentleman connected by business with Johnston and Co. It is understood they started him. He is also a shareholder. When we were discussing the question of the "Lawrence," there were letters to be produced from Mr. Seagar and Mr. Newbegin. I will supply the interpretation of these. Here is an agreement signed by Mr. Darling. Here is a letter dated 24th July, from Johnston and Co., with regard to the purchase of the "Lawrence," in which they entered into negotiations with Mr. Darling. I also produce Mr. Seagar's letter and telegram from Sydney showing reference to the instructions. I call particular attention to the fact that this letter shows a direct violation of the instructions, and a misrepresentation as regards the boat herself, representing her to be what she did not prove to be. And here is a letter from Mr. Newbegin contradicting a statement in a letter that Mr. Seagar employed a person in Sydney whom they were going to employ. The person whom they were going to employ was a gentleman of the name of Anderson (of Melbourne), and the other gentleman was somebody picked up in Sydney by Mr. Seagar, whose survey is estimated by everybody who understands the question. Mr. Newbegin informed the directors that he had never examined the boat and knew nothing about it. That is to show whether the boat was bought according to my instructions. The whole proposal originally arose in Johnston's office. I had seen the boat twelve months previously in Sydney, and had admired her plan very much, but was afraid of her for two reasons—namely, that she had been used as a hulk and leaked. I mentioned that to the directors. Still, I am bound to acknowledge that she is a good form of boat if sufficiently strong. But she was structurally weak, and failed to supply the conditions of the instructions. The next matter is in reference to Messrs. Johnston and Co.'s commission charges. I ask for all the commission charges from the first as well as those of this year. I have produced the charges for Messrs. Johnston and Co. for 1889 and for this year, showing what the charges have been. But my veracity has been attacked, and I attack the veracity of the directors. The item I want is what Johnston and Co. have received in the way of commission. My object in bringing these matters straight before the gentlemen of this inquiry is that, apart from the question of veracity at stake as between myself and the gentlemen on the other side, there is also involved the question of fair dealing as between Johnston and Co. and this company, and a question in regard to the management. If of course Johnston and Co. have been allowed to make exorbitant charges, that is a question of management and a question of fair dealing both. I want to show these things. [Accounts produced showing that in 1889 the charge was 1 per cent.; since 2½ per cent.] There is a resolution carried at a meeting of directors at which Mr. Allen was chairman, on the 8th October, 1889, to this effect: "*Resolved*, That Messrs. Roskruge and Rogerson, not being able to attend, be asked to resign and recommend successors." [See minute-book.] I put that in because I was accused of misstatement when I said Mr. Roskruge was in England, and did not attend meetings. I produce that to show that other people were of that opinion as well as myself. I may read another resolution. On the 12th November there is a record of Mr. Rogerson's resignation being accepted, and a resolution being put by Mr. Joseph, and seconded by Mr. Seagar, that the Board are of opinion that it would be greatly to the advantage of the company for Mr. Roskruge to be allowed to remain on the board. We left off (at the adjournment) with Mr. Gale, and I may say I was parting with some reluctance with Mr. Gale. There was an aspect of the case which I desire to put before you. I have stated in the course of the inquiry that, in accordance with the agreement, Johnston and Co. have now no further claim against the company under agreement, the term of three years having terminated. I want to know in that case, and supposing the company's directors wished to be released from bondage in the matter—because it has been a bondage—and

wished to make the best arrangement they could, either with Messrs. Johnston and Co., or with any one else—what would be the position of Mr. Gale? Would he take side with his employers or the company, and point out the weak spots in the arrangement; or would he take the part of his employers, Johnston and Co., and use his position on the board to secure them the agency? You will see Mr. Gale's position is that of defending the charges against Messrs. Johnston and Co., and that is the position he must take up on anything which goes before this board. He is looking after his employers' interest, or else his employers would not have him there. I wish to make that remark because I think it is a fair aspect of the case. There is another small matter which crops up here, and I ask Mr. Deacon to supply the petty cash-book disbursements for July. Mr. O'Connor says, "Mr. Blair has a monopoly of the custom of the company in the supply of stationery, books, and that he makes a handsome profit therefrom." [See directors' reply in circular.] I have called for a return of Mr. Blair's account. It shows that the total value of the board's purchases is £56. It does not matter to me what the amount is. To some people, a Scotchman, for instance—I mean no offence—£1 is thought as much of as £20 by an Irishman. The fact is the same, does Mr. Blair participate, while holding his position of director, in profits made out of the company? If he does he has no right to be on the board of the company. The directors say, "The bulk of this expenditure was incurred in rectifying the blunders and omissions in the original memorandum and articles of association of the company." I know that is not correct. I have called for a letter and circular sent by the secretary to the Westport shareholders, and the reply of the chairman of the shareholders thereto. I presume that is all that is required from me to have these documents produced.

Mr. Miles: Your objection to Mr. Blair is solely on the ground that he supplies goods to the company? The reason I ask that question is because the directors make a statement that Mr. Blair was elected a director on your casting vote.

Mr. O'Connor: This is speaking of 1890, and shows the dishonesty of the whole circular. They now go back to 1889, when he was put on the board first. This is dealing with the election of Mr. Blair to replace me. I do not dispute that he may have been elected on my casting-vote in 1889. I proposed nearly every one on the board, as far as I understand. But that is an untrue statement in answer to me, because they must know perfectly well that Mr. Blair is now on the board to displace me. This is a deception which is in part with the whole thing. If you look, at the annual meeting of 1890 you will find on record the fact he and Mr. Gale were proposed. Other nominations were withdrawn because it was known that the directors had proxies to control the meeting. They had previously canvassed the country for proxies, and, by misrepresenting various things and maligning me, they got support from people who did not know me, and who are now very sorry. I also object to Mr. Blair as neglecting and mismanaging our affairs for his own* as others. I stated that a person canvassed for Mr. Gale. I have no evidence of my own as to that, but I know every one in Westport was canvassed, and I know that Mr. Greenland was canvassed by Johnston's traveller. People all over the country were canvassed, and letters were written to me afterwards explaining why some of them had sent their proxies, circulars having been sent out threatening to put the company into liquidation and to strike certain calls. I have not got those documents, but I claim the right to comment on them. [Circulars put in.] I never saw some of these documents before, and I find there are misstatements in them. In the first place, I have to call your attention to this: there is a distinct threat of placing the company in liquidation and striking calls of 1s., which they cannot do by the articles of association of the company. This shows the ignorance of the directors, putting a thing like this into the circular. It is stated that £7,000 was required for opening the railway to the mine. This is a misstatement expressly made to terrorise the shareholders into sending in their proxies. When I returned from Home I inquired why this work was to be done, and I was told that the Railway Commissioners had given notice, and insisted upon it. Mr. Macarthy said they had given instructions to the company, and there was no way of getting out of it. I was amazed, because arrangements had been made with the Railway Commissioners that we should be allowed to look after and work our own line. I know from Mr. Maxwell that it would not be practicable to run their trains upon it. I went to the Railway Commissioners, and was told by Mr. Maxwell that never, from the day I saw them on the Mokihinui Company's business, had any person been to see them on the subject. And I say now, and I will prove it before this is over, there have been some slips upon the railway necessitating an expenditure of about £200; but, beyond this, I state now that for £100 I can put that line in a position to work with the Government trucks, and the Commissioners will offer no objection to its being done. If the company desires to do an act of madness—viz., to attempt to make the line fit for passengers and the heavy trains of the Government line running at high speed, they would have to undergo great expense. But the Commissioners have not insisted on the Westport Colliery Company doing it, and do not want it done in regard to our company. In Mr. Greenland's presence, after he had been appointed to act on behalf of the Westport shareholders, I asked the railway-manager at Westport what it would cost to put the line in a fit state for the Government railway-trucks, and Mr. Peterkin said, "I would undertake to do it with six men in a week." This does not include slips. I asked Mr. Greenland to make a note of that at the time, because I thought it was of some importance to the company. This estimate of £7,000 was made by Mr. Barton, and is one of the points of disagreement between us. When the line was laid out at first it was done in the most economical way, with the view of measuring our work to our means. When that was done it was in an incomplete manner. To make it equal to passenger traffic and quick trains would require considerable expenditure and much beyond what we are required to do. We have run Government trucks on the line since and have run them with safety. A locomotive

* The word in this sentence, which sentence was interpolated by Mr. O'Connor, when revising the shorthand writer's transcript, is undecipherable.—COMMITTEE.

has been on the line running twenty miles an hour. A month ago the chairman, secretary, and I think about one hundred people were brought up the line by our little locomotive and railway trucks without any springs in them, and Mr. Peterkin and others expressed themselves very much pleased with it. And that line had stood for about five years, without what you might call necessary repairs. I state that to show that the line now, if cleared of slips, could be made fit for a small amount to bring down coal. I say it is an atrocious thing that such a motion has been passed. There is nothing to prevent that railway being utilised within a week of this time except the slips that have taken place lately. They were not contemplated by me when I wrote this circular. They have taken place since. The next paragraph states that the articles of association have to be altered in consequence of blunders and omissions. I say that, as far as the articles of association are concerned, the alterations made are for the purpose of taking the whole of the authority out of the shareholders' hands and giving it to the directors—giving them a right to borrow, giving them a right to deal with the property of the company as they choose, and giving them authority to appoint any number of their own body they choose under a salary to be fixed by themselves as managing directors. [See clauses 9 to 11.] I say that is one of the most infamous proposals ever submitted to an unfortunate company—to place directors in such a position that some of them, under clause 8, may be partners in contracts being carried out for the company, and be paid salaries as managing directors. I say no company in existence can show articles like that; and I say under it the shareholders have no power to control the directors, who may corrupt things as they like. It is dividing the spoil as they choose among themselves. With regard to the amended articles of association I will point out that clause 3 is already provided for. We have plenty of power under our old regulations, and lawyers will tell you that the more you narrow down by special definition the objects of the company the more difficult it is to extend the operations. The opinion of Sir Robert Stout has been taken on the subject when Mr. Randall Johnson and I had a dispute about it some years ago. Clause *d* opens the door to jobbery by allowing the directors to buy into other businesses of interest to them. Clause *e* gives a wide scope to jobbery. I say that no person having the interest of a joint-stock company at heart would agree to such a clause without the consent of the shareholders. Clause *f*: I say that this too ought to be saddled with the condition that no power could be given without the sanction of the shareholders. But the directors have taken this themselves. Clause *j*: "To borrow." I say it is an outrageous thing to allow these persons, self-appointed as they are, to exercise such a right as this over our property. For my part, as a principal shareholder in the company I object to it. Clause *k*: "Sell, manage, &c." This is the first introduction of the proprietary rights, and is so arranged as not to prevent the directors selling any part of the property so long as they keep a vestige on hand. The whole property cannot be sold without the consent of the shareholders, but the directors can sell part without consulting the shareholders, and I say that should not be done without consulting them. Clause *o*: "To take shares in other companies." That is a thing I think no directors should be allowed to do, and I doubt whether this clause has any legal value, whether the directors have any right to take our money for investing in other companies. Under this the directors, if they wanted to help, say, Messrs. Johnston and Co., with their steamers, might take shares in that company, and I do not think the directors should have any such power, particularly when I have pointed out that power is given to the directors to sit on the board although they may have business interests elsewhere. There might be a failing company in which some of the directors were largely interested, and they might do as some Melbourne gentlemen did, pass some of their bad assets on the company; and I do not think after the warning we have had from Australia, we should allow such a thing to be done. "Auxiliary powers." The things they have not mentioned they have covered by the general words "to do all such things as are incidental or conducive to the attainment of the above objects." The next objection I have is that with regard to notices of general meetings. The system of notices is altered by clause 4. In other words, if the notice is not given to the shareholders by the directors no harm is done and the meeting goes on. It is a convenient way of shelving any notice of motion any shareholder might make, and with regard to myself I think it would be a convenient way of putting me on one side, and I object to that. Then, as to the quorum. I do not think there is any company in existence where the directors would be allowed to deal with the affairs of the company under these articles of association where there are only ten members and not more than one-third of the shares represented. "Qualification of director." I object to this. I say a hundred shares in a company of this kind gives no security. A man might go on the directory having an interest in another company—and we know directors try to get on companies for the fees, called "guinea-pigs" in London, and for the benefit of their friends. I think the provision is not a sufficient guarantee for the shareholders. There should be sufficient safeguard to see that the gentleman who takes the position has an interest at stake, for that would be an incentive to him to do the best he could for the company. I think the provision as it stands is a very bad one. Many of the other articles are generally objectionable. Clause 14 says that the managing director and directors shall be responsible for the affairs of the company, subject only to the supreme authority of the board. I do not think that is according to law, and it is not according to my wish. Other articles appoint managing directors not subject to retirement, and the board will have supreme authority as proprietors, and there is nothing to prevent them becoming perpetual directors. There is a very objectionable clause with regard to the auditors. Under the articles of association working at present, if there is a vacancy in the auditorship the shareholders have the right to elect the auditor. Under the clause now proposed (19) if any vacancy occurs the directors have power to fill the same. I think gentlemen will agree with me that auditors, if honest, are the only check shareholders have in keeping of accounts. Whether the directors are honest or not, the auditors are the only people to whom the shareholders look in that connection. This is quite in keeping with the other regulations, which take the rights from the shareholders and foist them on the directors. Clause 20: "Notices sent

to shareholders." I do not think that is a fair provision with regard to shareholders. Clause 21: "Interest upon calls." Our present articles of association say that the rate of interest shall not exceed 8 per cent., but here the directors take power to punish unfortunate shareholders to any tune they like. They are liable to pay any interest the directors may fix, but not under 10 per cent. There is a regulation with regard to article 64 of Table A, dealing with any casual vacancy. Article 64 is repealed and the following is substituted. (See clause 22.) A lawyer might be able to interpret that. I cannot. Under the head "Accounts" is revealed a curious state of things. Previously it was provided that the managing directors should be responsible for the routine business of the company. Here it says that the managing director shall cause true accounts to be kept in such form as the board may direct, &c. (See clause 23.) Unless it is for the purpose of shifting the responsibility from the directors, I do not see why this is introduced, and I do not think it should be there at all. All directors previously were held responsible for the accounts, and I think that is properly so. Clause 24: This is a matter for arrangement among the directors themselves, and not for the articles of association of the company. The directors have the power to do what is stated and the responsibility on the managing director. Clause 25: Article 97 in Table A is rescinded, and this is what is substituted. (See clause 25.) Suppose the directors of the company wanted to do something that required notice and wanted to befool the Westport shareholders, all that they would require to do would be to put a notice into the post-office forty-eight hours before the steamer left for Westport, and, although the shareholders would not get the notice in time to attend the meeting, they would be considered defaulters. This is done to take the whole power out of the hands of the shareholders and to trick them in every possible way. A few days ago I called to get a copy of the articles of association, which the directors are bound to supply under a very heavy penalty, and this was given to me. [New articles.] These are not the articles of association, and do not comply with the law. Previous to this, in order to save expense, the directors in Westport used to keep a few copies of the Companies Act, and if anybody required the articles of association a copy was given to them at the price mentioned, and a copy of the articles and memorandum of association which we had already prepared for signature. That involved no great expense, and we have been able to comply with the law ever since the formation of the company in that way. We supplied them with Table A and a form ready for signature on a loose sheet. In that way we evaded the penalty. But it was not possible to do that when the new articles were printed; and if the present directors had known anything about it they would have saved themselves from possibly being taken into Court by giving these to shareholders complete. The old articles in Table A ought to have been printed to make the thing complete. I put in a circular of 20th January, which threatens shareholders with pains and penalties. There was a letter dated 27th January, 1892, from Mr. Colvin. [Copies of letters put, 1st January to 1st March.] I say these articles of association were never submitted to me, nor was I consulted in any way. This is an entire misstatement of Mr. Deacon, and the only ground he can have for it is that I was concerned on a committee under very different circumstances in 1889, on the 16th December. I was then appointed on a committee, and this now 1892. The committee brought up a report on the 23rd December, and on the 30th December Mr. O'Connor proposed the memorandum of the articles of association be approved; and that was not at all these articles of association. At that time I had quite a different conception of what the directors would do, and was actuated by entirely different motives, for my opinion of joint-stock companies was very different then. There was so much untruth in this present combination that I warned Mr. Colvin that such an attempt might be made, and told him to resist it. I warned that directors might take advantage of my absence to get control, and asked him to watch very carefully. A letter is here which gives the whole history of the company from its inception, and warns Mr. Moynihan against everything the directors have done for getting the company into their own hands, and mortgaging everything and getting us into debt. That document has been seen by most of the Westport shareholders, and, if necessary I can show it again. Mr. Greenland saw it, and Mr. Moynihan and Mr. Colvin saw it. It warns the shareholders against the Directors in pursuit of their policy, which I saw before I left here, over twelve months ago. I think I have shown you that I was not a consenting party to these articles of association, and I do not think you will require further evidence from me to show that this circular was issued by the directors in pursuit of their policy, by quoting irrelevant and misleading extracts from the minutes. The clauses which were previously submitted were in consequence of an opinion expressed to directors, which I did not entirely concur in, that the articles of association were not sufficiently wide, because of their evident deficiency to provide for the company carrying on any other business than that of coal-mining. I have now come to the conclusion that it is unwise for the company to have anything to do with businesses outside coal-mining. We should be coal-miners and nothing else. And, I say, if the articles of association do not include dealings with ships and anything of that kind, so much the better. You cannot do it without the consent of the shareholders, and then it is doubtful whether legal sanction will extend to articles of association beyond what was originally proposed. The reason is obvious. I may be willing to invest in a coal-mine, but very unwilling to deal with ships. The first clause is for the working of our coal-mine, and does not include anything beyond the mining. The second clause is for winning the coal and carrying on the trade as colliery proprietors, and so on, and to buy and sell timber, to construct and maintain a line of railway, &c. I agree that something of that kind may be useful. "To purchase and charter vessels, for cargo, &c." I agreed to that. "To purchase and charter steamers." I agreed to that. "To amalgamate with coal companies or other persons." I agreed with that then, but not now, without consulting the shareholders. I would not agree to anything now being done without consulting the shareholders. "To borrow money." I think my interpretation of the company then meant the shareholders. If I did agree to that then, I would not agree to it now. I would not agree to the directors borrowing,

and would take every step to prevent them. Clause—: I agreed to that then. I would not agree to it now, as my opinion of directors is very different now to what it was then. You see, there is no mention of allowing directors to act if they were participators in contracts with the company. There is no power here to appoint as many directors as they choose as managing directors and fix any salary they like. There are no corrupt proposals by which the directors could involve the company by jobbery in ruin. I say now that my consent in 1890 cannot honestly, as said by Mr. Deacon in that letter, to be a consent to the other articles of association, because the times have changed, and two years have elapsed since I gave my consent to any of the proposals. Now, with reference to the statement that the hull of the "Lawrence" could have been floated for about £2,000 or £3,000: Captain Leach, harbourmaster of Westport, was asked by me at the request of directors to report on the cost of floating the "Lawrence." He was suggested by me as a man who had had great experience, and a man who is generally believed to be reliable. He was asked, in conjunction with an iron-ship builder, Mr. McIsack, who had worked on the "Lawrence," and this is the report. [Four letters and a calculation produced.] The vessel was lying three weeks on the beach before Captain Leach was there, and it was the 29th when Mr. Seagar reported. I wrote to Captain Leach to explain the discrepancy between his estimate of £2,500 and that of Mr. Seagar, making it £5,000, and this is the reply. [See McIsack's letter.] He was recommended to us by Captain Bendall, by Captain Leach at Westport, and by several other persons, and has done excellent work for different employers to my knowledge. He is perfectly confident, and has had large experience in the Old Country. These are the grounds I have for saying the hull could have been floated for between £2,000 and £3,000. Even if she had cost £5,000, it would have been well to have incurred the cost, for a better boat for our purpose has never been in New Zealand. Nearly everything in her was new at the time we bought her, and she was admirably adapted for ports like Westport and Mokihinui in spring tides, and for Foxton and Wanganui. In fact, the boat was run while I was chairman for a short time, and earned a great deal of money, showing she was well adapted as regards accommodation, but not otherwise for the trade between Wellington, Westport, and Wanganui. She could have carried twice the stock that the "Moa" could do. I do not think the company could replace her here now for less than £10,000. They could have floated her for £3,000, and if it cost £4,000, or even £5,000, it ought to have been done. But I say that after the boat was wrecked not one single director went to look at her or make a reasonable effort to save her. Everything they knew about her was hearsay. I would ask if that is the proper way to conduct the business of the company? I say that any trustee of a company where a loss was involved which might be ruinous to it ought to take every opportunity to save the company to try and save the company from that loss. Mr. Macarthy telegraphed to me to visit the wreck and to act as *locum tenens*. I replied that I had other engagements and could not go. My reply is here, and I can produce a copy. The fact is this: I charge these gentlemen with shameful negligence to the interests of the proprietors of this company, that they were the cause of her loss, and that if Mr. Roskruge and Mr. Barton had not been on the boat it would never have gone out of Mokihinui at the time. Everything has been hushed up and suppressed. The causes of the wreck have never been officially ascertained. The signalman and captain of the vessel have not given depositions on the matter, and the opinion at Mokihinui is that the boat was lost through negligence and hazardous conduct. You have here the estimate of Mr. McIsack of what the boat is worth. They could have floated her into a position of safety for £100. If the directors had let them spend £100 on the risk, as had been recommended by Captain Leach, they might have sold her for a schoolhouse, or utilised her at leisure. But they did nothing of the kind; they left her there, and the machinery and hull are now worth nothing to us and would not cover expenses if sold at auction. This is the ground on which I have stated they were responsible for the loss to the company—neglect. They have no estimate from Mr. Seagar as to what she would be worth if repaired at a cost of £5,000. They wrote me an impertinent letter while I was attending Parliament, knowing that I had interested myself in getting an estimate which came to £2,000 or £3,000, asking me to get some one to do the work for £2,500. That was nearly two months after the wreck, when the boilers had come out. Why did they not discharge their own duties? Why did they come to me? They evaded their responsibility by writing to me. Had they tried in any other way to get any one else to do the work? If so, let them show that they did so. Mr. Straw, the mine-manager, was instructed to take the boilers out, and he did it. He came to me for some plant, which I got from the Harbour Board for him. That is the whole story with regard to the "Lawrence." The next matter we have to enter into is the expense connected with the Wellington office. But there is one matter I must refer to before I go any further. I must ask to have the particulars, and resolution, if any, authorising Mr. Barton to purchase trucks from the Wellington and Manawatu Railway Company. I want the voucher for these trucks, and the report of the mine-manager upon them; and I want the letter of Mr. Barton to the Buller County Council with regard to the construction of the road, and the papers connected with that. There is a letter from the Chairman to me on the subject, and my reply. With regard to the office expenditure, I stated that Mr. Deacon tendered in opposition to Messrs. Harcourt and Co. to supply office accommodation for the company. I want his application. He offered to do the work and find office for £1 a week. [Voucher, Wellington-Manawatu Company, six wheels and half-ton pedestals, £26.—(Signed) THOS. G. MACARTHY. Voucher put in.] You will see by the minutes that a resolution appointed Mr. Macarthy and Mr. Barton to provide wheels. One traded with the other. I said in my remarks that these wheels were for outside bearings. Ordinary railway-trucks run on inside bearings. The trucks for which these were sent down have no outside bearings or springs, and the pedestals are worked inside. The trucks I designed for the company were for inside bearings. The pedestals were too small and would not fit for inside bearings. Besides, the axle was cast steel, and next to impossible to turn, so that practically for inside

bearings they were useless, as we had no means for reducing them. They were too cumbersome, and were not of the same gauge or height. These wheels were bought by Mr. Barton from Mr. Macarthy and brought down there. The mine-manager objected, but was forced to try them by Mr. Barton. They tried to work them in on my trucks, but they were abandoned, and never carried an ounce of coal. They lay for months and months by the railway embankment, and were never used for the purpose. I made some strong remarks about them, and Mr. Roskruge said they would be returned. They have never been returned, and I think I have a right to say at least that Mr. Barton made a mistake, and that his advice ought not to be taken without a good deal of precaution. The next question I mention in my report is in regard to the county road. When the railway was first constructed I was Chairman of the County Council and managing director of this company. I agreed, as Chairman of the County Council with the sanction of my county, that this company should make a horse-road for us which would be equal to the horse-road which was taken. It did so, and that road was accepted and used without complaint by the County Council for four years, and during that time never cost a shilling for repairs. Mr. Barton went into the office for some reason or other with a proposition to make a dray-road. The Chairman told me himself that Mr. Barton gave them an offer for a dray-road. They said, of course, they were going to get all they could, and they were incited by the Minister for Public Works, who said that that was the time to get it done, because the company were going to have their title to part of their railway ratified. We on our part had done everything by arrangement with the Government, but the Government had omitted a proclamation in the *Gazette*. When the directors took it into their heads to borrow they were told of this. I said it was through the *laches* of the Government that there was a flaw in the title. For the purposes of borrowing it was necessary to have this rectified. I saw that unfair treatment was projected against the company. I saw the Prime Minister on the subject, and got a promise from him that nothing unfair would be done, and if it was found that the omission was purely on the part of the Government, that they would do anything they could in Parliament to validate the title. I spoke to several members of Parliament, and am satisfied that if the company had approached the House by petition on the grounds I have stated in my letter, stating that the omission was not the fault of the company, any Committee of the House would say that the Government ought not to shelter themselves behind *laches* of their own in order to extort money from the company. Having received the proposal to make a dray-road, the County Council then wrote to the Minister for Public Works, and he told them how the thing stood, and they thought it an excellent opportunity. They expressed themselves to me that they wanted nothing but what was fair; and the majority of the Council would have supported that view, including the Chairman. But they said, "What are we to know about that when one of your company comes and makes us an offer?" Mr. Greenfield was offered to negotiate the matter on the basis laid down by the County Council, and I am satisfied that no claim would have been made by the Council if the matter had been put fairly before them. The Chairman told me that if the slips were removed their engineer would not be hard on the company, as they knew perfectly well that it had done what was right. They would only ask for formation, not for fencing. Mr. Barton had proposed fencing and I do not know what else. That is what I refer to when I say he very nearly let the company in for something not far short of £1,000. His works at Westport were not accepted as those of a capable engineer; they were looked upon as the works of an inexperienced person. Gentlemen here can question engineers there upon that subject, and they will find that they condemned the proposed works. There are other matters in which Mr. Barton has interfered, and in which he has shown his inexperience. I think he believes he is right, and acts on his own convictions; but at the same time I am equally convinced that his proposal would sink the company uselessly into debt, and that he, as a director, ought not to place himself before this Committee as an experienced engineer. He is not an expert to give advice when that advice ought to be given by a responsible person with a trained mind on the subject. I have only to say that I consider in making these remarks that I lay myself open to the imputation that I am not an engineer of experience myself. But I have worked for the company, and saved it money by doing so, and I never expended a shilling of the company's money in any work of my planning without submitting the plans to the best engineers available, sometimes in other parts of the colony, but generally on the spot; and not only to those, but to various other experts. I designed the trucks, and the railway work was done under my supervision, and Mr. Blackett and others were consulted by me before the work was gone on with; and in one or two instances I got suggestions from engineers which saved the company a good deal of money. The next matter is personal to myself. I would like to state, with reference to Mr. Barton, that a letter was produced to me by Mr. Corby, contractor, that I was instructed to pass the ballasting work on the railway at Mokihinui. The work was not completed according to contract. The Board authorised me, and I had authority previously to pass this work. I referred it to Straw several times to have the work completed according to the specifications. Mr. Higginson was asked about it when he visited the place, and he replied that the specifications were sufficient; but the contractor, Mr. Corby, did not do the work to my satisfaction, and I refused to pass it. I instructed Mr. Straw time after time to report on it. He reported that it was not done. Mr. Barton went down there and passed that work. The work was not completed, and I think if he had understood the specifications he would not have done it.

(Mr. O'Connor here stated to the committee that he could not proceed next day until he had had an opportunity of going through the minute-book and other books, so that he might deal properly with the charges of general mismanagement to date.)

The committee adjourned until 10.30 on Wednesday morning

Wednesday, 16th November, 1892.

Present: Mr. T. K. Macdonald (chairman), Mr. Miles, and Mr. Greenland; and in attendance Messrs. O'Connor, Macarthy, Gale, Barton, and Allen.

Mr. O'Connor: Before going into the business standing over from yesterday, I would state that I find my statements in the circular require correction to this effect—that in Johnston and Co.'s commission I have stated that they charged nearly double. I had not the figures by me, nor the agreement and papers then. I now find that they charged 150 per cent. more. Where they should have got £50, they have taken £125. There is also an error in the statement with regard to Mr. Gale's motion. The amount should be one hundred guineas. In another part I said that ten calls were struck on 12th May. One was struck on the 9th and nine on the 12th. I find I have also understated the amount received by the Wellington directory. We left off at the previous sitting at the expenses at Mokihinui and Westport. "Mr. O'Connor says,"—I am quoting the circular issued by the directors—"the Wellington office expenditure, as well as that at Mokihinui, is excessive." Very well, in reply to that statement the directors say "The total expense at Wellington for office accommodation and secretary's salary is £100 per annum. At the last annual meeting the shareholders voted the directors £105 for division among them for past year's services; this the directors have not yet drawn." I say that that has nothing to do with the office expenditure, which includes more than the secretary's salary and the mere fees. I say that the secretary's salary was raised—and I refer you to the minutes—on the motion of Mr. Allen to £4 a week, and there is a large expenditure besides which is shown by the petty cash-book, and a big expense in connection with printing and legal advice; and I say undoubtedly the expenditure of the Wellington office comes to over £300 a year, and that by comparison with the Westport office the committee will find that the whole expenditure, as they have stated for directors was £68, I think. They say as a reply that in four years they drew £66 5s. I say the Wellington directory has cost £900 in four years, and that has to be shown in the accounts of the company. And I say that the work done is less than that at Westport, and that the accommodation is not so good. The accommodation they had was a large place for themselves sufficient for the shareholders' meetings, a strong-room, and the office itself. They had that from me rent-free, and the clerk had the privilege of using a store from me also rent-free. With regard to the work done in Wellington compared with that of Westport office, business men will know that the test is the letter-book and accounts. The accounts at Westport were very difficult because of the harassing amount of work in connection with the calls. The shareholders were poor and had to be canvassed, and we were always short of money. There was also a large expenditure on specifications for work. Every piece of work was tendered for by public competition—a bridge or any work costing £10 was tendered for by public competition when I was director, for the reason that we considered that as trustees of the company we ought to do everything we could for the benefit of the company. So far from doing that here the directors instruct the secretary to purchase goods, and the work at Mokihinui is done by day-work, and the cost to the company is double what it ought to be. If the work done by me on the railway had been on the same system as the work at Mokihinui, the work would have cost double as much. I am prepared to show that the work done by the company, apart from the question of its being ill-judged, not required, and cruel under the circumstances of the company, is executed in a most costly manner and a very wasteful manner. The work is both bad and costly. Any one will see that the money is sent down in a wholesale manner to Mr. Straw at Mokihinui, and he can disburse it in any way he likes. He telegraphs for money and it is forwarded to him and he makes out the pay-sheets. On the contrary, with me the work was let by contract, and I cannot call to mind that more than 5 per cent was paid for extras in any contract. Now there is no check, for Mr. Straw could if he liked put names on the pay-sheets and pay money which the directors could not check. For that reason I tried to get directors from the shareholders at Westport, but the present directors joined in a body to prevent it, and that is the way they have treated me and my advice. They wish to have the whole control of the company. Under the old system of management the directors knew every shilling that was expended. Of the directors of the present day one goes down perhaps in three months and looks over the work, but he cannot know anything about it. He cannot, and if he attempts to he is attempting the impossible. My business was to be there once and twice a week if required, and if anything went wrong there was a conversation between myself and the other directors and the matter was attended to. If I were absent from Mokihinui for a week something would go wrong. On one occasion Mr. Straw gave a voucher to a contractor named Cochrane for a final payment in excess of the amount due to him, by an amount which Mr. Straw had previously certified to as a progress payment, and that was paid during my absence. Upon several occasions vouchers were sent in to me—and ought to be in the office at the present time—certifying for progress and other payments which were not due. I then stopped Mr. Straw by written notice—copy of which I have—from giving any further final certificates, and instructed him by letter—copy of which I have—that a certain form of certificate should be adopted to make it impossible for such a thing to recur. I have to make another statement in which Mr. Straw's name is concerned—and I do not do it for the purpose of charging Mr. Straw. I mention these things to show the directors that they knowingly trusted a man who had previously involved the company in expense and had made mistakes. The directors know that in consequence of neglect on the part of Mr. Straw and mismanagement, and his replacing a responsible person whom I had put in charge of the "Hapuku" by an incompetent man, he involved the company in serious claims. They also know that Mr. Straw incurred expense by building a bin at the mine which is now useless, without authority, and that when I asked him as a director of the company

at Mokihinui what he was building that for, he replied that I would know when it was finished, and the directors know that I reported that to them and they took no notice of it. They know that on several occasions Mr. Straw has acted outside his authority, notably in the case of the Hut seam. I mention these matters to show that they had no ground for supposing Mr. Straw was a person in whom they could put unlimited confidence as paymaster, general manager, and confidential adviser for the whole business of the company. I have stated these things by way of comparison between the management at Westport and the management in Wellington. I would now go back to the letter-book as a test of the work done. The letter-book from January, 1891, to the 14th November, 1892, shows that three hundred sheets have been used, including the letters of the chairman or anybody else. That is for 22½ months an average of three letters a week. The letter-book from April, 1887, to April, 1888, one year, contains 308 letters, or about six per week. The minute-book also shows that there is a very small amount of work, and the accounts are mostly of a gross character—large payments—and really not at all as heavy as at Westport in many respects, and do not involve the same amount of work. With regard to the position of managing director—the position was not sought by me. When first entering into the company—starting it in fact—it was not in my mind to take part in the management. I took a number of shares, and personal friends of mine also joined, and we thought we had a good prospect. We managed it as well as we could. I engaged an office, but the heavy work—such as getting shareholders and other work—was done by myself entirely without charge. Afterwards I got so involved in the business of the company that the directors begged me to continue the management. We first appointed an engineer to lay out our railway. That gentleman made a mistake. He laid our railway-line 10 ft. too low for our wharf. We were leaving the matter to him as an expert, but when I saw what was being done we dispensed with his services, and the directors asked me to look after the work myself. My experience of public works extended over twenty-two years. I had supervised work for the Provincial Government and the Harbour Board at Westport, and the County Council, and the directors felt anxious that I should continue the management to save their money. I was Chairman of the County Council, I was managing my business in stock valued at £25,000 a year, and I was a member of the General Assembly. I got £200 a year from the County Council for what I did, and I got the same from this company, but I did double the work for this company. I found after a while that I had to do everything. It is wrong to say that I have received the money stated as managing director. Out of that I had to pay charges and costs. I was really acting as overseer, corresponding secretary, legal adviser, manager, and did everything possible to save the money of the company. You will find that everything was not referred to solicitors, as it is in Wellington. I understand that there was some motive on the part of Mr. Allen in appointing Mr. Brandon as solicitor, and since that Mr. Allen has put all the business in his way, and his bill, I guarantee, will be a very serious matter. And on some occasions the advice asked was not at all necessary. When the directors found that they could not get shipping they sent me to Melbourne, after I had travelled the country at considerable expense selling shares. I had to remain in Melbourne three months in my endeavours to float the company there, but I arrived at an unfortunate time. I tried very hard. I engaged an office at my own expense and entertained financial gentlemen and others there to facilitate my object. I think I charged £100 for my expenses, and not a shilling for entertaining and other costs. When I returned here to the shareholders I had an offer from a Sydney firm for 42,000 shares paid up, and on consulting Mr. Allen and Mr. Roskruge and others we came to the conclusion that we would try to get the extra capital in Wellington. Johnston and Co. came forward with an offer that they and their friends would take a certain number of shares on condition that we gave them a preference for the agency of the company. I expressed myself satisfied that they should get the agency whether they took the shares or not, and the other directors agreed to this. Messrs. Johnston and Co. got their friends to take some, and seven or eight thousand shares were taken up. I think I sold more than four thousand myself. The arrangement was that we should transfer to these gentlemen in Wellington the management of the company. Previous to that the directors had carefully influenced the shareholders in the election of directors not to select all Westport men, but gentlemen representing their interests who were not residents in that locality. On that ground Mr. Allen, Mr. Randall Johnston, and Mr. McDowell were elected directors at my nomination, and Mr. Roskruge at Christchurch. Mr. Allen and Mr. McDowell never attended a meeting at Westport, but Mr. Roskruge did. Some one was always kept on the directory to keep in touch with the shareholders and satisfy their reasonable requirements. When the directory was removed to Wellington, finding that the management of the affairs of the company in my absence was vested without control in the hands of Messrs. Allen, Joseph, and Seagar—the minutes will show what I mean in that—I proposed a resolution to the effect that Messrs. Rogerson and Roskruge, who were not in attendance at the meetings, should be called upon to resign. That resolution was carried. Mr. Rogerson did resign at my request in order to make room for another Wellington shareholder to strengthen the management here. Mr. Roskruge declined to resign, and was supported in that course by his friends, Mr. Seagar and others. Previous to this the annual election had taken place, and the question was raised by me as to the appointment of a chairman. I was appointed chairman, but I did not press my service upon the directors. I pointed out to them that my residence at Westport would debar me from giving constant attendance here, but if they desired it I would continue the management of the company. They appointed me chairman, and afterwards with the concurrence of all the directors, present and absent, they appointed me managing director until the completion of the works, at the salary provided by the shareholders. I want this committee to know that my appointment proceeded from the Wellington directors entirely. I continued in the office of managing director, discharging all my duties as such, which required constant attendance at Mokihinui, where the works were progressing. I found that Messrs. Seagar, Joseph,

and Allen were assuming the management in Wellington, and, to put it shortly, treating me infamously—not answering my letters, treating me with regard to money matters as if I was an entirely untrustworthy person; not sending progress-payments, and in every way badly as mining director. They afterwards appointed Mr. Seagar to act jointly with me in the discharge of that work. They left me a considerable time without progress-payments for the contractors, who were mostly poor men. To avoid a suit for breach of contract in not making the progress-payments, I put my hand into my own pocket to advance the money to them at the risk of not having it refunded by Messrs. Seagar, Allen, and Joseph. Instead of being thanked for doing this, I was insulted, and a resolution was passed, not expressing regret for not answering my letters and forwarding money, but instructing me that the managing director ought not to pay accounts until they had passed the directors—a thing that any man knows was, in consequence of the meetings and the difficulty of communication, an actual impossibility. It was not possible to pass in Wellington progress-payments for contractors in reasonable time. I came up after being annoyed by these transactions, and found that Messrs. Allen, Seagar, and Joseph had been consulting a solicitor to know if it was within the power of a managing director to do what I had done. I had made up my mind that I could not with self-respect continue in such a position, and any one who knows me knows that I would not play second fiddle in such a case to such men. I resigned my position as managing director, and, as shown by the minutes, it was resolved to do away with the office. And then, to show their utter inconsistency in dealing with me, I represented that there were a number of accounts not paid, and they authorised the payment of £600 on the certificate of the chairman, showing clearly that they considered themselves warranted in entrusting me without check to that extent. But the fact is—and I know it—they did not want to spend their time in looking into the company's affairs, and they never did examine the accounts. It was always left to me, even after I ceased to be managing director. I then informed the board that I would not continue any longer in the office of chairman after the expiry of that year. The associations to me were very unpleasant, and, even at the risk of seeing wrong done to my own large interest in the company, and that of my friends, I determined I would not remain. But I told them that anything I could do during the remainder of the year I would do, and that my services were absolutely at their disposal. And I did nearly all the work and was the company's factotum until the end of my term. At the next annual meeting there was no quorum, and at the next meeting the directors asked me to continue—and it is on record—but I stated that I had now fulfilled my pledge with regard to managing the company, and I begged to be allowed to retire from the chair. I was prevailed upon to continue in office for a few days longer until the annual meeting took place; and I did so, and Mr. Macarthy was appointed, on my motion, to the chair. The reason why I have stated these paltry details about myself is that I may show that I have not yet pointed out all the untruths stated in the circular by the directors. It is said here in an insulting manner that the directors have confidence in asking shareholders not to accept the statements contained in the circular issued by a gentleman who, in the interests of the company, the directors considered it advisable to depose from the managing directorship. They never did depose me, but after my resignation gave me control of the company's affairs, getting me to do all the important work. Mr. Higginson, on my resigning, was sent down, on the motion of Mr. Allen, Mr. Joseph, or Mr. Seagar, to report upon my work, the object being to condemn it if possible. Mr. Higginson came up to Mokihinui and examined, but notwithstanding instructions by me [see minute-book] he was denied necessary information and plans; but these were afterwards sent up by Mr. Straw. The report of Mr. Higginson was in itself very vague and insufficient. I pointed out several mistakes made in it—certainly not through Mr. Higginson's fault, but in consequence of his not being properly informed. There was the question of trucks, and Mr. Higginson was particularly instructed to report on these. He was afterwards examined before the board, and the result of the examination is recorded in the minute-book. In that he expressed approval of the works of the company, except one bridge, which requires strengthening; and I agreed with him. He expressed views in support of mine with respect to the rolling-stock and the line, and upon explanation of the complete plans of the trucks he withdrew his objection. The result was that immediately after that meeting the directors made an *amende* to me in the way of the trucks by carrying a resolution, with only one dissentient voice (Mr. Allen's), instructing that these trucks of mine should be provided. I did everything I could in the interest of the company, and came up here and prepared plans and specifications for the "Lawrence," and did a great deal of work. But I need not blow my own trumpet; suffice it to say that I worked for the company just as much as if I was an employé, and gave various reports with members of committees that were appointed with me but were not there. On this subject I ask gentlemen, if they have time, to read the report by me upon the general condition of the affairs of the company at that date, and also the reports by me with regard to the position of the company three or four months after the Wellington management took charge, when Mr. Seagar was spreading reports about town that the money was being wasted—before the purchase of the "Lawrence." I had to write these reports calling for an inquiry, which they took care was never granted to me. The next thing I have to complain of is the system then adopted by the company. As a director of the company, who knew then and knows now more about its affairs than any other director reasonably can, in the interests of the company I should have been consulted; and very many blunders were made in consequence of them not consulting me and asking me for no advice whatever. They had me to gratuitously advise and to join them in responsibility. They altered the plan of the "Lawrence" to suit the gentleman who had the contract (Mr. Edward Seagar) and gave him power to charge extras. Every contractor likes to alter the terms of the contract if he can, and it is the business of directors not to allow that. Any provision I had made to prevent unauthorised charges was set aside, and the company was left at the mercy of Mr. Seagar, who was the contractor. When the strike took place the boat was

repaired, and I joined with the Westport shareholders in agreeing that the "Lawrence" should be utilised and run to any place where the directors thought proper, and we gave them an indemnity. Previous to this taking place, and in consequence of the scandal from the purchase of the "Lawrence," and my abhorrence of the way business was being done—openly expressed—a meeting of shareholders in Wellington was called. The result of that was that the directors were called upon to resign. They did resign, and Mr. Seagar and Mr. Joseph were not re-elected. I expressed my regret at losing Mr. Joseph, whom I looked upon as an honest man, but more a dupe of the others than a man capable of doing the actions that he was mixed up in with the other two; and I say now, in the presence of Mr. Allen, that he ought to have been struck off the directory instead of Mr. Joseph, and he would have been struck off if my advice had been taken. I found Mr. Allen on the board of directors constantly looking after the interests of persons who were business-men in town to get their custom, and to get any accounts he had not got through that means. And I expressed my opinion to that effect to Mr. Allen. He was very indignant on the subject, and refused to act on a committee in connection with the books, as shown in the minutes. Mr. Allen's position on the board was that he was there when there was anything in the way of an intrigue going on, and when the ordinary interests of the company were under discussion he generally had, or stated that he had, some important business of his own to attend to, and left. I recognised that Mr. Allen's interest in the company was very small, and I expressed my belief to him that he was on the board for the fees, and for the way he could serve himself by patronising his friends and connections through the funds of the company. Well, now I have said everything I have to say coming up to the time the balance-sheet was issued, except to refer to one remark that is here [in the directors' circular] put in italics. "Here Mr. O'Connor's income from the company ceased." That, like many other things, is inaccurate and untrue. After that I was paid expenses for doing work for the company here which I think would amount to something like £70 or £80, and since then, to their own knowledge, I have been in receipt of interest for £300 I advanced to the company; and I should have been in receipt of more if they had not taken to themselves my share—that is, if any of us were entitled to a share—of the honorarium of 1890. Now, I wish to get the voucher—because this is a thing which must be laid before the committee, it is not in the books—I refer to the voucher of the honorarium paid to Mr. Macarthy for directors' fees for 1890. He has drawn £105 as honorarium for 1890, and I want the voucher for that. This amount was paid upon the motion of Mr. Gale, as stated in my circular. Previous to that a vote was carried at a meeting of shareholders of which I was chairman, in 1889, that no expenses were to be allowed to those directors. I am not quoting the exact words, but they are in the minute-book. I contend, under that resolution, that no director for that year had any right to claim any expenses, nor yet any payment for his services. I accepted my position as director with that understanding. Although I was unremitting in my attendance in doing the work of the company here, and was put to considerable expense in doing so, I put in no claim for my expenses; but when I came to examine into the balance-sheet of 1891 I found charges made there by Mr. Barton which the minutes and accounts show, and by Mr. Roskrige also. I was very much astonished at it. I looked back to the resolution, and presented my own claim for expenses to the directory of 1891, of which I was not a member. They, having done one wrongful act in voting money to themselves, could not do otherwise than vote my expenses, and they paid them. Mr. Gale's resolution, to my mind, was not competent to rescind the former resolution. It was practically carried by directors themselves. The effect of the two resolutions as they stood would be to leave the course clear for another. But surely one resolution anticipating that there should not be payments was as good as another saying that there should be. Mr. Gale at this meeting was himself indebted to these directors for a seat on the board, and between him and them they held the overwhelming proportion of votes obtained through proxies from absent shareholders, and they used their position obtained by these proxies to vote themselves money contrary to the previous resolution, and they had no right to do that. I felt sure that no scruples of that kind would prevail with them, and I inquired frequently both of the secretary and the chairman what had been done in regard to that matter. I ascertained that £105 were drawn in one cheque, but I never got any information as to by whom it was drawn or how it was disposed of until I saw the minute-book, and then I found that this book shows no record at all except the passing of 105 guineas honorarium, and a further £42 or £43 odd to Mr. Macarthy. I say that the auditors or directors in passing that account have committed wrong upon the company. The directors had no right to appropriate this money, and the auditors had no right on such a certificate as this to pass any payment to the directors, unless they did it on the resolution of the shareholders of 1891 authorising the payment, and the signature of every director who has a claim individually. I say that the voucher has no signature of the claimant—no certifying signature. I produce the voucher and show that it has no signature except that of the recipient, "Thos. G. Macarthy." There is no authority on the back authorising Mr. Macarthy to receive it on behalf of the directors; and that this is an invalid receipt to the company as against these directors' fees, and that as one of the persons who have a claim for serving as a director during the period for which that was voted I have never given my consent in any way for the payment of this money, and knew nothing about it. I submit the truth of the allegations made by me in this circular with regard to many matters which are not mentioned here by me, and (tabling the circulars) I submit them in an unqualified manner to this committee to ascertain whether it can detect any misstatement in them of mine. The next thing is the statement of the directors that they "do not intend calling up the whole of the capital." I beg to call your attention to the suggestions I have made in the report, signed by myself and other people at Westport, to the effect that it is not safe that we should reserve less than £5,000 for the work at the mine alone; and I say that on the 12th May nine calls had been struck; the previous month one call was made, making all the capital called up; and that practically this statement would be accepted by any person who

would take it unquestioned that the statement made in the shareholders' circular that the whole capital of the company had been called up was an untruth, and that the directors had, and intended to leave, £5,000 uncalled; and I beg to submit that this is another deliberate falsehood in the circular, and I refer you to the minute-book to show that the calls were made on the 12th May, 1892. I beg to submit that the cost of the management since it was brought to Wellington has increased four-fold; that money has been expended by individual directors in the purchase of goods from different persons in the town in the way of extending patronage, and by the secretary without authority or resolution of the board, neither as to prices nor amount; that work has been undertaken at Mokihinui without the knowledge of directors; and that injurious disposal has been made of the property of the company, and of property to which it has a claim, at Mokihinui, without their knowledge, as disclosed by their minutes and other documents. I also beg to draw your attention to the fact, disclosed by these minutes, that the directors have taken it upon themselves not only to combine and dictate who shall be directors, but who shall be auditors as well; that the work and business done for the company, by the system of patronage exercised, has been, in cases like that of Messrs. Johnston and Company, increased to almost double what it should have been—that of Johnston and Company's being once and a half; that during the last eighteen months, since the operations of the company have been practically stopped, the directors have been spending at the rate of about £300 per month, and that £100 of that per month at least has been entirely unproductive expenditure, and that the whole of it is ill-judged with regard to plant upon the work, and wastefully and carelessly conducted; that the directors have had numerous meetings, which the minute-book will show, at which there was an exhibition of ignorance and twaddle, but no business. Evidently, during the whole time they have been practically neglectful of the expenditure, trusting entirely to hearsay. Only one director during the time—perhaps two, Mr. Roskrugge might have been there—but only one appears to have visited the property where this £300 has been spent; and I see no reason why on this occasion, as on two former occasions when I was a director, the expenses should not have stopped when the business of the company stopped, except perhaps it was the desire to preserve the interests of certain persons and to keep the commissions going. I have said that I would not take more than a certain time, and I will conclude my remarks by saying that I put in a general way the charges as to mismanagement. I have been particular, as far as in me lay, to trace out the truth or untruth of any statement. I think that should be the first consideration. We owe it to the shareholders to let them know the truth. To me and to them it is a sad truth. But I consider that, looking to the future, seeing what may occur in the affairs of this company, it would have been a guilty thing for me to remain silent, knowing that we were drifting into a position of utter ruin. The least that I could do was to inform my fellow shareholders, and to combine with them for mutual safety, if possible. And I desire to do no more. I have personal feelings of the most intense disgust and indignation with regard to the designing conduct of certain persons who have almost wrecked an enterprise in which I have had the greatest faith. I say now that our property is a good property, that I have paid into it a very large sum of money for a man of my means, and I have come to the conclusion that it is better for us to face the worst at the present time than to face it when we are further dragged on the road to ruin. If it is the aim of any combination to crush out the present company, as has been done in such instances before, in order to get a valuable property into their hands at a small sacrifice in the present and a large profit in the future, it will never be done with my consent. Finding my advice disregarded, and a course pursued inimical to the interests of the shareholders, I have done my utmost to clip the wings of those who are wishing to fly away with us to the devil. In that way I have stopped the threatened mortgages. The company is now in this position: that it can only follow the advice which I have all along given, of spending no money except what is absolutely necessary. I am prepared, if called upon to do so, to sketch out the course that I think should be followed. It would be one of safety; and I am prepared at any sacrifice myself to assist shareholders in putting the company to rights. All I ask now is that they shall know the truth and nothing but the truth.

Mr. Macdonald: Mr. O'Connor, what I desire to know from you is this: Is the *résumé* of charges, with the circulars attached thereto, handed by you to the committee on Friday last, the whole of the charges that you desire to bring against the directors and the management of the Mokihinui Coal Company (Limited), or not?

Mr. O'Connor: My answer is this: that the whole of the charges that I proposed to submit to this inquiry are contained in the circulars which the directors have had by them for nearly three months, and the *résumé* which is added to them is for convenience' sake, and does not introduce any new matter to my knowledge.

Mr. Macdonald: I wish to point out to you that it will be almost impossible for the committee to inquire thoroughly into these charges without taking notice of the statement made by you, and the details furnished by you, during the day and a half in which you have been giving evidence.

[This having practically concluded Mr. O'Connor's statement, the shorthand-writer's transcript of notes up to this point was handed to Mr. O'Connor, who some days afterwards returned them to the chairman with the following certificate: "I certify that the foregoing report of my statement, with corrections, before the inquiry, with the books, accounts, and papers referred to in the list supplied to the committee and partly referred to herein, contain the elaboration of the charges made in the circulars issued to the shareholders of the Mokihinui Coal Company by myself and other shareholders. The report must not be taken as verbally correct, and is intended for use solely by the inquiry committee before whom the statement was made.—Saturday, 19th November, 1892.—EUGENE O'CONNOR. P.S.—I desire to add that, when I note as above that the report must not be taken as verbally correct, I mean no reflection upon the reporter, who has, under the circumstances, made a very excellent report on the whole.—EUGENE O'CONNOR."]

Mr. O'Connor: I quite agree that you must take the evidence into consideration, but I submit to you that there is a difference between evidence and charges. All the evidence I have given you is documentary evidence. Anything I have stated is by way of explanation, or elaboration, not evidence. You are not in a position to take evidence before this inquiry except evidence of that kind, as you have no power to administer an oath.

Mr. Macdonald: Let me be quite clear on that point. We have no statutory functions enabling us to administer an oath, but we are instructed by the shareholders to take all such evidence as is necessary to make a full inquiry respecting the charges made by you in connection with the administration of the company, and we can do all that quite as effectually without an oath as with it. The only distinction between evidence taken on oath and evidence taken without it is that in one case a man does not render himself liable to prosecution for perjury, and in the other he does. I take it that what the shareholders require in intrusting the committee with this inquiry is a full and exhaustive investigation, and that the results shall be forwarded to them. Mr. Macarthy, I desire to know from you, as the head of the board of directors, whether you are prepared to accept the position and go on with your reply at once to the *résumé* of charges and the charges contained in the circulars, and so expedite matters, or whether you will wait for the report of Mr. O'Connor's statement, which will be furnished to you.

Mr. Macarthy: I am anxious to expedite matters, as are also my brother directors. When we commenced we were told that we were to be furnished with a copy of these charges. I now gather from you that Mr. O'Connor confines those charges to those enunciated in these circulars. That in a measure narrows the business, and will not enable us to answer the charges within their whole scope. I cannot fall in with your proposition without consulting my brother directors. We cannot go on now, as it was proposed to follow a certain mode of procedure laid down.

Mr. Macdonald: One of the practical difficulties is this—to-morrow is a public holiday, and one of the committee, Mr. Miles, has a business engagement which will necessitate his absence. Then, Mr. Greenland is anxious to return to his official business at Westport. If we do not move with some rapidity the inquiry will extend over such a time that he will be unable to give us his assistance.

Mr. Macarthy: I quite understand the position, but ask you to bear this in mind: that Mr. O'Connor had possession of the office on Saturday morning and the whole of yesterday, and I think it is unreasonable to ask us to go into the matter now without allowing us some little time—say, twenty-four hours—to consider and meet the charges brought against us.

Mr. Macdonald: When would you be prepared to resume?

Mr. Macarthy: When you could furnish us with a statement of the charges.

Mr. Macdonald: The statement of charges as narrowed down is contained in the statement, circulars, and *résumé*. You have part of these in your possession. As supplementary, the statement made by Mr. O'Connor before the committee will be furnished to you.

Mr. Macarthy: That is the point.

Mr. Macdonald: I presume that the whole or the bulk of that statement might be supplied to you by Friday. Do I understand that it is impossible for the directors to proceed to answer the charges contained in the circulars until they have been in possession for twenty-four hours of the statement made by Mr. O'Connor as supplementary to the circulars?

Mr. Macarthy: We want Mr. O'Connor's evidence in support of the charges.

Mr. O'Connor: My address is not evidence.

Mr. Macarthy: You have referred to documents in your address.

Mr. O'Connor: You have the documents.

Mr. Miles: We have yet to deal with the documentary evidence—we have not taken any evidence.

Mr. Macdonald: We have listened to Mr. O'Connor's statement, accompanied by certain documents called for by him and which are now in the company's office. Of course, they are available to the directors at any instant. Would it not be possible to go on with a certain number of items which could be dealt with at once—three or four—such as the balance-sheet and other matters of that kind which would not require a lengthy inquiry?

Mr. Macarthy: I should have to consult my co-directors, as the course suggested is not as laid down on Monday morning. We have not yet taken any means to meet Mr. O'Connor's charges.

Mr. Macdonald: You might consult your co-directors and arrange to meet some hour this evening to decide whether the inquiry can go on.

Mr. Macarthy: We shall place ourselves in the hands of the committee and endeavour to meet them.

Mr. Macdonald: The committee will subordinate everything to a speedy closing of this inquiry, and if the directors will meet this evening and discuss the question the committee will also meet and be prepared to go on at once.

Mr. O'Connor: I desire to say this: that Mr. Macarthy is under a misapprehension in stating that I had possession of the office for a day and a half. The whole of yesterday I sat in a chair with two books. Mr. Deacon was not disturbed in any way except in handing me the minute-books. The day previous he gave me assistance with the books. If you are going on the strict principles of equity, the other side have no right to get time to rebut evidence. They ought to go on and defend their case. Whoever heard of a Court of law postponing a case until the accused got the counsel's address in hand? I say it is a cruel thing to this unfortunate company to prolong the agony. I desire to record my protest against any statement being made by any interested party without evidence to support it. These seven gentlemen—I call them gentlemen—are you going—

Mr. Macdonald: You must allow the committee of inquiry to be sole judges of what they are

going to do and what they are not going to do. They are, I hope, sufficiently sensible to know what to accept as evidence and what not.

Mr. Miles : When we began the proceedings we gave an assurance that we would not go on with the case until we had given the directors an opportunity of perusing your notes.

Mr. O'Conor : I have no objection to them seeing my notes, but I say there is a series of charges put in their hands. You can go on with the balance-sheet and take the charges charge by charge. I think now is the time when the gentlemen making the inquiry should separate the charges and take evidence. I have adduced no evidence whatever except the evidence which is produced from the books and papers of the company in possession of the directors. That is the only evidence I have produced, and that evidence has been mostly compiled by myself from the accounts of the company in conjunction with their secretary and to his knowledge. And when I have submitted these things I say my notes upon the subject are at the disposal of the inquiry. If you enter upon the question of the balance-sheet you can say to the directors, "Mr. O'Conor has produced evidence of this," and so on with the whole of the charges. As far as I am concerned, time is no object with me. If this committee does not go on with the inquiry I will go on for twenty years, if necessary. I think these delays will break up the inquiry.

Mr. Miles : I think the time so far has been taken up by Mr. O'Conor himself. With reference to the charges, you can only classify them under the head of general and specific. If there are any specific charges, such as those of the balance-sheet, those in reference to Messrs. Johnston and Co. and the steamer "Lawrence," which the directors are prepared to go on with at once, the committee will be at their disposal.

Mr. O'Conor : The charges are more specific than that. There are the truths or untruths made in connection with their minutes.

Mr. Macdonald [to Mr. Macarthy] : I put the suggestion that the committee are at your disposal this evening to hear what your decision may be as to going on with this matter, the committee leaving it open to you to tell them when you will be able to go on.

Mr. Macarthy : Very well.

Mr. Macdonald : The meeting stands adjourned until half-past 7 to-night.

Wednesday Evening, 16th November, 1892.

Present : The full committee, and Messrs. Macarthy, Allen, and Gale (directors), and Mr. O'Conor.

Mr. Macdonald : Mr. Macarthy, we adjourned at 1 o'clock to-day with a view of giving the directors an opportunity of considering the position, and Mr. O'Conor of going through his notes. Mr. O'Conor has finished his notes, I understand, up to the point at which the shorthand-writer has furnished them to him, and it now remains for you to tell us the decision the directors have arrived at with regard to submitting their defence.

Mr. Macarthy : I have availed myself of the opportunity of consulting my co-directors, and have committed the decision to writing. We propose to adhere to the mode of procedure laid down on Monday at the commencement of proceedings : (1.) That Mr. O'Conor should have uninterrupted opportunity of placing before the committee his charges and statements in support of them. (2.) That a shorthand report would be taken of Mr. O'Conor's statements. (3.) Such report would be transcribed, submitted to Mr. O'Conor, corrected and signed by him. (4.) Thereupon the committee would submit to directors a copy signed by Mr. O'Conor of transcribed notes, and the list of charges which the committee consider directors are required to answer. (5.) On receipt of list of charges and copy of statements made by Mr. O'Conor, we require sufficient time to arrange our defence. (6.) In order to enable the committee to report on the general management, accounts, and affairs of the company from its incorporation, we propose to submit to their notice the minute-books, bank-books, and other books, vouchers, and documents, and such other evidence and witnesses as we may deem necessary.

Mr. O'Conor : The directors have had my charges before them since Friday, and long before that, and the evidence is in their own possession. I object to these delays.

Mr. Macdonald : The directors are entitled to the same courtesy at your hands as was extended to yourself, Mr. O'Conor, in this respect : that on Friday last you asked, in order that you should be able to get to work on the Monday morning, that you should have the use of the office during office-hours on Saturday from 9 to 1. On Monday the inquiry took place, and on Monday evening you asked that you should have the next day (Tuesday) in order still further to go into matters and be able to finish your case on Wednesday—that is, to-day. It does appear that the fairness and courtesy extended to you in giving you the opportunity of perfecting your case by that day and a half's examination should in the same measure be accorded to the directors in answering those matters which you have brought before the committee.

Mr. O'Conor : I ask, gentlemen, if you were in the same position as myself, whether you would agree that, before the directors can be fairly called upon to answer questions like those on the balance-sheet and the false statements I refer to in my evidence, they must have a printed statement by myself of everything else that has taken place, and whether they have not had that evidence under their control for months past—whether the charges they are now dealing with are not charges which they have already answered by correspondence, and which they have had more time to deal with than I have. The secretary is their officer, and they have no excuse if they are not ready. The committee has no right to suit their convenience to the directors' wishes.

Mr. Macdonald : It is not fair to charge the committee with any unfairness. [A confused discussion here took place between the committee and Mr. O'Conor, in which interjections were made by other gentlemen present, rendering it impossible for the shorthand-writer to get a clear note.]

Mr. Miles: I have pleasure in stating my mind on this occasion in a few words, and with as little heat as possible. It seems to me we have given Mr. O'Connor every opportunity to lay his charges in full detail before this inquiry, and this committee has taken a large amount of time and trouble to enable him to ventilate the matters complained of; but we cannot continue to do so unless we are backed up by Mr. O'Connor in conducting the business in a business-like form. Mr. O'Connor, having been given every opportunity and facility in our power to enable him to bring any evidence in support of his charges, must see that, in fairness to the directors, we must give them an opportunity of gathering together whatever details they wish to place before us in answer to his charges. He has made to us a full statement—a very long statement—of his complaints, and I think, in fairness to those gentlemen, if they ask for time to come before us with one statement of their defence, he should allow them to have it. Whether we can take up the various complaints in a fragmentary state or not seems to me to be beside the question. Undoubtedly, if the directors are agreeable that we should go on in a fragmentary manner, we can take up the question of the balance-sheet and the position of Messrs. Johnston and Co. as agents. But I think it would be more convenient to this committee, and far less expensive to the company, if we accede to the request of the directors to come before us with one statement of their defence. We do not want to come here day after day, saddling the company with expenses which they will have to bear consequent on our attendance, and if the defence can be made in one statement, in the same manner as Mr. O'Connor has laid his charges before us, it will be more convenient and less expensive, while it will attain the same end.

Mr. Greenland: I ask whether the directors will state when they will be prepared to answer Mr. O'Connor's charges handed to them last Friday. [A pause.]

Mr. Macarthy: I do not consider that silence gives consent in this case. I would like to point out that the record practically establishes the position we take up here. We were to be furnished with notes of the proceedings from day to day, and then to go on with our defence. Mr. Miles's remarks point to this: that Mr. O'Connor will have a further opportunity of calling evidence. I understood that Mr. O'Connor's case was at an end.

Mr. O'Connor: I have the right of reply.

Mr. Miles: We have, as a committee, nothing yet before us in the way of books and accounts to support Mr. O'Connor's complaints. When these questions come before us he will produce these books and accounts to establish his charges.

Mr. Macarthy: I take it that the whole of the books of the company are before you.

Mr. Macdonald: When the defence comes to be considered Mr. O'Connor's evidence will have been furnished to the committee. The documents and books will speak for themselves.

Mr. Macarthy: The whole of the documents and books are at the disposal of the committee.

Mr. Macdonald: What the committee presume they will receive from the directors is a statement enabling it to weigh Mr. O'Connor's statements and charges, and that the directors will take up the books and documents of the company, both those produced by Mr. O'Connor and others, and ask the committee to look at them from another aspect.

Mr. Macarthy: That is the course we shall adopt. On Monday, in laying down the course of procedure, we placed ourselves in your hands. Now we are asked to adopt another course to suit, I may say, Mr. O'Connor's convenience. When the inquiry commenced on Monday he said he would take about a couple of hours. I thought myself that two days would be required to take evidence in this case.

Mr. Greenland: Is there no way of expediting matters by getting these things copied out?

Mr. O'Connor: With regard to the evidence, I have stated that I would be prepared, when I got the shorthand-writer's report, to insert the folio of the book where the evidence could be found, except the statements of account. My references to the ledger and letter-book will appear in my evidence, which I expect to have copied out. So that you have every particle of evidence, which is now in possession of the directors; and I think I am not far wrong when I say that they know where every bit of it is to put their fingers on it. It is pretty well thumbed now, I know. With regard to the balance-sheet, that ought to be easily answered. I do not think there need be any fencing about it. I quite agree with the remark that it would facilitate proceedings if the directors would go on as I have done, doing the thing right off. But they want to get all the shorthand-writer's notes before doing anything.

Mr. Macdonald: I have consulted with the shorthand-writer, and it is physically impossible for him to complete his copy, even under very great pressure, before Friday. The only point is yourself, Mr. Greenland. I understand from you that you are in some difficulty with regard to getting back to Westport, and are seriously considering the question of going away on Friday and asking leave to return again.

Mr. Greenland: I have telegraphed asking for an extension of time, and I think I shall get it.

Mr. Macdonald: So far as you are concerned, the inquiry can proceed?

Mr. Greenland: Yes.

Mr. Miles: Will you let me make one suggestion in reference to the position? I make this as a suggestion to the directors as a probable way out of the difficulty. The first charge is the falsification of the balance-sheet. How would it suit the directors if we proceed to satisfy ourselves whether the balance-sheet is falsified or not? If the balance-sheet is falsified, and this committee brings in a judgment to that effect, I take it that the directors—or, at all events, the shareholders—would consider that sufficient to decide whether the directors had forfeited the confidence of the shareholders. It just occurs to me, in thinking the matter over, that if the balance-sheet is found to be false Mr. O'Connor attains the end he is aiming at.

Mr. Macarthy: I must ask you, gentlemen, before considering that phase of the position, to state whether I am wrong in the position I am taking up—whether we are not adhering to the course agreed upon.

Mr. Macdonald: It is quite clear that the directors, in asking that they should be furnished with a copy of the shorthand-writer's notes, after they have been examined and passed by Mr. O'Connor as a correct report of the statement made by him before the committee, are quite within their rights. The only point to which I draw your attention, and upon which there may be a difference, is this: the report was to be from day to day. That has been found to be impossible. We are practically in this position: that we can only hand to you a portion of the report so far as it has gone—of course, it is not a complete story—for Monday. We could hand this to you and ask you, as it deals with the balance-sheet, that you give a reply to that portion, at any rate, of the charges as early as possible. There is something in what Mr. Miles says, that if the graver charge is true the whole of the charges practically disappear, because if the directors are guilty of deliberately falsifying the balance-sheet they are unworthy of confidence of any kind. I think the sooner that point is settled the better. There should be no great difficulty in the way. The matter could be narrowed down to the particular items on the balance-sheet referred to. The only point for your consideration, as the chief of the directors of the company—and you are, I presume, as anxious as Mr. O'Connor and the committee are that the matter should be brought to a conclusion—is whether it is not desirable to embark as early as possible into the question of the balance-sheet.

Mr. Macarthy: In taking that position you are right. But we have a right to consult those gentlemen who are reflected upon in the statements concerning the balance-sheet. In any case that is the chief ground against the directors. If that one charge is sustained, practically the whole thing goes by the board. Therefore we must approach that part of the subject with the utmost caution.

Mr. Greenland: I wish to ask whether you could answer the questions concerning the balance-sheet on Friday morning?

Mr. Macarthy: Now you are talking reasonably. That is another thing altogether.

Mr. Macdonald: Mr. O'Connor, there is a very serious point mentioned by Mr. Macarthy—one worthy of consideration. The charge of falsification reflects quite as much upon the auditors as upon the directors, and I think the fact of such a charge being made ought to be conveyed to the auditors as early as possible, in order that they should have an opportunity of being present here when the question is gone into by the committee, because their own honour is involved in the point; and I think the chairman should convey to those officers that reflections have been made upon them, and they should be asked to be prepared to explain or defend their position at the next meeting.

Mr. Macarthy: I accept that suggestion of yours, sir, and will give it consideration. When we present our answer to you on the charge of falsifying the balance-sheet we must ask you to decide upon that point at once. It is so serious a charge that I must ask that when our defence is presented you shall decide on it at once, and eliminate all further reference to the balance-sheet from our proceedings.

Mr. O'Connor: The proposition made was that as soon as they have answered that you have finished.

Mr. Macdonald: As soon as the committee have made up their mind as to whether the falsification of the balance-sheet is proved or not, if the committee find that the charge is proved they need not go any further in reference to your charges. It does seem to me that Mr. Miles's contention is complete and unanswerable, that if the directors had falsified the balance-sheet it is useless for the committee to go any further. That will sufficiently condemn the directors without going into any smaller business. If, on the contrary, the committee find that the balance-sheet has not been deliberately falsified, all references to the balance-sheet will be done with, because the committee will decide the point and go on with the other questions.

Mr. Macarthy: I could not agree to that proposition: that if you find the balance-sheet has been wilfully falsified no further inquiry should be made. I could not agree to that: too many names have been mentioned.

Mr. Macdonald: As far as the directors are concerned, if they have been guilty of deliberately falsifying the statement of accounts to the shareholders they are totally unworthy of confidence. It may be that the charges against other persons will require consideration and report; but, as far as that part of the business goes, the directors must stand or fall by it.

Mr. O'Connor: Mr. Macdonald, it appears from your statement that you would go on if the directors were prepared to answer the charge upon the balance-sheet. Now, I ask you to stick to what you said in the first instance: that at the next meeting the directors, if able, were to go completely into their answer—not to go into the matter piecemeal. I am willing, if this is done, to agree to an adjournment.

Mr. Miles: Are you willing that the inquiry shall stand adjourned until the directors are able to enter upon a defence of the whole charges?

Mr. O'Connor: If they will fix a time when they will be able to do so.

Mr. Macdonald [to Mr. Macarthy]: You will have the shorthand-writer's notes by Friday. Will you now fix a time when the directors will go into their defence?

Mr. Macarthy: On Monday morning at 10 o'clock, with the liberty of notifying you if we are not ready to meet you.

The inquiry was then adjourned.

Monday, 21st November, 1892.

The inquiry began at 10 a.m. *Present*: The full committee. In attendance, Messrs. Macarthy, Allen, and Gale (directors), and Mr. Eugene O'Connor.

Mr. Macdonald, having read a minute of the arrangement entered into on Wednesday night,

said : On Friday the committee of inquiry received a note from Mr. O'Connor stating his desire that greater expedition should be used, if possible, in connection with the copying of the extracts from the minute-book, ledger, and so forth.

Mr. O'Connor : I object to that. Read the whole of my letter.

Mr. Macdonald : I am chairman, and will not be interrupted. If you continue to interrupt I shall simply adjourn this inquiry.

Mr. O'Connor : You are not chairman.

Mr. Miles : A chairman was necessary, and Mr. Macdonald was duly elected by the committee.

Mr. Greenland : Not with any more power than to lead the committee. He is reading extracts from the letter and not the other parts.

Mr. O'Connor : I want my letter read ; otherwise you can mix matters up as you like.

Mr. Macdonald : I will not be dictated to by you or allow you to say in what terms I shall express myself in putting this matter before the meeting. The committee have not only power to make this inquiry, but to exclude you if you do not behave yourself.

Mr. Greenland : If you read one portion of a paper, why not read another ?

Mr. Macdonald : When I was making a statement Mr. O'Connor interrupted me. I have told Mr. O'Connor I will not be interrupted. He will have an opportunity of making any reasonable statement after I have finished. But, so long as he is here and I am in possession of the chair, he must obey the rules of order. I went on to say that Mr. O'Connor desired that greater expedition should be used in connection with the copying of these extracts, and Mr. Miles, Mr. Greenland, and myself met to consider the matter. Unfortunately, the other avocations of the company's secretary necessitated his absence from the city on Friday and Saturday, and we were unable to get the keys. Mr. Miles then applied to the company's agents, Messrs. Johnston and Co., and they sent the following telegram : "C. A. Deacon, Racecourse, Hutt.—18/11/92.—Committee Mokihinui require immediate access to company's books and accounts in order to obtain copies to-day of certain evidence adduced by O'Connor. The safe is locked ; please send in key at once." The key was not available then, but access to the books was got a little later in the day, and Mr. Arthur Kember and another clerk were engaged to make copies. Mr. O'Connor and Mr. Greenland were sitting here with them in order to expedite the making of copies and to assist with the work, which was continued all Saturday up to a late hour at night. Yesterday (Sunday) Mr. O'Connor called upon me at my house and handed me a copy of the notes taken by the shorthand-writer of his statement, with the certificate attached. [See page 16.] I pointed out to Mr. O'Connor that that was no certificate as to the correctness of the statement made by him. When a witness in Court makes a statement he has to sign it as correct, and the report of his (Mr. O'Connor's) evidence was correct or it was incorrect. His certificate was neither one thing nor the other. But I said that I would put it before the committee on Monday morning and see what value they attached to it. Mr. O'Connor also handed to me a letter. That letter requires some explanation. I pointed out to Mr. O'Connor when he waited upon me with this document that he had not furnished me with a copy of the extracts which had been made under the directions of the committee by two clerks employed by the committee, and the arrangement was, as I said, that not only a signed correct copy of his statement should be furnished, but also a copy of the extracts. He dissented from that view, and said that he declined to furnish these extracts or aid the committee in any way, and—later on—that his reference to them in his statement was quite sufficient. I suggested to him that, as the two clerks had been employed under the committee, they were the servants of the committee, and that the documents prepared were the property of the committee—that if he had obtained possession of the documents and extracts he had obtained them wrongfully. He might for his own reference retain one of the copies, but the other ought certainly to be handed to the committee so as to be furnished, with his statement, to the chairman of the board of directors and his colleagues. But he dissented from that view, and his letter repeats in writing what he said yesterday. I may mention that when Mr. O'Connor called upon me on Sunday in company with the shorthand-writer Mr. Greenland, it appeared, was outside waiting for Mr. O'Connor, who went out and called him in, and we threshed this thing out. It was nearly 6 o'clock when they left, and I said nothing could then be done till Monday morning. I could not place myself in communication with the board of directors until we all met here, and therefore it has been impossible to comply with the understanding that the directors should be placed in possession of that evidence on the Friday, and it is for you now to consider what course we shall adopt.

Mr. Miles [to Mr. O'Connor] : The chairman holds a statement of charges made by you against the directors of the Mokihinui Coal Company, Mr. O'Connor ?

Mr. O'Connor : Yes, sir.

Mr. Miles : Is that a correct statement ?

Mr. O'Connor : What do you mean, sir ?

Mr. Miles : I want an answer.

Mr. O'Connor : I want you to indicate what you mean by your question.

Mr. Miles : Here is the shorthand-writer's transcript of notes taken of your statement, to which you have appended a certificate.

Mr. O'Connor : Yes.

Mr. Miles : Is it a correct report of the statement ?

Mr. O'Connor : On the whole, it is.

Mr. Miles : Is it a correct statement or not ?

Mr. O'Connor : On the whole it is, but not word for word. It is impossible for any man to guarantee the verbal accuracy of a statement. I could not remember the words to check them, and I am quite certain no shorthand-writer could take them down. The fact is shown by the

alterations I have had to make, for which I had to tax my memory. Every man has to do it, and I suppose it was in contemplation of that fact that the statement was submitted to me for correction. I say again, as a statement of the case it is absolutely correct—not as full as I made it in some cases, but as full as the shorthand-writer could take it. I was subjected to a great many interruptions, and I have had to mark out a portion which was a jumble. I cannot say whether I am right in that instance or the shorthand-writer; nor can any one else—it is impossible.

Mr. Miles: It seems to me, Mr. Chairman, that the charges we have to deal with are of such a character that—

Mr. O'Connor: Excuse me, you refer to the statement as charges. That statement is not the charges. The charges have been in the possession of the directors for about three months, and were handed to the directors on last Friday week, I think. That is my statement—it is not evidence; it is my statement pure and simple. I am not aware that the committee have been taking any evidence yet whatever before the inquiry. I am quite willing that any evidence taken shall be put into the possession of the directors, but it must first be in the possession of the committee of inquiry before going into theirs and be accepted by them. I object to my evidence that I proposed to bring before the inquiry as a statement being put into their hands before those of the committee.

Mr. Miles: I want to put this question very clearly to Mr. O'Connor: Do you say that all the charges contained in this statement are true?

Mr. O'Connor: You will have to indicate what portion of the statement you refer to. That is the report of the shorthand-writer, and communicated to the committee as such. You ask me about any particular part.

Mr. Miles: I am going to ask you in my own way, and you can decline to answer or not. You seem to want the questions put in your way. Do you say that all the charges contained in this statement, to which your certificate is attached, are true?

Mr. O'Connor: Yes. Do you want any more than that?

Mr. Miles: No, sir.

Mr. Greenland: No. 6 of the paragraphs in Mr. Macarthy's statement on Wednesday night says, "In order to enable the committee to report on the general management, accounts, and affairs of the company from its incorporation, we propose to submit to their notice the minute-books, and other books, vouchers, and documents, and such other evidence and witnesses as we may deem necessary." I wish to say on this that we have got everything we could possibly have to go on with the inquiry. It is simply absurd to stay here from day to day like we are doing now. We are not holding an inquiry at all. All the evidence is in these circulars and books, and the books, according to Mr. Macarthy's own statement, are here to enable the committee to report. Why wait any longer? Why not go on with the inquiry to see if Mr. O'Connor's statements are correct?

Mr. O'Connor [to Mr. Macdonald]: You said, in the course of your remarks, that a copy of the extracts from the books was to be taken for greater expedition, according to my letter. I demurred to that statement, and I asked you to read the letter, which you have not done. It does not tally with what you have stated. I ask now that the letter be read and placed on record.

Mr. Macdonald: Your letter is not here, and cannot be read.

Mr. O'Connor: Well, I say that letter pointed out to the committee the unfairness of having my evidence—the evidence I proposed to take—extracted and not furnished to me. I was promised a copy of these references. It was proposed, according to the statement of Mr. Macarthy and a director of the company, that a copy of the books and papers should be given by them, but, far from it being given by them, they have offered every obstruction possible and caused every delay they could to prevent them being obtained and the inquiry going on. My claim in that letter, I repeat again, was to be supplied, and in accordance with the claim of that letter I have been supplied, and I have to thank the committee for their kindness in doing so. Mr. Macdonald said that when a witness in Court makes a statement it is signed by him, but Mr. Macdonald has not added, what he must know to be the case, that that statement is taken in longhand word for word as he makes it, read over to him, and signed or not, as he may think proper. My statement was not, and has been declared by me not to be, a statement of evidence, but an elaboration, or, as it would be called in a Court of law, the statement of the counsel. No instance can be produced of such a statement made in a Court of law ever being signed by counsel or taken as evidence, or handed by the Court to the opposite side before the case would be gone on with. The committee has no right to provide the directors with any copy of evidence except that from day to day as given. Up to the present time no evidence has been taken, except some documents of my own which I handed in, and which have been handed over to the directors. I protest against that. I say that this inquiry ought to keep their records safe from the other side. He has stated that I was to provide my statement, and, after correction, to sign the shorthand-writer's notes thereon. I have corrected that to the best of my ability, and I have signed it; but the charges have been in the hands of the directors for three months, and have again been put into their hands, as I have before stated, last Friday week.

Mr. Macdonald: Mr. O'Connor, we need not indulge in hair-splitting and technicalities. We have had it that your statements in the report—in reply to Mr. Miles—are correct, and you rely upon them.

Mr. O'Connor: I did not say I rely upon them.

Mr. Macdonald: To be exact, you have said they are correct. There is a graver matter than that to be dealt with, and it is this: that you have obtained possession of certain documents and records from the clerks of the committee, and I ask you now whether you are prepared to hand over to the committee those copies and records—

Mr. O'Connor: I refer you to the two letters as a contradiction of your statement.

Mr. Macdonald: You have not answered my question. Are you prepared to hand them over? I want a plain answer.

Mr. O'Connor: You will not get it from me. I have answered in my letter.

Mr. Macdonald: With respect to the letter Mr. O'Connor refers to, I may say that Mr. O'Connor is in the habit of dropping letters from day to day into the hands of members of the committee outside the committee-room, or outside the office of this company. He appears to have no regard whatever for ordinary usage in these matters. The particular letter he refers to he left either with Mr. Miles or myself, and it is not here, but it will be furnished when the committee adjourns. Had it been left at the committee-room, as it ought to have been, it would be here now.

Mr. Macarthy: I invite your attention, sir, to the record of what occurred on Wednesday night. The arrangement was that we should be furnished with the statement of charges and everything in these proceedings by Friday morning. In pursuance of that arrangement I was here on Friday morning, and Mr. Gale was here also. I pointed out that we had not then received a scrap of anything. We had further arranged that, on receipt of these papers, we should be disposed to go on with our defence on Monday or Tuesday—not later than Tuesday. I desire to ask if that is not correct? In your proceedings I would also ask you to record this: that a telegram was sent to the secretary of the company on the racecourse, and I believe that, in pursuance of that telegram, access was given on Friday afternoon to what was required by Mr. O'Connor. I am under the impression that this was done, and that he continued in possession of the office, under instructions from the committee, from Friday afternoon until late on Saturday night.

Mr. O'Connor: No.

Mr. Macarthy: These two matters I wish to draw your particular attention to. Up to the present time we have not received a document or statement of any kind. I may say that we made an arrangement that we should have these so that we might go on on Monday, and I repeat that that arrangement should not be departed from without the directors of the company concurring. There is another small matter referred to by Mr. O'Connor, where he said that a director of the company promised to supply documents of the company.

Mr. O'Connor: The chairman of the company.

Mr. Macarthy: I must ask him to substantiate that. I would ask your ruling on the different points I have put to you. Whether the arrangement on Wednesday was not that the charges and documents of all kinds were to be supplied to the directors not later than Friday morning. They have not been supplied to us yet. And I would like you to make an addition to the record that a telegram was sent to the secretary of the company asking him to give access to the books required, that such access was given, and that the books have since remained at the order or discretion of the committee or of Mr. O'Connor.

Mr. Greenland [referring to Mr. O'Connor's statement as handed to the chairman of committee]: I say here, without being unfair, without taking a party view at all, that this is Mr. O'Connor's statement, and it ought to be handed at once to the directors to enable us to go on.

Mr. O'Connor: You have already acknowledged having received that statement yesterday, therefore it has been in your possession ever since.

Mr. Macdonald: I received the statement on Sunday between 4 and 5 p.m. I certainly did not regard it as part of my province to interview the chairman of the board of directors in connection with this matter, or my fellow-committeemen, on Sunday.

Mr. O'Connor: You blame me for delivering letters outside the committee-room, although you know the committee-room is empty except when the inquiry is going on; and you blame me also for not leaving letters at the office of the company. It is absurd to suppose that I would leave correspondence in the hands of the persons I accuse—the directors—or at their office. I went to the trouble myself of seeing each member of the committee and presenting him with the letter, seeing that he read it, and finally left it with Mr. Macdonald.

[Mr. Arthur Kember, a clerk engaged by the committee to take copies of documents and accounts, was at this stage called in.]

Mr. Macdonald: Mr. Kember, when the committee engaged you last Friday to make certain copies of records and books and documents in possession of the company, you will remember that I told you that you were placed in charge of those books, records, and documents, and that the committee of inquiry looked to you in the matter, and that you were to supply me on Saturday night with the copies made by you and your assistants. The committee learn with extreme surprise and regret that the copies made by you are not now in your possession. Will you be good enough to explain how it is that you came to hand them over to some one other than the members of this committee?

Mr. Kember: The copies were made, and Mr. Greenland and Mr. O'Connor, of course, were present. It was perfectly understood that these copies were to be handed to you, Mr. Macdonald. Mr. O'Connor got the documents, and said he would take them and bring them to you.

Mr. Macdonald: You will remember when I called on Saturday I arranged with you that the copies should be left for me at the Central Club, and that I would remain there until late in the evening for them—in fact, I waited until midnight.

Mr. Kember: It was distinctly understood that the copies were to be handed to you, and that I considered myself responsible for them.

Mr. Macdonald: Thank you; that is all I have to ask you.

[Mr. Kember withdrew, and the inquiry was resumed.]

[At this stage the committee deliberated in private for a few minutes. On resuming,—]

Mr. Macdonald: Mr. O'Connor, during your absence the committee have arrived at the following resolution: "That this inquiry shall not proceed further until the committee has received from Mr. O'Connor one of the copies of the records and documents made by the clerks employed by the committee, which copies Mr. O'Connor, without the authority of committee, has taken away."

Mr. O'Connor: Then, this inquiry is at an end, and the shareholders save £20 a day.

Mr. Macdonald: I must ask you whether you are prepared to give effect to this resolution or not.

Mr. O'Connor: I am not. I have said before that I look upon you as one-sided in the matter. I estimate that you are not like the other representatives. You represent nobody else than yourself. I want to hear what Mr. Miles says on behalf of the Wellington shareholders, and Mr. Greenland on behalf of the others. I will hand these records over if I get a written guarantee that they will not be used for the other side.

Mr. Macdonald: The committee of inquiry employed certain clerks, of whom one was placed in charge of the documents, records, and books of the company, in order that certain copies should be made. Mr. Arthur Kember has now stated the basis on which you got those copies.

Mr. O'Connor: Not on oath.

Mr. Macdonald: You are not on oath. I suppose you will give Mr. Kember credit for speaking the truth. Mr. Arthur Kember has stated clearly and distinctly that a certain understanding was arrived at between all parties that these copies were to be handed to me. You deliberately varied that understanding and took the copies away, he being under the impression that you were going to give them to me. In accordance with that understanding I ask you, as an honourable man, to give them up.

Mr. O'Connor: Mr. Kember has made a mistake on his part. The understanding with me is that I shall have these copies—that they should be done for me. In accordance with that understanding I took away the copies when made—the first one at midday and the other in the evening. I hold them, and they shall be in the hands of my solicitor within two hours. I have now all the notes with regard to these charges. I have now the notes with regard to the falsified balance-sheet. The others I am willing to produce for the committee, as the committee knows, to facilitate their inquiry and to save time. But I deny the right of this committee to take these documents—which are my work, done by me to facilitate the inquiry—to place them in the hands of the other side, in order that they may prepare measures to confute them. And I can easily show the committee, the evidence being in my possession, that the minute-book can be altered in order to confute them. I adhere to what I said in my letter, and I want to know what Mr. Greenland has said on the matter.

Mr. Macdonald: The committee are not going to be dictated to either by you or the board of directors of the Mokihinui Coal Company as to the method or manner in which the inquiry is to be conducted. You have deliberately taken away from this committee-room copies of records which the committee ought to have in their possession. If you refuse to give up those copies to the committee, or at least one of those copies which you have taken away, the responsibility will entirely lie with yourself. I say this deliberately: that your action throughout is not the action of a man desirous of furthering the inquiry.

Mr. Miles: I would like to say that I entirely agree with the action taken by a majority of the committee in insisting upon the production of the records which have been taken away by Mr. O'Connor without the authority of the committee. When we put on these two clerks to take the different copies, you (Mr. Macdonald) were at liberty to hand one of the copies to Mr. O'Connor, but I contend that he should not be furnished with the copy of any documents without a copy being also left with the committee. Unless Mr. O'Connor wishes to burke this inquiry, I hope he will see the wisdom of producing these papers which he has no right to detain.

Mr. Greenland: Allow me to point out that Mr. O'Connor says he will do so.

Mr. O'Connor: Do you accept one of these copies, Mr. Greenland? [offering documents].

Mr. Greenland: What I wish to say is that we are in a position to go on with the inquiry without all this unseemly wrangle. With regard to the expense to the company of keeping me here, I think it is absurd to foist on them such charges as I shall have to make on the company. I have been here nearly a fortnight, and nothing has been done at all yet as far as the inquiry is concerned, and all the evidence required has been in my hands over a week. I say we ought to go on at once. As far as the dissensions between gentlemen are concerned, when I first arrived in Wellington I went to Mr. Miles's office, and after a great deal of trouble—against my wish entirely—Mr. Macdonald was appointed chairman. I have a copy of the resolution taken at the time, and the shorthand-writer has a note of the same. If the inquiry is to be fair and just, we ought to have equal rights, and I claim an equal right. The only thing I have to say now is that, as a member of the committee of inquiry, I am prepared to go on with the inquiry at once.

Mr. O'Connor: I hand over to Mr. Greenland a copy of the documents [documents handed over] to do what he likes with them, but I will not give them over to Mr. Macdonald, because I think he is doing what he can for the other side in this inquiry.

Mr. Macdonald: I happen to be the only member of this committee of inquiry who started absolutely ignorant of this business. I am not a shareholder, and knew nothing of the business before the inquiry commenced. Unfortunately my colleagues have had a connection with it. I claim to be the only man connected with the inquiry who is absolutely impartial, and you have no right to make such observations, because you know they are untrue. You have throughout the inquiry made the wildest charges against almost everybody. Whether your charges are true or false against the directors I know not, because I have not yet had an opportunity of examining them in detail; but to accuse Mr. Miles and myself of having formed—

Mr. O'Connor: I have not accused Mr. Miles.

Mr. Macdonald: I say that your statements generally, if what you have said here about the members of the committee are to be taken as a sample of their value and truth, are utterly unworthy of credence, and I am amazed that a man with your public experience cannot understand his responsibilities in such a grave matter as this.

[At this stage the committee adjourned until 2 o'clock, and after transacting some business in private again adjourned till next day.]

Tuesday, 22nd November, 1892.

The inquiry opened at 10 a.m. *Present*: The full committee, and Messrs. Macarthy, Allen, Gale, and Barton (directors).

Mr. Macdonald: Gentlemen, we have met this morning in accordance with a resolution arrived at yesterday that the inquiry should stand adjourned until 10 a.m., with the view of giving Mr. O'Connor an opportunity of making up his mind whether he will supply to the committee the documents that he took away from the clerks appointed by the committee of inquiry after a clear understanding that those documents were to be handed to the committee. Mr. O'Connor does not appear to be present, therefore I presume we are as far forward with respect to the return of those documents as we were yesterday. It will now be for the committee to determine what course of action they will adopt. I am only sorry that we have had to trouble you in bringing you here this morning for apparently no reason, because, as Mr. O'Connor is not here in order to give us an answer, nothing can at present be done. The committee will hold a meeting after you have withdrawn, and decide as to their future course of action, and we shall communicate the decision to the chairman of directors. I do not think we need keep you any longer, as the chairman will be communicated with, and he will advise you as to our decision.

Mr. Macarthy: I wish to put it to you that it is the desire of the directors that this inquiry should not cease in its present position. I do not attempt to lay down any course, but wish to express generally on the part of the directors that it is our desire that the proceedings should not terminate here.

Mr. Macdonald: In other words, what you desire to put to us is this: that, notwithstanding Mr. O'Connor's default after carrying away the copies of the records and documents, this inquiry should proceed.

Mr. Macarthy: Yes. You have expressed a determination to adjourn. I only express the desire that the proceedings should not terminate now.

Mr. Miles: I think we must see that the proceedings do not terminate now. We have been engaged in altercation with Mr. O'Connor, who has so far defied us, and has not complied with our request for the papers to be returned which he wrongfully holds. Until that difficulty is out of the way we cannot go on with the inquiry. I shall move a motion in committee that I think will get over the difficulty. If not, I shall be prepared to suggest another course. I am sure we shall be able to get what we want in another way.

Mr. Macdonald (to Mr. Macarthy).—I have to thank you for expressing the desire of the directors that the committee should go on with the business. The committee will sit for half an hour, and the secretary will inform you what decision the committee has come to. There is no need to keep you any longer.

The directors here withdrew, and after deliberation the committee decided to adjourn the inquiry until 10.30 a.m. on Thursday, 24th November.

Thursday, 24th November, 1892.

The committee met at 10.30 a.m. *Present*: Messrs. Macdonald and Miles; and in attendance, Messrs. Macarthy, Gale, Barton, and J. R. Blair (directors).

Mr. Macdonald: On Tuesday we adjourned until 10.30 this morning, with the object of giving a further opportunity to Mr. O'Connor of returning to the committee the documents which he has taken from the possession of the clerks employed by the committee on the understanding that he was to give them to the committee. The committee then adopted this resolution: "That, as Mr. O'Connor has not acceded to the request of the committee calling upon him to return to the committee at least one of the copies of the extracts from the records and books of the company which were prepared by clerks appointed by the committee, and were taken from the office by Mr. O'Connor without the sanction or consent of the committee, and as the absence of the information contained in said extracts is delaying the investigation into the charges brought by Mr. O'Connor against the directors of the company, this meeting stands adjourned until Thursday, 24th instant. at 10.30 a.m., by which date the committee hope Mr. O'Connor will return the document or documents wrongfully detained by him, failing which the committee will place upon the record of these proceedings that Mr. O'Connor, having made serious charges against the directors, has declined to furnish this committee with the aforesaid extracts from the records and books of the company which he (Mr. O'Connor) has asserted contained his evidence in support of the charges made by him, and which in his letter to the committee, dated 19th instant, he undertook to produce." The letter referred to in the resolution is as follows:—

"GENTLEMEN,—

"Saturday night, 19th November, 1892.

"I have handed herewith to the reporter the proof of my statement to you, with corrections, and my certificate signed. The copy which I retain, as agreed, will be at your disposal on Monday, with copies of the extracts bearing upon the case, taken from the books of the company and certified by the persons appointed by you for the purpose. I shall also have an index, which will enable you easily to make reference to the documentary evidence in each particular case.

"I have, &c.,

"EUGENE O'CONNOR.

"To Messrs. Macdonald, Miles, and Greenwood [Greenland]."

Since we last met Mr. Greenland has addressed a letter to the committee—or, rather, to Mr. Miles and myself, under cover to Mr. Miles—stating that he has been summoned to Westport, and he protests against anything being done in his absence, and requesting that the business of the committee shall be adjourned until his return. The committee therefore find themselves in this

position: Mr. O'Connor has not complied with the request of the committee, and Mr. Greenland has absented himself from the work devolving upon him as a member of the committee of inquiry. The committee has instructed the secretary to forward to Mr. Greenland at once a telegram, requesting to be advised definitely this morning when he can return, or when he will return. We shall be glad to have an answer to that telegram; but until we do—and it appears to the committee that we have to be extremely careful in this matter—it is advisable before taking any further action to adjourn until to-morrow, with a view of having Mr. Greenland's answer. I think that is the view you take, Mr. Miles?

Mr. Miles: I quite agree with the view expressed by Mr. Macdonald. I was rather surprised to learn from Mr. Greenland's letter that he had been suddenly called away to Westport, and that he had gone without seeing the other members of the committee. But, as he is away, I think we should await his reply to the telegram we have arranged to despatch to him before we decide when this inquiry shall proceed further. It does not follow that I am in favour of hanging up the inquiry until Mr. Greenland's return; but if he is likely to return within a day or two, we may decide to wait until we get him with us again. However, when we get his reply we shall be able to fix upon a date for resuming our investigations.

Mr. Macdonald: The committee recognise, of course, that this inquiry has been extended far beyond the time originally contemplated, but that is a matter for which Mr. O'Connor's conduct is entirely responsible.

Mr. Macarthy: I desire to say that the directors are not responsible in any way for the delay. We have done everything possible to facilitate the inquiry, and I think in justice to us that should be recorded.

Mr. Macdonald: I think we agree you are not at all responsible for the delay.

Mr. Miles: I certainly agree with that.

Mr. Macarthy: I submit, in view of the very serious results to the company arising from this delay, that an early period should be fixed for the continuation of the inquiry. I think you, gentlemen, are fully qualified to go on with it. Mr. O'Connor told you that he defied the committee; he had possession of the documents, and the inquiry was over, and he intended to have recourse to the Supreme Court. With reference to Mr. Greenland, I had no intimation that he was leaving here. The matter is a very serious one to the company, and I think his absence should not be taken into consideration at all. If Mr. Greenland has absented himself and neglected his duty I apprehend that the committee are quite competent to go on without him and fully investigate matters. I understand that you have communicated with Mr. Greenland, and propose to adjourn until to-morrow at 10 o'clock.

Mr. Macdonald: Yes, to-morrow at 10 o'clock.

Mr. Macarthy: Can you not say definitely whether you will go on with this inquiry? I may say that I think Mr. Greenland's absence is intended to burke this inquiry, and I apprehend that that is one of the objects he and Mr. O'Connor had in view.

Mr. Macdonald: Of course, Mr. Macarthy, you cannot expect us to make comments upon the action of our colleague of an uncomplimentary character in the absence of definite information. We have to complain of the discourtesy in not having had a personal communication from him before he left the city. But there may be some explanation. I would be sorry to think that Mr. Greenland would lend himself to any tactics on the part of those bringing these charges against the directors for the purpose of burking this inquiry. I think—and I am speaking for Mr. Miles as well as for myself—that the shareholders, having intrusted to us the work of investigating the matters in dispute, whether Mr. Greenland is present or absent, we should go on and arrive at a conclusion which, in our judgment, may seem fair and honest upon the evidence and the records of the company submitted to us. We also feel that every courtesy and attention should be given to our colleague, so that we can, if possible, have an explanation from him as to why he left and whether there is a possibility of his return. When we have done that we are free from any responsibility resulting from his absence; and if he remains away he must be content to rest under the imputation of neglecting the work intrusted to him by the Westport shareholders, and he must be accountable to them for that. We shall not let matters lie where they are, although he is absent; and if the directors say that they are prepared to go on, and there is no immediate prospect of Mr. Greenland's return, we shall probably take up the position that the shorthand-writer's notes can be handed to Mr. Greenland on his arrival in Wellington, thus avoiding further delays and economising expense as far as possible.

Mr. Macarthy: I think you are treating Mr. Greenland with extreme courtesy. We are prepared to go on this morning. The works of the company are stopped, and the men are idle, and the manager of the company's mine is in attendance here. And, further than this, there is a serious matter behind; for, while the inquiry is pending, we cannot tender for the supply of coals, and this delay will have a serious effect upon the affairs of the company. We should like some satisfactory assurance from you that we shall be able to go on with the inquiry to-morrow.

Mr. Macdonald: I think the statement you have made, Mr. Macarthy, is of so grave a character that the committee would not be justified in refusing to go on; and, as I have said, whether Mr. Greenland returns or not, we shall endeavour to save the company as far as possible by probably proceeding with the inquiry to-morrow.

Mr. Miles: The statement made by Mr. Macarthy must influence us with regard to our decision as to the future mode of procedure, but I do not think we can say definitely that we will go on with the inquiry to-morrow morning, as we should like to have a reply from Mr. Greenland before coming to a decision. I think, however, the directors may rely on it that we shall use all expedition possible consistent with the awkward position we are placed in by Mr. Greenland's sudden and unexpected departure. As far as the inquiry itself is concerned, I think the directors

may rely upon it that Mr. Greenland's absence shall not burke it. Whether he returns or not, the committee will proceed to draw up a report upon the evidence produced. If we decide to go on to-morrow, we shall take steps to notify you, gentlemen, and also Mr. O'Connor, of our intention.

Mr. Blair (to Mr. Macarthy): Do you say you can go on at once in the absence of Mr. Greenland? Is that the position?

Mr. Macarthy: Yes, that is so.

Mr. Blair: The question is whether the committee is legally constituted. If so, it can go on with the proceedings at once. You are under no obligation to wait for one who has treated the parties to the suit in the way he has done. Here we are, as Mr. Macarthy says, in the position that the whole future of the company depends upon the inquiry coming to a conclusion. We are prepared to go on, and the whole thing is stopped owing to the dereliction of one member of the committee. The committee can go on, and it has no excuse for not going on.

Mr. Gale: In reference to the remarks of Mr. Macarthy upon the company tendering for the supply of coal, there is also the necessity for putting out the coal to pass over the railway to pay the guaranteed 5 per cent. on the cost of construction provided for in the Act of Parliament. That is a serious matter. We being the only company there, the whole of the guarantee falls upon the Mokihinui Coal Company.

Mr. Macdonald: How long do you think the directors' reply will take?

Mr. Macarthy: I understand from the mode of procedure laid down that the committee will intimate what the directors have to reply to. My idea is that you will point out the salient points which we will have to reply to, but not so elaborately as Mr. O'Connor did. I am under the impression that we shall only require one day, unless you want an extraordinary amount of detail. I would point out that Mr. O'Connor went into only part of the company's business. There are other things to be considered—the proceedings up to the removal of the management to Wellington, and also what has to be done to remedy the *laches* of Mr. O'Connor's management during the time he conducted the business of the company in Westport. He has not referred to these. He has flung all the mud he can, and, like a little boy, has run away leaving us to do the best we can. In considering Mr. Greenland's action I think you should take into consideration with that action the remarks made by Mr. O'Connor last Monday, when he said that the inquiry was all at an end, that he had all the papers, and would take the matter into the Supreme Court. I think those were the words he used, with a little more gesticulation and a certain amount of vigour.

Mr. Macdonald: The objection to going on this morning is of a twofold character. First, we feel, as I have already said, that however discourteously Mr. Greenland has apparently acted towards us, his colleagues, in going away without giving any notice except by a letter which reaches us after his departure from the city, we ought to communicate with him before going any further. Second, that Mr. O'Connor appears to be under the impression that, as this committee passed a resolution that they would not proceed further with this inquiry until he returns the documents which he has taken away from the possession of the committee, he is under the delusion that by abstaining from returning the documents, and the absence of Mr. Greenland, the committee will not go further with the inquiry, and that he has succeeded in burking it. I can quite see—and Mr. Miles agrees—that very possibly that is the run of thought in his mind. However, when we get a communication from Mr. Greenland—and whether we get an answer or not—we shall be in a better position later on to know exactly what view of the matter to take. We also feel that we ought to deal with Mr. O'Connor by resolution, and place it on record that it is the intention of the committee to take such other steps as may seem to them desirable to obtain the papers wrongfully taken away from them. What position the committee will allow him to take up in the inquiry after his conduct is another matter which will engage their attention at a later period, but they will advise Mr. O'Connor this morning what course they intend to adopt respecting him. Looking at the whole of the facts, the committee will decide during the day whether they will go on with the inquiry to-morrow, and will inform the directors officially whether they will do so or not.

Mr. Macarthy: I would point out that we have not had the shorthand-writer's notes of Mr. O'Connor's statement and charges. I would ask that you sign each sheet before handing them to us, because it is a very difficult matter to deal with a man like Mr. O'Connor.

Mr. Macdonald: There are certain changes that Mr. O'Connor has made in the shorthand-writer's notes which may or may not be material in altering the effect of anything Mr. O'Connor has stated. You will gather what I mean when you go through the report. I take it that what he has altered is what he meant to say to the committee, and may be accepted as such.

Mr. Miles: There can be no doubt as to that question, because it already appears upon the records that Mr. O'Connor has stated that the contents of that statement of his are true.

The inquiry was then closed until 10 a.m. next day.

Friday, 25th November, 1892.

The committee met at 10 a.m. *Present*: Mr. Macdonald (chairman) and Mr. Miles; and in attendance, Messrs. Macarthy, Gale, Barton, Allen, and Blair (directors), Mr. Deacon (secretary of the company), and Mr. Straw (mine-manager).

Mr. Macdonald: The committee have met this morning in accordance with resolution in order to hear any evidence the directors may desire to adduce. The committee are desirous of giving you, Mr. Macarthy, as chairman of the board of directors, a free hand in offering any explanations you may wish to make, or in any evidence you may wish to give, as was done in the case of Mr. O'Connor. They would suggest to you, however, that it might be as well to begin with your answer to the charge of falsifying the balance-sheet, and after that is dealt with to take the

question of the management of the company from its incorporation, and work right up to Mr. O'Connor's general charges.

Mr. Macarthy: By the mode of procedure originally laid down we were to be furnished with a copy of the corrected evidence and statement of Mr. O'Connor, and then to be furnished with a copy of the charges which you thought we should be required to answer. Of course, I do not object to reply in the way you suggest.

Mr. Macdonald: We are anxious to expedite the business as much as possible, and you will remember that outside the arrangement you refer to an opinion was expressed at an early stage of the proceedings that if the charge of deliberate falsification of the balance-sheet was proved against the directors, that charge being of so serious a character, a great many subsidiary matters might go. Therefore, it would be better to consider the graver charge before going on with the minor charges. The committee have supplied you with the *résumé* of the charges as furnished by Mr. O'Connor. They, of course, have been unable to give you that complete statement and accompanying evidence they had hoped to have done; but their inability to do so, as you are already aware, has arisen in consequence of Mr. O'Connor's conduct in taking away from this room the extracts from the records and documents of the committee which the committee had instructed their clerks to prepare, and the expense of procuring which will form part of the costs of the inquiry. However, what we want to get at is the whole truth respecting the company's operations, and I trust you and your fellow-directors will do your best to facilitate the work of the committee, and bring before us your evidence in as complete a manner as possible, in order to economize the time and save the expense attendant on this inquiry.

Mr. Macarthy: I gather from your words that you desire to deal, in considering the charges made by Mr. O'Connor, with the matters affecting the company from its incorporation up to the present time, and that you require a synopsis of the answers to the charges, dealing first with that referring to the deliberate falsification of the balance-sheet.

Mr. Macdonald: Quite so. Before you make any statement there are two or three preliminary points which require settlement in order that the committee, of inquiry may thoroughly understand the position, and Mr. Miles will put the queries which appear to the committee at this moment to require special attention.

Mr. Miles: We want you to place upon record the date when the company was incorporated, and the names of the original directors. We want to see the resolution which removed the directory from Westport to Wellington, and in connection with the list of shareholders agreeing to this we would like the resolution which appointed the original board of directors in Wellington. The two, probably, will be contemporaneous. It is necessary to have that information, because part of Mr. O'Connor's charges relate entirely to the management of the company since its removal to Wellington. That being so, we know where to start with Mr. O'Connor's charges.

Mr. Deacon: The company was incorporated on the 21st day of May, 1884.

Mr. Miles: I understand that on 13th February, 1889, a resolution was passed which removed the management of the company from Westport to Wellington.

Mr. Deacon: Yes; the following is the minute: "Proposed by Mr. Regan and seconded by Mr. O'Brien: 'That the registered office of the company be removed to such place at Wellington as the directors may determine.'"

Mr. Miles: Who were the directors at that time?

Mr. Deacon: The directors were, Messrs. E. J. O'Connor, Jacob Joseph, T. G. Macarthy, Charles Seagar, T. Roskrige, F. Allen, W. J. Rodgerson.

Mr. Macdonald: Now, as to the balance-sheet of 1889. You have in your hand, Mr. Deacon, a statement of accounts of the company from 21st January to 31st December, 1889. Who were the directors who issued that statement?

Mr. Deacon: The directors at that time were the gentlemen whose names I have just mentioned to you.

Mr. Macdonald: Who was the chairman of the board?

Mr. Deacon: Mr. Eugene O'Connor. I produce the minute-book, folio 109, 7th March, 1889: "The Chairman reported that he had been acting as chairman and managing director at a salary of £300 and travelling-expenses, as voted at the annual meeting, and desired the board to give expression to their opinion if they thought any change was desirable. *Resolved*: 'That consideration of the matter be postponed for one week, and that Messrs. Roskrige and Rodgerson be written to asking their views on the subject.' On the 15th March, at a board meeting, there is the following resolution: 'That Mr. O'Connor be managing director during the time the works are being constructed and the company put in working-order, at a salary of £300 per annum and travelling-expenses when travelling on the company's business, as authorised by the shareholders at the annual meeting.'"

Mr. Macdonald: Then, during the whole of that year and up to the time of issuing the balance-sheet for the year ending 31st December, 1889, was Mr. O'Connor chairman and managing director?

Mr. Deacon: Yes.

Mr. Macdonald: Messrs. Harcourt and Stuart appear to be auditors for the year 1889?

Mr. Deacon: Yes.

Mr. Macdonald: Was any question ever raised as to the correctness of the balance-sheet of 1889?

Mr. Deacon: No, sir; nothing beyond this: that the books, previous to coming up from Westport, were kept in a most peculiar manner, without any regard to system, and I therefore opened new books of accounts for the company. Until the board decided—which they never did—under what heading the general expenditure should be classified, the whole of the expenditure, which was practically on account of capital account, was placed to the debit of mine and plant,

Mr. O'Connor, at the end of 1889, when the balance-sheet was being prepared, saw these amounts put under the various headings, and he went through all the vouchers and accounts himself, and made a statement to that effect.

Mr. Macdonald: Then, I understand you to say that Mr. O'Connor, as chairman of the board of directors, was responsible for the balance-sheet on that occasion?

Mr. Deacon: Certainly.

Mr. Macdonald: And no question as to his accuracy has ever been raised?

Mr. Deacon: Not to my knowledge. It was never questioned at the annual meeting.

Mr. Macdonald: When was the annual meeting of shareholders to consider that balance-sheet of 1889?

Mr. Deacon: It was on the 17th February, 1890. There was first of all a meeting called for the 10th February, which lapsed, there being no quorum, and the meeting was then held on the 17th February.

Mr. Macdonald: Who was in the chair?

Mr. Deacon: Mr. O'Connor.

Mr. Macdonald: What was the resolution in connection with the balance-sheet?

Mr. Deacon: It was moved by Mr. Macarthy, and seconded by Mr. E. W. Mills, that the balance-sheet be adopted; and it was adopted. The auditors who were appointed on that occasion were Messrs. Chapman and Townsend.

Mr. Macdonald: Were there any changes in the board of directors at that meeting?

Mr. Deacon: The directors who were then appointed were Messrs. Allen, Barton, Blair, Macarthy, O'Connor, Roskruge, and Sloan. (See minute of proceedings on 13th February.)

Mr. Macdonald: You produce the balance-sheet for the year 1890?

Mr. Deacon: Yes.

Mr. Macdonald: Did any report accompany that balance-sheet to the shareholders?

Mr. Deacon: There was a report, which appears in the minutes. The annual meeting took place on the 9th March, 1891. [The report on folio 283, minute-book, was here read.]

Mr. Macdonald: That report and balance-sheet were adopted by the shareholders?

Mr. Deacon: Yes.

Mr. Macdonald: Who was in the chair?

Mr. Deacon: Mr. Macarthy, as chairman of the company.

Mr. Macdonald: Was any other resolution proposed at that meeting respecting the balance-sheet other than that for its mere adoption?

Mr. Deacon: Mr. O'Connor proposed by way of amendment, and Mr. Greenland seconded, that the balance-sheet be referred back to the directors for correction. On being put, three voted for the amendment and seventeen for the resolution. The chairman then declared that the resolution had been carried.

Mr. Macdonald: Do you know of your knowledge who the shareholders were who voted for the amendment?

Mr. Deacon: Looking back at the attendance, they were Mr. O'Connor, Mr. Greenland, and Mr. Scanlon.

Mr. Macdonald: Who is Mr. Scanlon?

Mr. Deacon: A shareholder at Westport, who came up at the time with Mr. Greenland.

Mr. Macdonald: Who were the seventeen shareholders who voted for the resolution, and what was the number of shares held by them?

Mr. Deacon: The seventeen shareholders who voted for the resolution held 8,744 shares. The three shareholders who voted for the amendment held 7,099 shares, of which number Mr. O'Connor held 6,659. There was a considerable number of shareholders represented by proxies, but the proxies were not used at the meeting.

Mr. Macdonald: Mr. O'Connor says that on Friday, 30th January, 1890, the draft balance-sheet was considered by the directors. Will you refer to the minute-book? [Minute-book produced, and minutes of meetings referred to, folios 276, 278, 286.]

Mr. Macdonald: Those are the references to which Mr. O'Connor refers?

Mr. Deacon: Yes.

Mr. Macdonald: What does folio 286 refer to?

Mr. Deacon: That is the annual meeting of shareholders where the balance-sheet was adopted.

Mr. Macdonald: Mr. O'Connor says the first false entry in the statement of transactions of the company is receipts for coal sales, f.o.b. Mokihinui, £2,190 8s. 9d., "less £150 13s. 6d., an allowance to Union Steamship Company outstanding last year." Will you be good enough to show us the details?

Mr. Deacon: The item of £2,190 8s. 9d. is made up as follows: By cash, 30th November, 1890, £37 10s. (This is for 50 tons of coal supplied to the "Terranora" for her bunkers at Mokihinui, at 15s. a ton, and appearing as cash. Receipts in Johnston and Co.'s account rendered in November.) The next item is £84, made up as follows: 113 tons of coal, also to supply the "Terranora's" bunkers, at 15s., £84. The next item is £42 2s. 10d., account for coal supplied to T. Corby and Bowen at Mokihinui. The next item, £7 13s. 9d., is made up of coals supplied to the Mokihinui Sawmill Company, L. Sweet, T. Corby, and J. Queen. The next item is £26 10s. This is for bunker coal, 53 tons supplied to the "Terranora," at 10s., and appearing in Messrs. Johnston and Co.'s account as cash. The next item is £1,995 12s. 11d. This represents the value allowed to the mine of 2,866 tons 11 cwt. carried by the steamer "Lawrence," and 1,124 tons 14½ cwt. carried by the "Terranora," and for which the mine is allowed 10s. a ton. This price of 10s. a ton for coal at the mine, f.o.b. Mokihinui, was agreed to by the board in the year 1889, and in the balance-sheet for 1889 there is a credit to the mine account of £985 5s.,

being the proceeds of 1,970½ tons of coal at 10s. a ton, which coal was delivered to the Union Steamship Company. Any difference between the price per ton realised on the sale of the coal and the 10s. a ton allowed to the mine account, as in this item, went to the credit of the steamers' account for freight, less, of course, the ordinary commission and other charges shown in the account-sales. The whole of these items which I have given you amount to £2,193 9s. 6d., from which has to be deducted the sum of £3 0s. 9d., being 2½ per cent. commission on £121 10s. proceeds of the sale of bunker coal, leaving a balance of £2,190 8s. 9d., being the amount shown in the balance-sheet as receipts for coal sales f.o.b. Mokihinui.

Mr. Macdonald: Mr. Macarthy, can you give us an explanation of Mr. O'Connor's statement that the allowance given the Union Steamship Company, and shown in the balance-sheet as £150 13s. 6d. outstanding last year, was an allowance given to them for coal delivered in 1889, not f.o.b. Mokihinui, but in Wellington?

Mr. Macarthy: You will notice in the balance-sheet of 1889 that the Union Company appears indebted in the sum of £776 13s. 5d. It was then a disputed account, and they refused to pay it. They had agreed with the previous chairman of directors, Mr. O'Connor, to take coal at a certain price per ton, according to sample shown by Mr. O'Connor, whereas the coal as delivered they claimed to be no better than Westport slack, and they refused to pay the amount agreed upon. Messrs. Johnston and Co. were authorised to settle the amount by resolution of the board dated 12th December, 1889, folio 176 of the minute-book, and in accordance with that resolution the allowance of £150 13s. 6d. was made to the Union Company, which properly was chargeable against the mine account, and therefore appears in the balance-sheet in that form. As a matter of fact I may mention that the amount shown on the balance-sheet for 1890 as receipts for coal amounted to more than the total sum (£2,067 2s. 8d.) expended upon the mine during the whole year, and is a sufficient answer to Mr. O'Connor's statement that the items are transferred from the accounts of the "Terranora" and "Lawrence" at a fancy price not sufficient to pay expenses at Mokihinui. The figures £2,067 2s. 8d. do not include expenditure on capital account. The proof of that will be found in these figures prepared from an inspection of the books, and which show that the total expenditure for wages account at Mokihinui in coal-getting, opening the mine, railway and wharves, the salaries account amounting to £2,067 2s. 8d., as against £2,190 8s. 9d. receipts for coal. The following is the statement referred to: Wages account, Mokihinui, 1889-92, including expenses prospecting, opening up, coal-getting, working railway, wharf, &c.—1889, £1,187 1s. 2d.; 1890, £2,067 2s. 8d.; 1891, £3,877 2s. 9d.; 1892, £2,524 8s. 9d.

Mr. Macdonald: Mr. Deacon, the next item challenged by Mr. O'Connor is that referring to the steamer "Lawrence"—receipts, freights, &c., £6,977 4s. 6d., less wages, insurance, &c., £4,254 16s. 4d., leaving a supposed balance to profit of £2,722 8s. 2d. He says, "This is what I call the cooked account of the 'Lawrence'"—folio 48 of the ledger.

Mr. Deacon: Mr. O'Connor is incorrect as to the folio; 48 is a blank. The "Lawrence" working account is on folio 211 of the ledger, which I produce. With respect to the statement made by Mr. O'Connor as to the items on the credit side of the account being the gross price paid by the Railway Commissioners and other wholesale buyers of coal, that is of course correct. With respect to the item for delivery, which he says should not appear in the balance-sheet for 1890 because the coal was not delivered in Napier until the 5th January, 1891, I have to say that the coal left the mine by the steamer "Lawrence" in December. In crossing the Mokihinui bar the steamer struck, and the captain cruised about Blind Bay until he had succeeded in stopping the leak. He then proceeded on his voyage, and delivered his cargo in Napier on the 5th January. Had he adopted the usual course of going into Wellington for repairs, he would have required to discharge his cargo at a considerable loss to the company. It is usual for the accounts of coastal steamers to be made up at the termination of the voyage, and in the ordinary course the voyage would only be concluded when the vessel arrived at Napier; but as the vessel had been detained through the accident, and the books of the company closed on the 31st December, the directors wished to bring all matters of account for the year to a close, and therefore included the receipts in the year's transactions. In confirmation of this I may say that the pay-sheet of the "Lawrence" for the month, which would not have been payable until the completion of the voyage in Napier, was, with all the Napier charges, brought into the accounts for the year ending the 31st December, so that the true balance of profit and loss might be made up.

Mr. Miles: This account shows that the "Lawrence" has been debited with wages to the 31st December, 1890?

Mr. Deacon: Yes, and all the Napier disbursements for that last voyage. The steamer "Lawrence" has not been debited with coal used by herself. There was no object in debiting her. We did not credit her with freight earned by the carriage of material and plant taken to Mokihinui for the use of the mine. In point of fact, as regards the "Lawrence" and the mine account there has been a good deal of give-and-take, and no strict analytical account has been kept. This was always understood by the directors when Mr. O'Connor was on the board, and no objection was taken to it by him.

Mr. Miles: The balance-sheet for 1890 was prepared by you?

Mr. Deacon: Yes.

Mr. Miles: Did you prepare any previous balance-sheets for the company?

Mr. Deacon: I prepared those for 1889, 1890, and since.

Mr. Miles: During 1889 Mr. O'Connor was chairman?

Mr. Deacon: Yes.

Mr. Miles: In preparing the balance-sheet for 1890 did you adopt the same plan in dealing with the accounts for the mine as shown in the balance-sheet for 1889?

Mr. Deacon: Yes, identically the same.

(At this stage the committee adjourned till 3 p.m.)

On resuming, Mr. J. R. Blair handed in a written statement to the committee, and said,—I was not a director when the steamer "Lawrence" was bought, nor was I a director when the balance-sheet challenged was produced; therefore I think it is necessary I should state something for myself. I think some of the other directors are in the same position.

Mr. Miles: I would point out that we are now investigating various charges. If we find any of the charges are substantiated we shall then have to individualise them and give those gentlemen to whom they attach an opportunity to reply.

Mr. Blair: I have taken my present course because I hold that I am entitled to take other proceedings, if I think fit. Assuming that some of the charges are correct, I am blamed for things that happened before I was on the directory, and I therefore consider that I am entitled to take what steps I think fit.

Mr. Miles: This is a voluntary inquiry between the shareholders and the committee, as was pointed out yesterday. Mr. O'Connor's statements may not be substantiated, but if they are, then would be the time to individualise them. Of course, while we are here we feel bound to consider any representations which may be made by those interested.

Mr. Allen: Mr. O'Connor has put in a few specific charges which I feel bound to answer by a statement, which I will put in before the close of the inquiry.

Mr. Macarthy: You addressed a question to me as to whether it was proposed that I should appear before you in defence of the whole of the directors, and I think I stated from the commencement that I did not intend to take up that position. I have appeared before you as chairman of the company, and not for the other directors. I feel justified in offering a general defence on behalf of the directors, leaving each individual director to take whatever steps he may think fit.

Mr. Macdonald: Is it your intention now to enter upon your statement and evidence? We have taken some evidence on the balance-sheets, and I think it would be more conducive to the proper handling of the inquiry if you were to take up such matters as are familiar to you, and give your explanations respecting Mr. O'Connor's statements and charges. The committee will leave you a perfectly free hand.

Mr. Macarthy: Before I commence I would like to know if you are satisfied by the evidence so far that we had sufficient authority under the directors' resolution, prior to these charges being made, to fix 10s. a ton as the price for coal at Mokihinui?

Mr. Macdonald: We cannot answer that offhand.

Mr. Macarthy: I am desirous of showing how the amounts were allocated.

Mr. Macdonald: We have it in evidence that in the year 1889 10s. a ton was credited to the mine in reference to nearly 2,000 tons of coal brought down by steamers, and that that price was regarded in the year 1889, when the accounts are not in dispute, as being a fair sum to credit the mine account for coal f.o.b. Mokihinui.

Mr. Macarthy: The price of coal at Mokihinui was fixed at a meeting of the directors of the company held on the 26th November, 1890, Mr. O'Connor being present, when it was resolved that 12s. 6d. be fixed as the price per ton for steam-coal delivered on board at Mokihinui, subject to a discount not to exceed 25 per cent. (See minute-book, folio 264.) I submit that that authoritatively fixes the price of coal during the time referred to in that balance-sheet. It is even less than 10s. a ton; it would be 9s. 4½d.

The Chairman: What I presume you contend for is this—that, the price of coal having been fixed by resolution of the board at practically 9s. 4½d. a ton, the directors, in giving the mine credit for 10s. a ton, were going a little beyond the price even that the board contemplated, and that they had a perfect right to take credit for any sum over and above 10s. a ton they might realise upon freight-charters and coal carried by the "Lawrence."

Mr. Macarthy: Certainly. We laid it down as principle that the steamers realised the profit, not the mine. I am under the impression that the charge made by Mr. O'Connor is that the balance-sheet is false and fraudulent, and calculated to mislead. It misleads no person. He has further said that it is cruel. It is cruel to him, because, no dividend having been paid, he was being prevented from realising on his shares, the principle having been laid down by the directors that no dividends should be paid, but that the profits should be devoted to writing off the liabilities on mine account. That is the principle which has been laid down in the balance-sheet, and which has been adopted and approved by the shareholders at the general meeting. In the preparation of a balance-sheet directors have to use a large amount of discretion, and so long as that discretion is used *bonâ fide* and in the interests of the company it is not open to a shareholder or director to challenge the mode of arranging the accounts, more particularly so if, as in this case, he was associated with the directors in arranging the accounts, had access to the accounts, and to whom it was open to suggest an improved system of book-keeping. There was nothing to show that Mr. O'Connor objected to the system of book-keeping, nor to the entries; he objected to the balance-sheet only as a whole, because he considered the mine, not the steamer, was entitled to the profit made. Mr. O'Connor directed particular attention to the requirements of Schedule A of the Companies Act. Section 81 says: "A balance-sheet shall be made out in every year and laid before the company in general meeting, and such balance-sheet shall contain a summary of the property and liabilities of the company, arranged under the heads appearing in the form annexed to this table, or as near thereto as circumstances admit." That clearly leaves the discretion in the hands of the directors. But the form given at the end of that schedule is not applicable to the circumstances of this company. I have not seen a balance-sheet in that form, and the several balance-sheets issued prior to this, for which Mr. O'Connor was responsible, are not in that form. They are similar to that challenged by Mr. O'Connor; therefore, it is not competent for Mr. O'Connor to object either to the balance-sheet or to the system of book-keeping. Had Mr. O'Connor consulted the auditors they would have explained to him that they were

following the form of previous balance-sheets. I have called the attention of the auditors to this matter, and here is their explanation:—

“DEAR SIR,—

Wellington, 18th November, 1892.

“In reply to your request for an explanation of the following item of assets in 1890 balance-sheet, viz., ‘Steamer “Lawrence,” plus expenditure, less freights, &c., £10,772 19s. 3d.,’ we find that in the year 1889 a separate account was not kept for ‘Lawrence’ working; it was therefore necessary to deduct freights from her capital account, and this was so expressed in the balance-sheet for that year. The following year a “Lawrence” working account’ was opened, in which her freights were separately dealt with. It, however, appears that the form of the 1889 balance-sheet was observed in the 1890 balance-sheet—the words ‘less freights’ should have had the additional words ‘for 1889,’ or should not have appeared in the 1890 balance-sheet. The question that you have drawn our attention to, although not strictly speaking incorrect in consequence of 1889 freights being deducted, may be designated as a literal error, but in no way affects the correctness of the figures in the balance-sheet or books of the company..

“Yours faithfully;”

“Jos. TOWNSEND, }
“A. S. CHAPMAN, } Auditors in 1890.

“T. G. Macarthy, Esq., Chairman Mokihinui Coal Company (Limited), Wellington.”

You will notice in the balance-sheet the item “Steamer ‘Lawrence,’ plus expenditure, less freights.” He attached considerable importance to this. Those were the words he used previously, with the exception of “less freights.” Had the words “less freights” been used for the year previous his objection would have fallen to the ground; so that had “less freights” not been added Mr. O’Conor would have been unable to take any objection to the balance-sheet. The auditors followed the previous wording. I think the auditors’ letter is a better explanation than I could give you of the words “less freights,” and you will see that the addition does not make the balance-sheet wilfully false and misleading. Another question to which Mr. O’Conor has directed your attention and spent considerable time over is in reference to the two cargoes—one to the “Lawrence” and one to the “Terranora.” Both these cargoes were delivered in the month of January, but the coal of which these cargoes consisted was mined and ready for delivery in December, and was charged in the accounts of the year. It is true they were not paid for, but in preparing our balance-sheet we considered that as directors it was competent for us to exercise discretion in that matter, and although we had not been actually paid for the coal in the year previous we had a right to include in the receipts for that year the value of the coal. That, as I have already submitted to you, is a matter wholly in the discretion of the directors, and I maintain that that discretion was exercised in the interests of the company. Had it been the intention of the directors to pay a dividend, possibly they would have had to look at the matter from a different aspect; but with the principle laid down before us that there was to be no dividend, and that the profits derived from the transactions of the year were to be applied to reducing the amounts standing against the mine, railway, plant, &c., I think we were quite justified in adopting that mode of procedure. The intention originally was to write the whole of the profit off, but that was afterwards altered because it was brought to our notice that there was a contingent liability on account of the “Hapuka.” Mr. O’Conor further says that the “Lawrence” has not been charged for her bunker-coal. I think that was explained this morning; but I may say again that there was no separate account kept for the “Lawrence’s” bunker-coal, but in the preparation of the balance-sheet we found that the amount allowed to the credit of the mine was more than the whole expenditure on mining account at Mokihinui for the year. The mine account, we considered, gave the mine full justice, and even more, and no ledger account was therefore kept of the coal consumed by the “Lawrence.” This objection was only raised since the issue of the circular. It was not advanced by Mr. O’Conor at the meeting of the shareholders; neither was it advanced by him at the directors’ meeting. I would submit to you, generally, that there is nothing either in the books or balance-sheet to support Mr. O’Conor’s charge that the balance-sheet is false or fraudulent. The utmost he can say from his point of view is that the wording of the entries is not technically accurate. I am speaking of the balance-sheet as a whole. The figures cannot be challenged. They are a summary, as they should be, of the balances shown by the ledger, and for every ledger account Mr. O’Conor is equally responsible with us. It might be as well that you regard the minute appropriating the £2,500 of profit and loss to the credit of railway, mine, and equipment. It surely will satisfy more than ordinary scruples as to the arrangement of the figures forming the balance-sheet—whether the steamers received too much profit or the mine too much. This is a resolution passed by a meeting of shareholders held on the 9th March, 1891: “The Chairman moved, and Mr. Brandon seconded, that the sum of £2,500 now standing to the credit of profit and loss account in the books of the company be transferred to the credit of railway and equipment, &c., with a view of writing down the mine, plant, account, &c.”

Mr. Macdonald: Was Mr. O’Conor present at that meeting?

Mr. Macarthy: He was present.

Mr. Macdonald: Did he object?

Mr. Macarthy: He did not object; there was no objection. Mr. Miles was present. The resolution I have just read was next following Mr. O’Conor’s amendment that the balance-sheet be referred back to the directors for correction. I may add that, as a further reason for that £2,500 being written off mine, plant, railway, equipment, &c., that from the incorporation of the company the whole of the expenses were carried forward from year to year as capital—that is, Mr. O’Conor’s salary and expenses of every description. Each year they swelled the amount of the balance-sheet, and, of course, on those property-tax had to be paid.

Mr. Miles: Do you specify any particular years with reference to the capitalisation of the expenditure?

Mr. Macarthy: From the incorporation of the company. There is a further memorandum I put in, in the shape of a document from Messrs. Johnston and Co., our agents, which will show that the whole profit on the sale of the cargo of the "Terranora" was brought into account for the year 1890, although rendered on the 9th January, 1891:—

The MOKIHINUI COAL COMPANY (LIMITED) in Account with JOHNSTON AND Co.		£		s.		d.	
<i>Cr.</i>							
By Coal ex "Terranora," p.s., to Lyttelton—228 tons 7 cwt. 1 qr. at £1 per ton ..	228	7	3	£	s.	d.	
To p.s. "Terranora," bunkers—53 tons at 10s. per ton	26	10	0				
							254 17 3
<i>Dr.</i>							
To Freights, Mokihinui to Lyttelton—228 tons 7 cwt. 1 qr. at 10s. per ton ..	114	3	7				
Commission—£228 7s. 3d. at 2½ per cent.	5	14	2				
Balance down	134	19	6				
							254 17 3
To balance							£134 19 6

E. & O.E.
Wellington, N.Z., 9th January, 1891.

(Signed) JOHNSTON AND Co.,
Per W. J. Hanlon.

I propose now to come to the question of the "Lawrence." Mr. O'Connor, in his circular, says, "It is well to remark that the unfortunate purchase of this boat was made against the advice and consent of the only representative the Westport shareholders had upon the board (Mr. O'Connor)." Now, in refutation to that statement I will refer you to the minutes of the directors' meeting held on the 18th July, 1889. Mr. O'Connor was chairman, and there were present Messrs. Allen, Joseph, and Seagar. It was resolved that a telegram be sent to Messrs. John See and Co., of Sydney, asking that the steamer be placed under offer for £6,000 for a fortnight. The confirmation of this resolution took place on the 13th August, thirteen days afterwards, Mr. O'Connor in the chair, when it was resolved that Mr. Charles Seagar be appointed agent to purchase the steamer "Lawrence" at Sydney or Newcastle for the sum of £5,500, subject to instructions. [See minutes.] I submit to you that Mr. O'Connor's statement that the steamer was bought against his advice and consent is absolutely false in the face of these two resolutions. This last resolution is followed by another, when it was resolved that the chairman (Mr. O'Connor) and Messrs. Macarthy and Joseph be appointed a committee to make arrangements with the bank for an overdraft for the purchase of the steamer. These were the two meetings at which I was not present. Mr. O'Connor was, and has done me the honour to state that I was present when he made use of those references to instructions. But the record will show that I was not present at either of these two meetings. On the 11th September, the chairman being Mr. O'Connor, the secretary was instructed to record on the minutes the purchase of the "Lawrence" from Messrs. John See and Co. for £5,500. This was followed by another resolution, that instructions be given to Mr. Seagar for the purchase of the "Lawrence" at Sydney. Mr. O'Connor was chairman at that meeting. The records show no dissent. I think the whole of these records show most distinctly that Mr. O'Connor did not dissent from the purchase of the steamer. Now we will go a little further. I will put in a letter to show you that for some time prior to the purchase of the "Lawrence" Mr. O'Connor was pressing on the directors the purchase of a steamer, as far back as 1887:—

"Sir,—

"Westport, 13th December, 1887.

"Having perused Mr. O'Connor's letter of the 22nd ultimo to you on the proposed purchase of a steamer, and his subsequent telegrams relative to the same subject and the coal-supply contracts with the New Zealand Government, we wish you at once to advise him that, considering the proposed steamer purchase and entering into coal-supply contracts as premature and injudicious in the present stage of the company's works and operations, we cannot support his action, and therefore desire to have our disapproval thereof properly recorded.

"Yours,

"W. J. RODGERSON.

"W. NAHR.

"J. F. Clark, Secretary Mokihinui Coal Company (Limited), Westport."

This will show you that two years previous to this Mr. O'Connor was pressing on the then directors the purchase of a steamer. You will recollect that Mr. O'Connor laid great stress on what he called his instructions from the board to Mr. Seagar. They are referred to in this circular. He goes the length of giving a copy. I may invite your attention to this fact: that he had a letter-book before him when he made this statement, but under the mode of procedure you laid down I was not allowed to question him. I was desirous of doing so because I think he was manufacturing evidence. In his public circular he gives a copy of what he terms his instructions signed by Messrs. Macarthy and Allen. He had to state, however, that the press copy did not contain my signature or Mr. Allen's. He gave you as a reason that I signed them and took them round to Mr. Allen before they were handed to Mr. Seagar. Of course, it would have been very important to see Mr. O'Connor's letter-book. I produce the original of the instructions handed to Mr. Seagar, which is as follows:—

"Draft memorandum of matters for agreement of directors in regard to the survey and purchase of the s.s. 'Lawrence': (1.) That the 'Lawrence' be subject to a thorough survey examination and test by Mr. Seagar and a nautical surveyor appointed by McGee and Newbegin, and approved of by them as up to her description, in good order and condition, sufficiently found in all requirements of gear and fittings, particularly under the followings heads: (2.) The boiler and engines to be of good serviceable type, and in thorough repair and working-order. (3.) The hull, fittings, ropes, anchors, and sails, as well as other gear, staunch, good, substantial, and equal to

the strain of a heavy coal trade in boisterous waters of New Zealand. (4.) The seagoing qualities to be good, and the steering-gear sufficient and reliable (she is reported as bad to steer). (5.) In regard to draft, she should trim when light to 7 ft. 6 in.—that is, with the ballast-tank full—and should carry at least 200 tons upon a draft of 8 ft., and when thus trimmed be in good trim for her work, and also carry her full load, 380 tons, upon a draft not to exceed safe limits (named at 10 ft. aft.) (6.) That the winch-power will be sufficient for quick despatch, and, if not, made good. (7.) The cattle-fastenings should be erected to show their completeness. (8.) The 'Lawrence' is reported weak in her hull, and having been injured when ashore, and that some of the plates both in the bottom and deck are much reduced by corroding. (9.) That if possible to modify the bargain the present owners should accept a deposit and deliver the steamer at a New Zealand port.—EUGENE O'CONNOR."

"P.S.—The s.s. 'Lawrence' is described as having special facilities for ventilation in the hold by forcing air thereto with engine-power: that is of importance.—E. O'C."

Mr. Macdonald: This is not signed either by Mr. Macarthy or Mr. Allen.

Mr. Macarthy: Mr. O'Connor might say the signatures have been removed. There is no doubt that it is his writing, but he stated that the copy in his letter-book was a press copy. Neither Mr. Allen nor myself signed these instructions.

Mr. Macdonald: What we understand you to say, Mr. Macarthy, in reference to this matter is that Mr. O'Connor's statement that the instructions to Mr. Seagar were signed by yourself and Mr. Allen—that is, the original instructions—is absolutely untrue, because you produce the original instructions, which do not contain the names or signatures of the directors as stated, but only the signature of Mr. O'Connor?

Mr. Macarthy: Certainly, I state that, and there is the proof. And there is no record in the books of those instructions having been given to Mr. Seagar.

Mr. Macdonald: Was Mr. O'Connor in the habit of keeping in his own private letter-box such matters?

Mr. Macarthy: I cannot tell you. His black bag contained many valuable records of the company.

Mr. Miles: Of course, as Mr. O'Connor is absent we cannot give him the opportunity of showing the copy in his letter-book. We are quite powerless.

Mr. Macarthy: I should have stated at the time, had I been allowed, that what he showed was not an exact copy of the instructions given to Mr. Seagar at the time. There are one or two other points I wish to call your attention to. Mr. O'Connor gave you an opinion of the value of the steamer as soon as she arrived here. My recollection of what Mr. O'Connor said was that the company had made a magnificent bargain; we were going to coin money. She was surveyed for the purpose of insurance, and this is the report, which goes to establish that Mr. Seagar made a good bargain on behalf of the company, as far as such a certificate can show: "I certify that I have carefully examined this steamer as far as practicable afloat. I find her appointments for cargo-carrying, on a light draft, are as good as can be, and it would be difficult to design a better adapted vessel for the Mokihinui trade. With ordinary care she is capable of working that bar and river, or any similar places, with safety. Since her original construction she has apparently been strengthened by the application of transverse and longitudinal girders, so that her structural stability seems to be efficient. Captain Leys has been appointed to the command—he is a well-known man of experience and skill in bar work. I have every confidence in recommending the vessel as a good risk for insurance.—WM. BENDALL, Surveyor.—Wellington, 7th September, 1889." I think you will also find in the statement that Mr. O'Connor says that Mr. Seagar disobeyed his instructions. This is the survey report given in Sydney:—

"SIR,—

"Union Street, Balmain, 17th August, 1889.

"Having carefully examined the s.s. 'Lawrence,' I beg to hand you the following report on the construction and the general condition of the vessel:—

"The hull is constructed of iron, is 160 ft. long, 28 ft. beam, and 8 ft. 6 in. deep. The frames are of 3 in. by 2½ in. by ¾ in. angle-iron, spaced 21 in. apart, with reverse angle-irons on every alternate frame extending round the turn of the bilge. The floors are 12 in. deep. The deck-beams are 5 in. by 3 in. by ½ in., one on each frame, with welded gusset-plates and four rivets in each end. The deck, bulwarks, and hatch-combings are of iron ⅝ in. plate; the bulwark-plates are fitted with half-round bars on each side, forming the top rail, and well stayed to deck. The hull is divided by five water-tight bulkheads, the forward compartment used as a ballast-tank. The fore hatch is 20 ft. by 8 ft., the after 20 ft. by 12 ft. The forecabin is raised above the main deck, affording accommodation for the ship's crew. The plating of the hull is of ⅝ in. plate; the bottom or keel plate is likely ¾ in. or ⅝ in.—being an inside plate, could not be measured. The appliances on deck for working ship consist of a patent windlass worked by a Mesinger chain from a double-purchase steam-winch on the fore part of main deck; a double-barrelled friction-winch for working cargo; a hot-air extracting-fan fitted to a ventilator in the after-end of main hold. On the bridge is fitted a steam steering-gear by Davis and Co., London. All these appliances are in good working-order, and supplied with steam from the main boiler as well as from the steam-winch boiler. The spars, derricks, running-gear, and sails are in fair order.

"The boilers: The main boiler is of the ordinary return tubular type, with three furnaces, 3 ft. 2½ in. inside diameter; the shell is 13 ft. diameter and 10 ft. long; the shell-plates, ¾ in.; furnace-plates, ¾ in. top and ½ in. bottom. This boiler is clean inside, and free from corrosion or pitting, and shows no signs of weakness in any part. The working-pressure is 80 lb. per square inch. The steam-winch boiler had steam up and could not be examined inside, but from appearances is in good condition, and of sufficient size to do the work required.

"The engines: Two pairs of direct-acting inverted compound surface-condensing engines, by

Hutson, Corbett, and Co., Kelvenhaugh Engine-works, Glasgow; the cylinders are $\frac{17 \text{ in. and } 31\frac{1}{2} \text{ in.}}{24 \text{ in.}}$ stroke; the engines are a very fair job, and are in good working-order. The donkey in the engine-room is fitted to pump out the ballast-tank forward and all the other compartments; it is a good job, and is in good working-order.

"Trial under steam: The vessel under steam covered the measured knot in 5 minutes 52 seconds, equal to a speed of 10.227 knots per hour. During the trial the boiler supplied steam up to the working-pressure, the engines running 112 revolutions, steam 80 lb., vacuum $26\frac{1}{2}$ and 27.

"General remarks: The vessel is in very fair condition, and the workmanship is good all through.

"The repairs I noted as required: There are some forty to fifty bad rivets in the bottom of the fore-compartment or ballast-tank: they ought to be renewed. The after-compartment, over the stern tubes, is rusting from constant damp: I would recommend that it be coated all over with cement. The propeller-shaft on the port side is wasting at the fore end of the after brass liner: I do not think it requires to be shifted at once, but the usual means used to stop further decay. With these defects made good, the vessel would be in good working-order.

"I am, &c.,

"E. Seagar, Esq."

"PETER HUNTER, Engineer Surveyor.

I also put in the letter-book, folio 182, showing letter to Messrs. Newbegin and McGee, two of the company's shareholders in Melbourne.

"DEAR SIRS,—

"5th August, 1889.

"The time having now arrived when our company requires to have a steamer, our directors have, after considering several offers, agreed to take the s.s. 'Lawrence,' owned by Messrs. John See and Co., of Sydney, for £5,500, subject to her being true to description, and to the report of our surveyor as to condition, which is represented as thoroughly good.

"We have also decided to ask you to name a competent nautical surveyor, being also a trustworthy person, to be associated with Mr. Seagar, who is one of our directors, and who proceeds by the 'Ringarooma' to Sydney to-morrow. He will first examine the vessel, and, unless he disapproves of her at first sight, will then proceed with the survey. When you decide upon the person whom you will select, please ascertain his willingness to act, fee payable, and wire to Charles Seagar, Sydney. As a matter of course, the nautical surveyor will test and examine the hull, machinery, and boiler; see that the boat is well found, ready for sea, and everything in good repair and working-order; fittings and gear complete, sufficient for coal trade; cattle-fittings and ventilation for the hold also complete.

"I enclose herewith particulars of her description, and will not apologize for troubling you, as both have expressed the wish to assist our company in the manner now asked. The directors appreciate the offer very highly, and rely much upon the opportunity that Mr. Newbegin will have of selecting a thoroughly reliable person. I am pleased to add that our land works are in a very good state, the River Mokihinui much improved by Government dredging, and that we have an excellent prospect of railway connection with Westport, the Government having undertaken to provide for the work this session.

"With best wishes and kind regards,

"I am, &c.,

"EUGENE O'CONNOR, Chairman.

"Messrs. E. Newbegin and J. McGee, Melbourne."

There was a statement made by Mr. O'Connor that Mr. Seagar bought the vessel without, I may say, the approbation of Messrs. Newbegin and McGee. I will give you an extract from their letter to the company, dated the 19th August, 1889: "I may add that Mr. McLean, the Engineer Surveyor for the Marine Board here, told me if you got her for that price [£5,500] you would get a bargain. I think I may congratulate you on having sent a good man of business here in the person of Mr. Seagar, and he has carried it out with energy. It was a pity he had not a letter of credit instead of having to wait till the cable is repaired. I have sent a note to-night to Mr. Snelson explaining the turn affairs have taken, and telling him his services will not now be required *re* survey of s.s. 'Lawrence.' I think I have now fully answered your letter, and done all it was in my power to do for your company. I will not make any charge for the trouble and expense I have been put to. You can put it down to my wish to contribute towards the success of the Mokihinui Coal Company. I almost forgot to mention that both Mr. McGee and myself think we ought to get scrip issued to us paid up to 12s. 6d. per share now that all our payments are made, which we trust you have received all right. I shall always be glad to hear of the success of your company, and believe you have made a step in the right direction in the selection of the s.s. 'Lawrence.' Keep her well insured and run no risks." That is the opinion of gentlemen who were shareholders of the company, and derived no benefit from her sale. I submit that the records and documents clearly establish that Mr. O'Connor did not object to the purchase of the steamer. Nor did he show any objection until the steamer had been employed some time in the trade. The purchase of that steamer "Lawrence," and the money that was lost by her, is the buttress on which this company's troubles have rested. Mr. O'Connor's idea was that he was the proper man to go to Melbourne, but at the time we knew more of Mr. O'Connor, and I think we were justified in selecting Mr. Seagar in preference. An examination of the Wellington Marine Underwriters' surveyor's report will show that Captain Bendall classed her as good, and valued her at £5,000 for insurance purpose.

Mr. Macdonald: Does Mr. Seagar report who this Mr. Peter Hunter is who signs the Sydney report?

Mr. Macarthy: He is the person who made the survey on behalf of this company, and we know that Mr. Hunter is one of the oldest and most capable marine engineers in the Australian

Colonies. We will produce a certificate to that effect from a responsible person known in this city.

Mr. Macdonald: Did Mr. Seagar consider him a competent man?

Mr. Macarthy: Yes, or he would not have employed him. I apprehend that the whole of Mr. O'Connor's statements are not entitled to the slightest credence, for on the crucial point of the instructions he has made a statement to the committee contrary to facts. It is hard to have to make such a statement, but he is evidently prepared to go any length. He apparently did not know that these documents were in existence. I am not sure whether Mr. O'Connor makes any reference to the running of the "Lawrence" in his statement here, but he does in his circular. He states that the "Lawrence" was run by the directors during the labour troubles at very great disadvantage and at very great risk. Here are the minutes of a meeting of directors held on the 2nd September, 1890, where it is proposed by Mr. O'Connor, seconded by Mr. Roskruge, that an informal meeting of shareholders be called to authorise the directors to run the "Lawrence," and resume operations at the mine at Mokihinui. That informal meeting was held on the 3rd September. Twenty shareholders were present, including Mr. O'Connor. It was proposed by Mr. O'Connor, seconded by the Hon. Randall Johnson, that the directors be authorised to make the best arrangements they could to work the "Lawrence" in the interests of the company, and that the shareholders give an indemnity to the directors for doing so. [A deed of indemnity was here put in, signed by three-fourths of the shareholders.] You will find further that on Tuesday, 18th November, Mr. O'Connor, being a director, handed in a list of the Westport shareholders who had signed an agreement authorising the running of the steamer "Lawrence." A further resolution at the same meeting is standing in the name of Mr. O'Connor, where it is proposed that, in consequence of the excessive rate charged for insurance of bar risk at Mokihinui, the insurance on this head be discontinued. This motion, not being seconded, lapsed. As a fact, when the steamer was lost she was insured for her full insurable value, £2,000. That was the highest amount we could get on her for a bar risk. For the ocean risk I think we had £5,000. I do not know that I am following the sequence of Mr. O'Connor's statement; I am taking the circular. The next item refers to Messrs. Johnston and Co.'s commission. I produce a copy of agreement, signed by Mr. O'Connor, between the company and Messrs. Johnston and Co. [Agreement produced.] Mr. O'Connor's charge is this: that Messrs. Johnston and Co. received as commission $2\frac{1}{2}$ per cent. in place of 1 per cent. I think he also said that the mine was kept at work to enable Messrs. Johnston and Co. to earn their commission. Here is a statement furnished by Messrs. Johnston and Co. of the whole of the transactions. Examination will show that a material portion of it is 1 per cent., not $2\frac{1}{2}$ per cent., as Mr. O'Connor states. In some cases $2\frac{1}{2}$ was charged, but they were for ordinary sales and sales of coal which took place outside the scope of the agreement. For these Johnston and Co. charged $2\frac{1}{2}$ per cent., except on contracts, which were charged 1 per cent. My limited knowledge of commission on transactions of this kind justifies me in stating that had Johnston and Co. charged 5 per cent. they would have charged the usual rate—that is, for sales of the coal and collection of the money. Their highest rate is $2\frac{1}{2}$. This account was discussed by the directors (Mr. Gale not being on the board), by myself and Mr. Roskruge particularly, and the conclusion that we came to was that Messrs. Johnston and Co. could have charged a higher amount for sales outside the scope of the agreement. Looking at the circumstances, and at the times when the sales were made (not then contemplated), and also looking at the fact that Johnston and Co. might have made some of the charges heavier than they were, we thought it better to leave the account as it stood. There was another reason. There is a guarantee that the amount to be received from the company should reach a certain sum. That amount has not been reached, nor did it appear likely that it would be reached. Mr. O'Connor was very anxious to know before he left this room whether there was any possibility of Messrs. Johnston and Co.'s claim reaching a higher amount than had been reached on these sales; and he also stated that they received $2\frac{1}{2}$ per cent. on all sales of coal from Greymouth. When I mentioned that Mr. Roskruge and myself had come to the conclusion that Johnston and Co.'s charges on the whole were not excessive, I should have added that we attached considerable importance to this fact: that through Messrs. Johnston and Co.'s business connections in Wellington we were able to sell to the Shipping Company some 1,200 or 1,400 tons of coal at very remunerative prices—some as high as £2. This was simply for coal-dust, and was a transaction which resulted in very large profit to the company. I have asked the attention of Messrs. Johnston and Co. to the other charges made by Mr. O'Connor, and they have furnished me with a memorandum on the subject, which shows the complete inaccuracy of Mr. O'Connor's statements. I invite the attention of the committee to a perusal of this memorandum. While I have Messrs. Johnston and Co.'s name before me, I may as well call your attention to the statement Mr. O'Connor made in reference to Mr. Gale having been elected a director in the interests of Messrs. Johnston and Co. The shareholders elected Mr. Gale on the understanding that he would resign if the Westport shareholders wished to elect a Wellington director. No such nomination has ever been made. If they had had any objection to Mr. Gale they could have nominated some one else in Wellington, which they have not done.

Mr. Miles: Would you say something about the charges for bunker coal? Mr. O'Connor seemed to think that no commission should have been charged for bunker coal.

Mr. Macarthy: These sales of bunker coal were for the "Terranora" or the "Queen of the South," not for the "Lawrence." The sales were made and the money collected by Messrs. Johnston and Co. here. There are business ramifications in reference to these which cannot be exposed; but I have no hesitation in saying that we could not have earned a penny of that money from the sales to the "Terranora" and the Shipping Company had it not been for Messrs. Johnston and Co. The commission on bunker coal was not for the "Lawrence," but for the steamer "Terranora."

Mr. Miles: That is to say, they had to buy coal for the use of their own steamer?

Mr. Macarthy: Quite so. We sold the coal for 15s. a ton as long as we could, and then had to charge them 10s.

Mr. Miles: Johnston and Co., as agents, sold the steamers this coal?

Mr. Macarthy: Yes. Mr. O'Connor then goes on to refer to myself, but I shall pass that by. He says Mr. Barton is a sheep-farmer. I may say he is a large shareholder as well as an engineer; and I propose to put before you some plans of Mr. Barton's work and compare his work with O'Connor's. Mr. O'Connor states Mr. Sloan resides in Invercargill, but in that he has simply confused two persons. He makes some insinuations about Mr. Gale, to which I answer that Mr. Gale was elected by the shareholders, and Mr. Allen was elected on the nomination of Mr. O'Connor. I come now to the question of Mr. Blair, and I say that he was placed on the directory by Mr. O'Connor; the minutes of the company establish that. At the time Mr. O'Connor induced Mr. Blair to join the directory the account between the company and his firm was opened, and it does not amount to much. I may also state that so far Mr. Blair has not received any fees as a director. Mr. O'Connor opened the account himself at Mr. Blair's. We now come to Mr. O'Connor's charge that the articles and memorandum of association have been altered against the wish of the Westport shareholders. Why not, if three-fourths of the shareholders considered it necessary in the interests of the company that they should be altered? If Mr. O'Connor had adopted the usual course he would have gone to a solicitor and had the original memorandum and articles drawn; but, being impressed that he was himself as good as a lawyer, the business of the company was started with that defective memorandum. We may lay it down as a principle that a memorandum of association expresses no more than its words contain, but neither can it be considered that it implies more than is expressed by its words. It is absolutely impossible to alter them without conforming to the Companies Act, which provides that amendments must be confirmed by a subsequent meeting at which every shareholder has had an opportunity of expressing an opinion on them. The old memorandum was the cause of considerable trouble, and seriously delayed the operations of the company, and was consequently a source of great expense. What I want to convey to you is this: We can see from what has already transpired that the directors found that the old memorandum and articles were insufficient for carrying on the business of the company, and the shareholders supported their view by adopting the new memorandum and articles. That view was confirmed by a subsequent meeting; therefore it was the hand of the shareholders which was responsible, and we need not waste your time by asking you to discuss the large amount of matter which Mr. O'Connor has introduced respecting them. I say that a man who is capable of bringing this forward for the purpose of discrediting the directors is entirely untrustworthy. There is yet another matter in this connection. You probably know Mr. O'Connor's handwriting. Here are schedules in his handwriting containing the very powers he says ought not to be conferred upon the directors. [A draft memorandum and articles of association, with corrections in Mr. O'Connor's writing, were here put in.] The minutes referring to the alterations in the memorandum and articles will be found on folios 182, 185, and 187. He is, I imagine, in the same position with regard to the memorandum and articles of association as he stood in with regard to the purchase of the "Lawrence." Mr. O'Connor states that the hull of the "Lawrence" could have been floated for between £2,000 and £3,000. Mr. O'Connor ignores the fact that the "Lawrence" was insured; and I need not tell you, gentlemen, that the vessel was lost, and that we had reason to believe that the loss was total. The question presenting itself to our mind was, Shall we throw her on the hands of the underwriters and secure our £2,000, or shall we endeavour to recover her and run her again? We decided that the £2,000 was better for the company than the wreck, under the circumstances. As a result the "Lawrence" was abandoned to the underwriters, and the insurance companies sold her at auction. From the time of the wreck until the sale Captain Leys did what he could to secure everything from the vessel. We purchased the wreck and secured material for the mine worth more than double what we gave for the wreck. At that time the hull had broken in two, and the two pieces were 100 yards apart. Mr. O'Connor has given an opinion that when purchased she was structurally weak, and so forth, but when she was wrecked he took up a different position, for he said that for an outlay of £2,000 or £3,000 he could have made her as good as a vessel worth £10,000, and gives us the opinion of Mr. McIsack; but his opinion carried little weight with us, inasmuch as we had been compelled on a previous occasion to expend nearly £5,000 where he had estimated £2,000 would have been sufficient. We sent Mr. Edward Seagar, and his report is furnished in the directors' circular. In consequence of Mr. O'Connor's assistance and interest displayed in putting before the directors the expediency of having the two ends put together, a letter was written offering him £2,500 if he could get anybody to do the work for that. He called that an impertinent letter, because it struck at the root of the matter. I submit that the directors acted entirely in the interests of the company in the course they took with regard to the "Lawrence." A further statement was made that there was no survey—no inquiry. I cannot bring Captain Leys forward, but will put in a letter from him showing that there was an inquiry by the Collector of Customs and the Chief Harbourmaster at Westport, when the signalman at Mokihinui and the master and crew of the "Lawrence" were examined. The letter is as follows:—

"DEAR SIR,—

"Wellington, 24th September, 1892.

"I beg to state for your information that an inquiry into the loss of the s.s. 'Lawrence' was held at the Customhouse, Westport, before the Collector of Customs and the Chief Harbourmaster. The following persons were examined: J. Leys, master; W. Conway, chief mate; G. W. Ross, chief engineer; C. Robertson, lamp-trimmer; G. Johnston, leadsmen; Peter Cornelison, signalman, Mokihinui.

"T. G. Macarthy, Esq."

"I remain, &c.,

"JAMES LEYS.

Mr. O'Connor has evidently hazarded a statement without taking the trouble to find out whether it was correct or not; but as it reflected upon the directors it evidently answered

his purpose. Mr. Straw, the mine-manager, is here, and he will probably give some information as to the position of the wreck. Now, with reference to the office expenditure: Two or three statements were made by Mr. O'Connor as to the office expenditure here and at Mokihinui. I think he has stated that the amount for office expenditure at Mokihinui was £400 per year, and in Wellington £300. Dealing first with Mokihinui, I say there was no office. The company are engaged in working a coal-mine, and the Act requires a qualified manager, and a deputy also. These two constitute the management there—not the clerical staff, but having control over the company's mine at Mokihinui. Mr. O'Connor was there when the manager was engaged, and there is no other office expenditure at Mokihinui. In Wellington Mr. Deacon's salary is £100 a year, which includes office-rent. A considerable portion of the office expenditure during the last year was incurred in connection with the amended memorandum and articles of association. You have it in evidence that Mr. O'Connor has not disputed that during the time he was acting as secretary, manager, and engineer he received £1,461 6s. 10d. His salary was £300 a year and travelling-expenses. The following are the amounts received by Mr. E. J. O'Connor from the Mokihinui Coal Company (Limited): "Year 1885, £28 14s. 6d.; 1886, £231 15s. 3d.; 1887, £401 10s. 3d.; 1888, £431 5s. 4d.; 1889, £368 1s. 6d.: total, £1,461 6s. 10d.—Wellington, 3rd February, 1891." I do not know whether Mr. O'Connor's expenses in Melbourne were included in that £1,400 odd. I might point out to you the mode in which his salary was voted one year by the manufacturing of shareholders in Westport. Here is a letter dated 31st January, 1889, addressed to Mr. Wright, secretary of the Mokihinui Company, by Mr. O'Connor: "In regard to the meeting to be held on the 6th, you will please consult with Messrs. Rodgeron and Colvin, so that notice shall be sent to distant shareholders that as there is no possibility of my returning in time for it, that it will not be held on the 6th, but upon that day week, at the same time and place, under clause 38 of the articles. You will require also to look out for the attendance, and if necessary make some shareholders to enable us to hold the meeting," &c.

(At this stage the inquiry was adjourned till 7.30 p.m. The inquiry was resumed at 7.30 p.m.)

Mr. Macarthy: I called your attention to a clause in Mr. O'Connor's letter of the 31st January, 1889, instructing the secretary to make shareholders to attend a general meeting. I now put it in the minute-book. The meeting was held on the 13th February, 1889, and in the book it is headed "Minutes of adjourned meeting under clause 13 of the articles of association." In the list of those present appear the names of six which are in the register I now produce. [Company's register put in.] The names are Messrs. McMahan, S. Taylor, J. J. Moynihan, P. Kelly, James O'Connor, and C. Wright. At that meeting, among other business, it was proposed by Mr. Greenland, and seconded by Mr. Colvin, "That the remuneration of the directors and managing director be authorised upon the same scale as last year. Carried."

Mr. Macdonald: How many shareholders were present at that meeting?

Mr. Macarthy: Nineteen.

Mr. Macdonald: How many comprised a quorum under the articles?

Mr. Macarthy: I think, twenty.

Mr. Macdonald: You cannot tell whether that was a correct quorum or not?

Mr. Macarthy: No. Still, for our purpose we may call it a quorum. I simply instance it to show the system adopted at Westport.

Mr. Macdonald: Are these gentlemen still possessed of their shares?

Mr. Macarthy: I produce the share register to show that the whole of these shares have been retransferred to Mr. O'Connor with the exception of one, who, Mr. O'Connor says, has died. He has asked the Board to retransfer that, and it will not. The transfers are dated 13th February, 1889, the date of the meeting. The retransfer to Mr. O'Connor took place during last year, in July and August, 1891, Mr. O'Connor having in the meantime paid the calls on the shares.

Mr. Macdonald: You have the old minute-book there?

Mr. Macarthy: I have, sir.

Mr. Macdonald: Is there any record of these transfers being authorised by the directors at Westport?

Mr. Macarthy: There is no record in the minutes of the special meeting on the 30th January, 1889, nor at the meetings held on the 1st February, 6th February, and 8th February.

Mr. Macdonald: Then there is absolutely no record of the directors having authorised the transfer of these shares?

Mr. Macarthy: None, sir.

Mr. Macdonald: The transfers appear to have been manufactured for that meeting by transfers from Mr. O'Connor.

Mr. Macarthy: I put the letter in to show that it was an instruction from Mr. O'Connor, the managing director, to Mr. Wright, the secretary. I now refer to Mr. O'Connor's circular of the 4th August, 1892, at page 3, where he speaks of the railway-trucks. He says: "When the work was proceeding at Westport under my supervision I received a resolution from the directors forbidding the expenditure then under contract, and I went on with the work at my own risk. The trucks were tried, and the manager reported that they were excellent. A number of truck-bodies were afterwards built, but ignorance and personal opposition to me prevented my obtaining a supply of suitable wheels, although after Mr. Higginson reported, all the directors except Mr. Allen withdrew opposition. At the time of the coal famine truck-bodies were on hand, but wheels, axles, and bearings were very short. I had been pressed to purchase some condemned wheels and axles belonging to the Manawatu Company. I inspected and declared them useless for the purpose; but Mr. Barton purchased and sent them to Mokihinui, also a quantity of bearings of the wrong size. The manager found the lot useless, and they have lain by the river-side ever since, notwithstanding various ridiculous experiments tried under Mr. Barton's instructions to utilise them." There is a serious reflection upon Mr. Barton here, and I propose to place before you a duplicate invoice of

these wheels and axles and pedestals referred to by Mr. O'Connor. At the time it was perfectly true that we required these things almost at a day's notice, and Mr. Barton and myself were authorised to endeavour to obtain them. I need hardly explain that, as far as the Manawatu Railway Company is concerned, I do not interfere in matters of that kind. I referred Mr. Barton to Mr. Fulton, and Mr. Barton purchased the wheels, &c., mentioned in the account of the Manawatu Railway Company. In reply to Mr. O'Connor's statement that the wheels were useless, I have to say that four sets of these wheels and axles have been put on, and have been in use ever since, and the pedestals have been used up. So far as the value is concerned, at the time wheels and axles of that character would cost £12 here. They were condemned by the Manawatu Railway Company not because they were useless, but because, being too deep in the flange for the Government railway, they injured the line, and the company thought it better to replace them with wheels of a lighter character. The pedestals as old iron were worth £3 10s. a ton, and were sold for use at Mokihinui for £4 per ton. What can be Mr. O'Connor's motive for making a statement of that kind is not easy to see unless it is simply to prejudice Mr. Barton in the minds of the shareholders. I think I can produce no better evidence than that of Mr. Straw's on the subject. I put in the voucher showing the amount expended for these wheels and pedestals. Any one reading Mr. O'Connor's remarks would think we had spent hundreds of pounds over these things. [Voucher put in showing payment for £26 : six pairs wheels and axles at £4, and half ton pedestals, £2; total, £26.]

Mr. Barton: When it was decided to resume work at Mokihinui, I was asked by the directors to go down there to see that the manager had everything he required. I found at Westport that there was a lot of plant and a number of pedestals that were too small and did not fit. The wheels on the line were completely worn out and could not run the trucks. The "Lawrence" at that time was taking away about 300 tons a trip, for which our company was receiving about £600. The condition of the wheels at the mine was such that they might give way at any time, and as a stoppage of one day to the boat meant a heavy loss, we thought it desirable to have wheels ready to take their places; and as the cost of these wheels was only a matter of £26, and one day's loss of time to the boat was probably £100, we thought we were perfectly justified in buying them and making the alteration in the truck, the fitting-on only taking a few hours. I may add that these wheels are what are known as Whitney's cast-steel wheels, and they are guaranteed by the makers to run from 50,000 to 100,000 miles without repair. The pedestals were purchased at the same time, for the reason that we had none at the mine to fit.

Mr. Macarthy: I now proceed to another paragraph in Mr. O'Connor's circular. He says: "Latterly my intervention was asked by the chairman, and I found that Mr. Barton very nearly let the company in for an amount not under £1,000. With all respect to Mr. Barton, he should remember that he is a director, and that we have a paid servant to do this work,"—whatever that may mean. That paragraph is calculated to reflect very seriously upon Mr. Barton. Two miles of railway were constructed without legal authority at the time Mr. O'Connor was managing director and engineer and secretary. He was also chairman of the Buller County Council. Under these circumstances he thought himself perfectly justified in appropriating a county road for the purpose of the railway. This was a matter on which we had no information until some time after Mr. O'Connor's departure from New Zealand. A deputation came to Wellington to interview the authorities here. The County Chairman was an old acquaintance of mine on the West Coast, and he expressed to me his surprise that we had not done something to meet the claims of the Buller County Council for a road in place of that taken by Mr. O'Connor. He explained to me that they had a 4 ft. track on which the rails had been laid by Mr. O'Connor. Of course he had to widen it, at the same time making another foot-track, although a very imperfect one, outside the line of railway. I went into the matter with the County Chairman, and it occurred to me at once that the Buller County Council had a very serious claim on this company, and that we were bound to provide a road-base, not a 4 ft. track, on the one side, with the railway on the other. Mr. Barton was good enough to go and see the Council, and they put so much before him that we saw that we had to meet them. At that time the Buller County Council did not know that we had no title to that two miles of railway, but I am under the impression that when the deputation waited upon the Minister here he acquainted them with that fact, and that he promised to see that the company did what was right in the matter. I produce Mr. Barton's report of his interview with the County Chairman. [Report put in.] To show you that at the time of the construction of these two miles of railway Mr. O'Connor was warned of what would be required to be done, I produce a letter from Mr. C. Y. O'Connor, Under-Secretary for Public Works, of the 20th January, 1886, in which, among other things, he writes: "I am further directed to state that, before assent as aforesaid can be given to the construction of the railway, it will be necessary for the company to procure the certificate of Mr. Martin, District Engineer at Westport, to the effect that wherever the line of railway has interfered with the existing line of road, between Mokihinui and the company's coal lease, a fresh road has been constructed of equal width and having as good grades as on original road, before it was interfered with by the railway." The contention of the department is that this was never done, and therefore the Order in Council authorising the company to make and use the railway in terms of the Westland and Nelson Coalfields Administration Act was never issued, and consequently we are beholden to the Buller County Council for that piece of road. I produce the Act, section 21 of which gives the operative words "making and using." [Copy of Act put in.] I believe we may accept as a fact that the plans and specifications and all necessary applications were made to the Government for authority to construct this railway—that is, for the first two miles. There is a *Gazette* notice reserving the land required for railway purposes, but the Order in Council authorising us to make and use was never gazetted. Therefore, when the Buller County Council addressed me on the subject, although by conversation first, I realised that we were in an awkward position, and Mr. Barton was good

enough to go to Westport and inquire into the matter. As a result, we recommended that certain work should be done, which did not satisfy the County Council, and a lengthy correspondence ensued, with a result that we made an agreement to do certain work. The work we agreed to do has to be done, because during last session we managed to secure the passing of an amendment to the Westland and Nelson Coalfields Administration Act, and one clause of that Act, and one which is imperatively binding on the company, is that the work required by the County Council has to be done to the satisfaction of the Engineer-in-Chief of the colony before our title is perfected to the two miles of railway. (See section 3, amended Act.) The latter part was put in, I presume, to protect the Government in case the company were to make a claim upon them for the non-issue of the Order in Council. The agreement and plans accompanying it are now in the hands of the Minister for Public Works, and, as you see, we cannot validate our title to these two miles of railway until we have completed that agreement. That is the piece of work Mr. O'Connor refers to when he states that Mr. Barton nearly let the company in for £1,000; and I think it will be found that it was Mr. O'Connor who let the company in, and not Mr. Barton. A close investigation of this question would involve a day in itself. All the negotiations on the part of the company were to endeavour to give the County Councils as little as possible, while they were endeavouring to obtain as much as possible. We have attained a reasonable compromise, and that we are prepared to carry out. There is no question about the meaning of the section of the Act, and the explanation I put before you is that the statement by Mr. O'Connor about Mr. Barton nearly letting the company in is wholly unjustifiable. On page 4 of this circular Mr. O'Connor quotes a minute to the effect that the solicitor's opinion be taken as to the power of doing away with the position of managing director, and adds that he could not continue in a subordinate position to Messrs. Allen, Joseph, and Seagar, and that the "Lawrence" transaction sank deeply in his mind. It is perfectly true that we took the opinion of the company's solicitor, and it is entered in the minute-book of the 28th October, 1889. Mr. Brandon's opinion is that the appointment of a managing director at a salary is inconsistent with the articles of association, and therefore *ultra vires* until the articles are altered by special resolution. It is questionable whether Mr. O'Connor, by accepting the office of managing director at a salary, has not become disqualified as a director under clause 57 of Table A. It appears, however, from the minutes that he was appointed by the board of directors on the 15th March, 1889, and it is therefore undoubtedly competent for the directors to displace him. Had Mr. O'Connor been appointed by general meeting it would still be competent for the directors to remove him under the general powers given to them by clause 54 of Table A. Under those circumstances Mr. O'Connor has no right to claim that we have any animus in removing him from the position of managing director. I was not present when Mr. O'Connor was making his statement with respect to the honorarium to directors of £105. It is referred to in this circular. That £105 was voted by resolution at a general meeting to be apportioned to the directors. It followed when we had a profit of £3,000 to show. I have been informed that Mr. O'Connor made a reflection on me for giving a receipt for that amount. I did give the receipt, and I think I was the proper person to do so. He states that we ignored the claims of our late colleagues. That is not the case. He made references of an unpleasant nature, and said he would go to the Supreme Court; and I said he could go to the Supreme Court. When he asks in a proper manner he will find the other directors are quite prepared to meet him; but up to the present time we have nothing but his threat of going into the Supreme Court.

Mr. Macdonald: Do I understand you to say this: that the sum of £105 voted by the meeting of shareholders has been drawn in accordance with the voucher produced, that the receipt for the money has been given by yourself as chairman of the board, and that the amount is held in trust by two directors pending a meeting of directors interested in the question to decide how they are to allocate the money?

Mr. Macarthy: Yes, sir. Mr. O'Connor applied to me for his share, and threatened to go to the Supreme Court, and I told him to go there. He should have called a meeting of the directors himself. The sum was voted at the annual meeting on the 9th March, 1891, on the motion of Mr. Gale, seconded by Mr. Travers, to be apportioned among the directors for their services during the past year. Nothing of the kind has been done as to dividing it amongst themselves.

Mr. Macdonald: It is, of course, for the directors to decide how the sum is to be apportioned?

Mr. Macarthy: Perhaps Mr. O'Connor would advance that if he were to go to the Supreme Court.

Mr. Miles: I understood you to say that the amount was drawn by voucher in your name?

Mr. Macarthy: Yes, sir.

Mr. Miles: It was not drawn by the directors?

Mr. Macarthy: No.

Mr. Miles: It is in trust yet to be dealt with?

Mr. Macarthy: Yes.

Mr. Miles: And any gentlemen who were then on the board of directors who have any claim to it are still in the position to get their claim satisfied?

Mr. Macarthy: When there is a meeting of directors to apportion it. I would not give that explanation to Mr. O'Connor at the time, because he was so bounceable, and I left him to his remedy.

Mr. Miles: The amount is virtually lying idle until proper steps are taken by the directors for its division?

Mr. Macarthy: Yes. On page 5 of his circular Mr. O'Connor says the statement of the directors is audacious, that "they do not intend calling up the whole capital of the company," when it is known that they have already done so. 2s. 6d. per share is the uncalled capital on 42,400 shares. The other paragraph simply shows Mr. O'Connor's ignorance of the position

of the company—it is mere guesswork. Now, I will take up another phase of the company's business, showing what has been done from the incorporation of the company. It may be called the history of the Mokihinui Coal Company. This is the minute-book of the company some time prior to its incorporation. It is headed at page 1, "Minutes of the Mokihinui Coal Claim." A number of gentlemen were present, including Mr. O'Connor. The meeting was held on the 17th March, 1883. On the 6th April, 1886, a resolution was adopted that the rent of the office and salary of the secretary be £1 per week from this date; and in confirmation of my statement that when he differed from his co-directors he always took care to have it recorded, here is an entry that £58 be passed for payment, and "Mr. O'Connor protested against this as an overcharge." That appears on the minutes of the 6th July, 1885. I would ask you in looking at that book to say whether the articles of association had been adopted, how the men became shareholders, and how the shares were appropriated. There is a series of names which I will not mention as Mr. O'Connor's partners, but as his associates or partners in business. The first is that of Mr. Dolphin. "The report of the managing director having been read, the secretary was instructed to write to him requesting him not to mix up Mr. Dolphin's business with that of the company." Mr. Dolphin at that time was a storekeeper, and, as his vouchers will come before you, I dare say you will take some notice of them. There is another resolution, of the 8th December, "that the directors guarantee the bankers £1,200 by way of overdraft to the company until April next." I point out this to show that in the very early days of the company there was a fair amount of financing. On the 8th February, 1886, we have the records of a general meeting of the shareholders. "Mr. Horne proposed, 'That the directors be authorised to appoint one of themselves at a salary of £300 per annum as managing director, and that Mr. O'Connor be offered £200 for his past services in that capacity.'" Mr. O'Connor suggested that the amount of salary as mentioned in the foregoing proposition be altered to £200, and the sum to himself be £100.—Carried. At a meeting of directors held on the 10th February, 1886, Mr. O'Connor was appointed chairman and managing director for the ensuing year. That is the first record we have of his appointment as managing director and the apportionment of a salary to him. Reference to the articles of association and Mr. Brandon's opinion will show that this appointment was *ultra vires*. Coming to the proceedings of the annual meeting on the 7th February, 1887, we find a record, "That the directors be empowered to appoint one of their number managing director." There is no record of the appointment, and the fact that Mr. O'Connor had acted as managing director for the previous year cannot be held, I take it, that he necessarily held the appointment for the year succeeding; and I say that the auditors, in passing the vouchers for his salary, should have seen that there was some authority for the appointment when passing the voucher for salary. There is none in the minute-book. There was another meeting nine days after, when the following amounts passed for payment. [This entry appears: "Directors' fees up to date, inclusive, £*."] The next resolution authorises Mr. O'Connor to embark on what I may call his first marauding expedition: "That the managing director be authorised to issue new shares, the rate of brokerage not to exceed 10 per cent." Under that resolution, I believe, some of the Wellington shareholders and a few others are indebted for their connection with the company. On the 13th January, 1887, it was resolved that Mr. Charles Greenland and Mr. Miller be auditors for the ensuing year, at a fee of four guineas, and from that date we find Mr. Greenland's name figures very frequently in the minute-book of the company. On the 8th April, 1887, the directors are instructed to open negotiations for the issue of debentures to an amount not exceeding £8,000. On the 3rd October it is proposed that the chairman (Mr. Rodgerson) and Mr. Nahr be authorised to obtain an overdraft on the security of the unpaid calls. That was proposed by Mr. O'Connor, seconded by Mr. Rodgerson, and carried "*nem. con.*," as Mr. O'Connor has taken care to add. On folio 68 is the record of a meeting of directors, which Mr. O'Connor in the exercise of his discretion declared to be irregular, on the 20th October, "the necessary notice not having been given." You see, Mr. O'Connor ruled in those days. He held that the meeting of directors of the week previous was informal. I do not say that he was not right, but merely instance it to show that he made himself felt on the board. On the 5th December, 1887, we find that the shareholders could not agree to entering into the purchase of a steamer, nor for coal-supply contracts. At that time there were some contracts entered into, but the people of Westport evidently did not think the time had arrived for entering into the purchase of a steamer. On the 31st December the chairman made a verbal report as to extending the railway-line to the Big Seam. That refers to the resolution authorising the construction of the two miles of railway, Mr. O'Connor being at the time engineer, and drawing salary as managing director. On the 18th January, 1888, Mr. O'Connor proposed, and Mr. Rodgerson seconded, "That the following payments be authorised and approved of." [I put in a list for between £6,000 and £7,000.] An examination of the vouchers will show you that some of the amounts had been previously paid, but the minute-book shows no record of any such payments being authorised. I put it to you, gentlemen, that the record of payments of this wholesale character furnishes you with more information as to the mode of conducting business at Westport than anything I could say if I stood here for hours. If you examine the vouchers you will find that very large sums have been paid months previously. I say that if there had been anything like the same care in conducting business at Westport, as Mr. O'Connor claims, as there has been and is in conducting the company's business in Wellington, we should have no such records as these. This is followed by an ordinary meeting of shareholders on the 6th February, 1888, at which the managing director gave a verbal directors' report, which, he stated, would be printed and distributed among shareholders after the same had been approved by the board. That was the way in which the business was conducted in Westport prior to the management of the company being transferred here. The balance-sheet was then received and adopted. Here again we have

* No amount filed in minute-book.

the appointment of Mr. Greenland as auditor for the next ensuing twelve months, so that I have placed before you the record of Mr. Greenland's appointment as auditor for 1887 and 1888. Following that meeting of shareholders we have a meeting of directors on the 11th February, when it was resolved that Mr. O'Connor be elected chairman of directors for the ensuing term of twelve months. During this year 1888 the minute-book contains no record of the shareholders appointing a managing director, or of Mr. O'Connor being appointed, but still, during the year he drew the salary, and Mr. Greenland audited the accounts. And further, following on from that date until the removal to Wellington of the office and management of the company, there is no record in the minute-book of any account having been examined or expenditure authorised or passed for payment by the directors. That is to say, from the 11th February, 1888, to the 31st December, 1888, thousands of pounds were disbursed, as will be seen by an examination of the vouchers, and the minute-book shows no authority for the expenditure, neither does it show that the accounts were examined or passed for payment. The accounts have since been examined by Mr. Barton, and an analysis has been prepared. You will find under the different headings the name of the claimant, by whom certified, by whom received, the amount, and remarks. These accounts amount to many thousands of pounds; some have been certified by Mr. O'Connor, others have been paid without any certificate, while many accounts bear no claimant's name. With that I will hand you another document, being the result of an examination by myself of cheques passed through the company's account at the Bank of New Zealand. You will find under the headings the date of cheque, amount, and to whom paid. With this before you you will be struck by the large proportion of money which has been paid into Mr. O'Connor's account. You will find upon an examination of this memorandum that during the month of October, 1887, four cheques, amounting to £192 8s. 6d., were issued on the company's account, signed by Messrs. E. O'Connor and Colvin as directors of the company, and paid into Mr. O'Connor's own account at his bankers, Mr. O'Connor being well known to have an interest in a butchery business at Westport, carried on by Mr. Colvin. In the month of December, 1887, January, 1888, and subsequent months, you will see cheques signed by Messrs. O'Connor and Colvin, aggregating many hundreds of pounds sterling, paid into Mr. O'Connor's own banking account. You will also find a very large number of cheques signed by Mr. O'Connor and other directors paid into Mr. O'Connor's own banking account. So far as I have been able to gather, Mr. O'Connor appears to have paid, apparently on account of the company, large sums of money from time to time at his own discretion. The minute-book is silent as to whether the services to the company represented by these payments were either in the first place authorised by the directors, or ever passed for payment by them. The utmost laxity apparently existed with respect to the whole matter. So much was this the case that even the auditors who passed the accounts at this period (of whom one, by the way, was Mr. Greenland, one of the members of the committee of inquiry) appear to have been equally careless with Mr. O'Connor and his colleagues as to the accuracy of the vouchers necessary to be produced in reference to these payments charged against the company. I have been to the bank, and examined each cheque, and have marked some as curiosities. Here is one without the secretary's counter-signature. You will find three or four names very prominent here, amongst them Mr. Corby, to whom large sums have repeatedly been paid. With regard to Mr. Corby, who carried on the business at Mokihinui as storekeeper and accommodation-house keeper, I have received a telegram from Westport stating that he was a partner with Mr. O'Connor; and I might mention that last week we moved in the direction of obtaining Mr. Corby's books with a view of making an examination and thoroughly elucidating these transactions, but without success. I have no doubt that Mr. Corby telegraphed to Mr. O'Connor, and that that materially altered Mr. O'Connor's attitude in this affair. You will find another name, that of Mr. Colvin. Mr. O'Connor mentioned about the stock business he was transacting amounting to £25,000 a year. Mr. Colvin is a well-known butcher, and, as I have already said, is also frequently spoken of as a partner of Mr. O'Connor. I specially mention the names of Mr. Dolphin, Mr. Corby, and Mr. Colvin. An examination of this list will show that forty or fifty of these cheques have been paid into these accounts. We find in one instance, that of Mr. Colvin's, that a cheque was apparently cashed by him. Many of these cheques were signed either by Colvin or O'Connor. Another case is that of the sawmill company at Mokihinui, in which Mr. O'Connor is a partner. Large sums have been paid into that company, and the accounts are in such a position that it would be almost advisable for you to see the whole of the books of the company. The ledger, folio 107, shows that £695 2s. 6d. was paid to the sawmill company, and there is no record in the minute-book of such an amount having been passed for payment. It is undisputed that Mr. O'Connor is a partner in that sawmill company. I ask you to arrive at a fair idea of how the business of the company was conducted in those days. Here is a bundle of vouchers picked out showing what was done in the early days of the company. Here is a voucher, part of which is in the writing of Mr. O'Connor: "Directors' expenses, &c., £22 4s. 6d.," certified to by Mr. O'Connor, and the voucher is signed by Mr. O'Connor. He certifies to the voucher and signs the cheque. This is to one of Mr. O'Connor's associates in business: "James Colvin, £1 15s. 8d., interest on calls advanced." This voucher is received by Mr. O'Connor for Colvin. Here is another: "Mokihinui Company to John Callan, to sundry payments to different parties." It is not certified to by Mr. O'Connor, but the money is received by James Colvin. There is the whole bundle of vouchers, and as you investigate them you will find that each one has some peculiarity. [A large number of vouchers were here put in.] I think I have said enough to you to show that in the interests of the company the affairs and expenditure of the company up to the time of the removal of the management to Wellington demand a close investigation. Mr. O'Connor was secretary, engineer, managing director, paymaster, and lawyer—doing just as he pleased. I must submit one or two propositions in reference to this. I say that for three years—1887, 1888, and 1889—Mr. O'Connor was not entitled to draw any

salary as managing director. For two years he was not legally appointed managing director; he was appointed chairman of directors, but not managing director. But he still remained in the position and drew the salary and expenses. That brings us to the annual meeting of shareholders held on the 6th February, 1889, and that I may say closes the transactions of the company in Westport with the manufacturing of six shareholders, I presume to influence the conduct of business in such a manner as to suit Mr. O'Connor's purposes. In looking through that analysis and the accounts to which I have drawn your attention, it will be as well for me to refer to what you cannot fail to notice—the amount of expenditure which, directly or indirectly, passed through the hands of what I have termed Mr. O'Connor's associates in business. In the sawmill company he is a partner, and he does not deny it himself. Looking through the whole of the transactions we can arrive at no other conclusion than that Mr. Colvin was on the directory in Mr. O'Connor's interest. If you look at the register you will see many transfers recorded. Corby gets into trouble and transfers to Colvin, and ultimately these shares come to O'Connor. It is difficult to prove a partnership, but there is no doubt that Mr. O'Connor benefited very materially by having the affairs of the company's business in his hands so as to assist his associates in business. Mr. Straw states that Mr. Dolphin told him that he and Mr. O'Connor were partners in the store at Mokihinui. Mr. Dolphin left with the colonial experience, and Mr. O'Connor remained with the cash. As a further illustration of the manner in which the management of the company was conducted at Westport, I will take a few pages of the share-register. We find that he (Mr. O'Connor) has five pages. Take page 2 of the first share-register. There are a number of entries in lead-pencil—very convenient to erase. The next page of Mr. O'Connor is 60, and half of one page consists of pencil entries. Then we come to 61. With the exception of three lines the whole of one page consists of pencil entries, in two places with gaps between the lines with evidences of erasure. The next page is 70, from which we go to 90, which shows the transaction of the single shares making shareholders for the annual meeting. I would ask your attention to page 43: James Colvin, butcher, Westport; pencil entries partly erased. From 43 we go to 105; and now we trace the transactions from Corby to Colvin, and Colvin to O'Connor. Page 69 are Dolphin's transactions. The folios I have referred to are those of the register when it was first brought to Wellington. After a close examination the directors came to the conclusion that the register would have to be written up afresh, and that the scrip certificates would have to be called in and examined; and although in some instances the certificates would say 100 when it would really bear 101, we managed with the new register to get the names fairly close. We issued new certificates with the exception of those to Mr. O'Connor. With respect to him the directors refused to sign a certificate, and although he blustered for some months and threatened to have recourse to the Supreme Court, he had to adopt the remedy I suggested to him: that he would have to sign the certificates himself, as we would not take any responsibility in the matter.

Mr. Miles: Was he a director at the time the fresh certificates were issued?

Mr. Macarthy: I do not think he was a director. We did not question his right to these shares, but refused to accept the responsibility of signing a new certificate for them. I have afforded some illustrations of the manner in which the business of the company was conducted at Westport, but must also call attention to the prospectus, and what has engaged the time of the directors since the management was brought here. I will call Mr. Straw.

MICHAEL STRAW examined.

Mr. Macdonald: You are mine-manager of the Mokihinui Coal Company?—Yes.

You are stationed at Mokihinui?—Yes.

You are now in Wellington with a view to give evidence before this inquiry?—Yes.

At the request of the directors?—Yes.

This is a written statement furnished by you, to whom?—Mr. Macarthy.

It is a statement respecting your knowledge of the past management of the company?—Yes; I put in the following statement as to Mr. O'Connor's past management:—

"I was engaged as manager on the 9th April, 1888, by Mr. O'Connor. I am sorry to say I found out after entering on my duties that I was simply engaged to comply with the Coal-mines Act. To my surprise I found that Mr. O'Connor was the manager, managing director, engineer, and cashier, and everything else—in fact, he was boss of the whole show—speaking in my own language.

"On my arrival at Mokihinui I found the railway formation and bridges nearly completed. The rails were being put down, and had got up to Page's Creek, or near Grant's paddock. My first duty was to take off the top stringers from the Chasm Creek Bridge. It had been put in at least 10 in. above its proper level. After reducing the height of the bridge to its proper level, I had to lower the cutting between the Chasm Creek Bridge and Page's Creek from 9 in. to 1 ft.: this was in solid rock.

"*Big Mine.*—Mr. O'Connor commenced to work this mine by stripping off the coal cover, which varied from 20 ft. to 30 ft. in thickness. A contract was let to Mr. T. Corby to take out a chain in length, and 40 ft. in width, for a sum of about £400. This contract was commenced, and was to have the coal ready for the 'Lawrence.' After working at it a number of weeks, Mr. O'Connor found out his mistake: that this system of coal-cutting would not answer, as he failed to have the coal ready for the 'Lawrence' from this open-face workings. He then consulted with me as to what steps could be taken to get the coals for the steamer. I told him I could get it from the inside, which he instructed me to do. He then proposed to stop the stripping contract, as it was a failure. I found it was necessary to have it finished, as it could not be left in that state owing to the dangerous condition of the entrance of the mine. I at once set to work and made what is known as the 'big drive.' I got over 800 tons of coal out of this to supply the steamer. I made this drive 20 ft. wide, and about 20 ft. high, and worked the railway-trucks inside to fill out the coal. This drive I after-

wards converted into a coal-bin, which has been used ever since, and will be used as long as the mine goes; in fact, it will be invaluable to the company in the future for stowing away coal in prospecting the mine when the remainder of the mine is idle on account of trade.

“Ballasting Railway Contract.”—This contract was let, tenders were called, and Messrs. Curtaigne and party got the contract. These men commenced the work, which consisted of ballasting the whole length of the railway and taking out all the slack places in the formation. These men went on with their work for some time, until they got a progress-payment. This Mr. O’Conor gave them in Mr. Corby’s hotel, which, I think, was about £100. I may say here the men were very dissatisfied respecting the work that had been done. It was let without any plan being made; the level-pegs were put in after the contract was let. The same night this progress was paid the contractors came to my house and asked to see the specifications. They asked to be allowed to take them to their hut for their mates to hear them read. I let them go, and they never returned them. These contractors did no more work after receiving the above progress. This contract remained idle till the end of the time specified for completion. Mr. O’Conor disposed of it to Mr. T. Corby to finish same, and to receive the balance due from the contract. Mr. T. Corby commenced this contract. I then wrote to Mr. O’Conor to be supplied with a copy of the specifications, as mine (copy) had been taken away with the other contractors. I duly received a copy of specifications, but not a true copy of the specifications which Messrs. Curtaigne and party had. I remember one clause which was left out—viz., the size of the ballast in the original specification: nothing longer than would pass through a 3 in. ring was allowed to be put on. This made a considerable difference to the ballast and to the work. The ballast which was put on by Mr. Corby contained stones from 60 lb. to 70 lb. weight. At the time of this contract I wrote a long report respecting the contractor or his men lowering the level-pegs several times, and in one case they lowered the formation to make it fit with the altered level-pegs. This contract I refused to certify when it was supposed to be completed, and I never did sign it, as it was never done up to specifications.

“System of paying Day Wages and Progress-payments.”—There was not any specified time fixed for either day wages or progressments. The day wages would sometimes be paid at the fortnight end, sometimes three weeks or a month. I think the pay has gone as long as two months; it depended on Mr. O’Conor’s visits to Mokihinui, and other circumstances. It was never paid by cash. Sometimes Mr. O’Conor would write out the whole of the cheques separately himself for the amounts due to each man as shown on the pay-sheet. Sometimes he would give it me in one cheque. He said I could get T. Corby to give me the cheques for each amount separately, which he did several times. And sometimes when Mr. O’Conor gave me the cheque for the total amount I gave the men my own cheques in place of going to Mr. Corby’s. I then got the sheets duly signed, and gave them to Mr. O’Conor. The progress-payments were paid at any time and place. Sometimes Mr. O’Conor would pay them at Westport and take a receipt for the amount, and then get the usual certificate from me for the amount paid. I do not remember passing any progress-payments, or the railway formation or bridges, unless I got instructions from Mr. O’Conor. The cheques given by Mr. O’Conor were always his own private cheques.

“The above report is entirely from memory, as I have neither books nor papers to refer to.

“I remain, &c.,

“MICHAEL STRAW.”

Mr. Macarthy: I have referred to Mr. Straw as the mine-manager of the company, and I have also mentioned his name in connection with the wheels purchased from the Wellington and Manawatu Railway Company. I will put a few questions to Mr. Straw, and I have no doubt his answers will confirm what I have stated. (To witness): You recollect certain wheels, axles, and pedestals that were sent to you?—Yes.

Mr. O’Conor says that they were useless, and are now lying idle. Will you explain what you have done with them?—I have not the date when they came down, but four sets were put up shortly after I received them, and have been working ever since October, 1890.

The number sent to you were six pairs of wheels and axles?—Yes.

Do I understand that four pairs of wheels and axles are in use?—Yes.

And have been in use nearly all the time since you received them?—They have.

Is it possible that Mr. O’Conor is not aware that they are in use?—He knows they are in use. He drew my attention to them. He said, “I see you have got them at work.”

And the pedestals, what has become of those?—They are all in use.

Have they been of good service to the company?—They have; they could not have been done without—in fact, in addition to these there are three different sizes of axles there; they are not of one diameter.

Mr. O’Conor has said something about his trucks, as to their adaptability and use?—The first trucks he brought out were a complete failure. The doors broke down, and there is nothing left of some of them. The first three or four he got from Nelson; then he sent tramway-wheels, and they collapsed and broke away. Then he had wooden doors in the trucks, and they gave way and had to be renewed. They were very old-fashioned. I have seen them in use since I was a boy. In fact, I do not think they are serviceable at all; they will not stand the weight. They would do for a short journey, but for three or four miles they are useless.

Mr. O’Conor’s trucks are absolutely useless for the railway-line?—Yes, sir.

Mr. Macdonald: When you saw the wheels, did you object to them?—No.

Mr. O’Conor says the mine-manager objected, and was forced to use them by Mr. Barton?—That is a lie. He says anything.

He says, “They tried to work them in on my trucks, but they were abandoned and never carried an ounce of coal.”—It is not true. They never were intended for his trucks.

He goes on to say, "They lay on the railway embankment for months"—I do not know how long they lay there. They were put there until they were put on the railway.

How long was it before they were put under the timber-trucks?—They were put under shortly after they came down. They were not very long there before they were put under.

Eight wheels are in use, and four are where they were put when they came down?—Yes.

Mr. Macarthy: Have not the eight wheels you speak of been in use and been invaluable to you in your work almost from the time when they were sent there?—Certainly they have. They have answered just the same as those we took from under the trucks.

Mr. Macdonald: Have you no use for the four lying idle?—No; we have only two timber-trucks. If things had not collapsed they would have been put up for the purpose of conveying logs to the sawmills.

Mr. Miles: When Mr. O'Connor says the wheels, axles, and pedestals are useless, he is not correct?—He is not correct.

And they do all the work required of them?—Yes.

Mr. Macarthy: And the fact remains that they were obtained from the Manawatu Railway Company for about a third of their cost.

Mr. Miles: Have you any other pedestals in use except those got from the Manawatu Railway Company?—No.

And had it not been for those you would have no trucks in use?—No; none at all.

Mr. Macarthy: You say the specification for the ballasting contract was altered when Mr. Corby took it up?—I do.

What motive was there for altering it?—For getting the ballasting much easier.

Did you suggest the alterations?—No.

Did you consent to it?—No; I had not thought about it.

They were made without your knowledge?—Mr. O'Connor made the specifications.

But the alterations?—It would be him.

You did not?—I had not anything to do with them. It was the most disgraceful contract I ever saw in my life.

You stated that part of the system there was for Mr. O'Connor to pay part of the money away at Westport and afterwards to come to you and ask for a certificate of the amount?—Yes; he used to say, "Straw, I want a certificate for this."

That is, after paying the amount?—Yes.

Did it occur often?—Yes, it was often the case.

Mr. O'Connor was the only person you looked to for instructions?—Yes.

He was engineer and managing director?—He was.

Mr. Allen: Do you remember, Mr. Straw, any wheels coming down there that Mr. O'Connor indented through Mr. E. W. Mills?—Steel wheels? Yes; they broke down under the first load.

Mr. Allen: That is the first thing he connected with my name.

The inquiry was adjourned until 10 a.m. next day.

Saturday, 26th November, 1892.

The inquiry was resumed at 10 a.m.

A list of the Westport shareholders was laid on the table.

Mr. Macarthy: There was a small matter I omitted yesterday to which I draw your attention now. In the first paragraph of Mr. O'Connor's circular of the 4th August he says our circular was issued on the 27th June, and referred to our minute-book of the 6th July to show that the circular was issued after that date. That sounds very curious, but we know that printers sometimes make mistakes, and I produce a copy of the order from Mr. Blair's office, which shows that the circular was ordered to be printed on the 19th July. I was puzzled at first, and made it my business to inquire into the matter, and this is the explanation.

Mr. Miles: You say that the circular should have been dated July instead of June?—Yes.

You say that June was evidently inserted through a clerical or printer's error, but July was the proper date?—Yes. I may say further that we had a copy of Mr. O'Connor's circular sent to us by a distant shareholder of the company at the end of June, a day or two before Mr. O'Connor left his circular in the office.

MICHAEL STRAW'S examination resumed.

Mr. Macarthy: Did you know a storekeeper at Mokihinui named Dolphin?—Yes.

You have had some conversations with him relative to Mr. O'Connor?—I have.

Explain what they were?—I could not give the dates. He has gone away to England. He came to my place and said he used to be in partnership with Mr. O'Connor there in a store. He went on to talk about the partnership. [Here the witness gave details strongly affecting Mr. O'Connor, but as they were not pertinent to the inquiry they are not printed.]

Did Dolphin tell you he was in partnership with him in the store at Mokihinui?—He did.

There was only one Dolphin there?—Yes.

Did he sign any receipts while you were at the mine?—No.

Mr. Miles: It is your assumption that Mr. Dolphin was a partner with Mr. O'Connor during the time that Mr. O'Connor was managing director of this company?

Mr. Macarthy: Yes. (To witness): Now, Mr. Straw, we will go to the sawmill. Do you know whether Mr. O'Connor is a partner in the sawmill at Mokihinui?—Yes; one of Marris's sons told me, who had charge of the mill. [Memorandum from Mr. O'Connor to Wright put in, instructing that Straw is to take charge of the sawmill.]

Mr. Macdonald: What is the meaning of this?

Mr. Macarthy: The meaning is this: That the Mokihinui Coal Company had ceased operations for a time; that Straw was engaged there and had to be kept on. The general point is to show that the interests of the Mokihinui Coal Company were probably materially affected by Mr. O'Connor's connection with the sawmill. [Letter from Straw to Wright, 22nd September, 1888, put in. Also letter, no date, about "collar and hames." Also letter, O'Connor to Straw, 11th May, 1888.] Now, Mr. Straw, will you explain what was done to employ you on behalf of the sawmill property. Did you accept the position?—No, sir.

Why not?—After Mr. O'Connor told me that, I said that I did not care to have anything to do with it, as working for two masters was not satisfactory. He said, "It will be all right; it will give you £1 a week." In a day or two one of Marris's sons came up who was in charge of the mill, and I told him that Mr. O'Connor had told me something about looking after the mill, and he said, "We would rather find our own man; and, in fact," he said, "we have arranged with George Coleman."

Mr. Macarthy: I put these things in to show that the rule laid down by Mr. O'Connor that directors should not be connected with other companies had not been observed by him. The resolution I read from the Westport directors goes to show that the business of the sawmill company had been mixed with that of this company. I will now take the question of the prospectus and the matters arising from it. The first point is as to my name appearing on it as a director. The minutes will show that I only became a director in February, after the issue of the prospectus. [Mr. Straw here left the room.] The prospectus says, "The capital has been expended in opening the mines, and in the construction of a railway connecting them with the Mokihinui River; in the erection of a wharf and coal-staiths; also in providing plant, locomotive-trucks, weighbridge, screens, &c." To read that you would think they had a title to the wharves and coal-staiths, whereas there was no title. [*Gazette* put in, 19th August, 1890, with Order in Council.] The second paragraph of the prospectus says: "The property consists of about 1,800 acres of coal-bearing Crown land, held under lease and application, a small part of which is estimated to contain 3,000,000 tons of coal. The term of lease is sixty-three years, the rent commuted to a royalty of 6d. per ton. The company have a concession of wharfage sites, and the right to charge 2s. 6d. per ton on goods landed or shipped. A reserve has also been made for the company's benefit of 2 chains of land in width along the company's railway." Of this area, one lease of 160 acres, to be shown to you, is worthless, and it was known to be practically worthless for coal-mining purposes at the time this prospectus was issued.

Mr. Macdonald: By whom was it known to be worthless?

Mr. Macarthy: The directors, I presume. No work was done on it.

Mr. Miles: Do you say that part of this property, which was offered to the public in that prospectus of 1889, had no title to it at the time it was offered?

Mr. Macarthy: That *Gazette* notice gives you the particulars as to the title. [See *Gazette*, 19th August, 1890.] Coming back to the 160-acre lease, I say that at the time that prospectus was issued working for coal on that land had been stopped. The manager (Mr. Straw) will tell you that it was of no value to the company for coal-mining purposes, although the company was in this very serious position, that at the time the first two miles of the railway was constructed this lease was attached to the railway, and if the company abandoned the lease they must necessarily abandon the railway. We have been unable to continue working that lease and to comply with the conditions as to output, although we have been notified by the Minister that we would be required to continue the work. The other lease, 593 acres, we leave in abeyance, but I am under the impression that Messrs. Bayfield and Rowland had prior applications for the balance of the area referred to in the prospectus. Notwithstanding which the Wellington directors subsequently obtained a lease of 960 acres, and have it now.

[Map put in, also letter from the Marine Department, 20th August, 1890, in reference to the wharf and coal-staiths.]

Mr. O'Connor, who had just entered the room, desired to see the letter from the Marine Department.

Mr. Macdonald: After Mr. O'Connor's conduct in taking away other documents, I do not think I am justified in letting him have any others respecting the affairs of the company.

Mr. Macarthy: I say that the references in the prospectus to these leases and to the erection of a wharf and coal-staiths were seriously misleading, and had the shareholders in Wellington taken legal proceedings it would have been a serious matter to Mr. O'Connor and the other directors. In fact, the two miles of railway being constructed without a title, and the necessity for proper memorandum and articles of association, most seriously retarded the efforts of the directors to develop the company's business at Mokihinui.

Mr. O'Connor: I protest against this inquiry. I have not been supplied with notes of the proceedings; and what has this to do with the charges?

Mr. Macdonald: I have to say you were allowed every opportunity to open and state your case, and I will not allow you now to interrupt the proceedings.

Mr. O'Connor continuing to address individually several gentlemen present in angry terms,

Mr. Miles moved, "That, owing to Mr. O'Connor's disorderly conduct, the committee do now adjourn."

Mr. Macdonald: This meeting stands adjourned.

The inquiry was resumed at 7.30 p.m.

Mr. Miles: When we parted last it was on my resolution that, owing to the disorderly conduct of Mr. O'Connor, and seeing that it was impossible to transact any business while he seemed to be so fully determined to interrupt the proceedings, we should adjourn. We decided to adjourn until this evening. Now that we are met I hope the directors will be prepared to sit here until we have

finished with them—or, rather, until they have finished with us. And should Mr. O'Connor again interrupt, I trust, Mr. Chairman, that you will uphold the dignity of the committee by adjourning it yourself without any resolution, in order that those gentlemen who are now replying to Mr. O'Connor's charges may have that fair hearing which the committee has afforded to Mr. O'Connor.

Mr. Macdonald: I think the scene of this morning is one very much to be regretted. It appears to be clear, from Mr. O'Connor's actions and from observations which he from time to time has let slip, that in securing the copies of the extracts he has taken away he has achieved all he desired in connection with this inquiry, and he is now anxious to bring the committee's labours to a close without any result having been arrived at. Mr. Miles is, however, entirely in accordance with myself in this view: that, as the shareholders have put upon us the responsibilities of examining into these matters, it is our plain and simple duty to proceed with the inquiry and report to them the conclusion we arrive at after examining the books and documents and weighing the evidence submitted to us; and that work we shall continue to do notwithstanding anything Mr. O'Connor may write or say in opposition. All that we can add is, that we hope the directors will endeavour to assist the committee by placing their case to-night—as Mr. Miles has said—so fully before us that we can come to a conclusion as soon as their defence is finished. Some time will necessarily be taken up by the shorthand-writer in transcribing his notes. The committee are extremely desirous of bringing this inquiry to a close, so that the shareholders may be in possession of their findings at the earliest possible moment. I am expressing Mr. Miles's view and my own when I say we very much regret having accepted the responsibilities attaching to the committee in this matter. Personally, I have had some experience on Commissions and inquiries of various kinds during my business career, but I never heard of members of a committee being so grossly and wantonly insulted as this committee has been by Mr. O'Connor. I could never have believed it possible that any man possessing any experience whatever of business, or any knowledge of what was due from one man to another as a matter of fair-play, could have so far forgotten himself as Mr. O'Connor has done in connection with the members of this committee. His conduct has been a painful exhibition in every sense.

Mr. Macarthy: I put in a memorandum from Mr. C. Seagar with reference to the appointment of Mr. Peter Hunter by the Marine Department at Sydney to survey the steamer "Lawrence."

"DEAR SIR,—

"Wellington, 26th November, 1892.

Referring to the Sydney survey report upon the s.s. 'Lawrence,' dated 17th August, 1889, and signed by Peter Hunter, I have to inform you that when I arrived in Sydney the s.s. 'Lawrence' had been on the slip six days awaiting my arrival (which had been of necessity delayed).

"I was informed that I must survey the 'Lawrence' within forty-eight hours, as they wished to save slip expenses. I then applied to the Marine Department, Sydney, asking them to appoint a competent person to survey the 'Lawrence,' and they appointed Mr. Peter Hunter, whose report is before you. This appointment of Mr. Peter Hunter was afterwards concurred in by Messrs. Newbegin and McGee, who were appointed by your company to nominate a surveyor.

"Yours faithfully,

"C. SEAGAR.

"The Chairman of Directors,
Mokihinui Coal Company (Limited), Wellington."

Mr. Macdonald: How was it that the Marine Department of Sydney appointed a surveyor?

Mr. Macarthy: I understand that it was at Mr. Seagar's request, in order that he might secure the services of an experienced and impartial man. Referring again to the "Lawrence," here are papers in Mr. O'Connor's handwriting showing estimates of the value of the freight the steamer could earn. They are not dated, but you can take them for what they are worth. One noticeable feature is that Mr. O'Connor here estimates that she burns 1,500 tons of coal per annum, but in making his charge against the directors he estimates that she burns 300 tons a month. When we were disturbed by Mr. O'Connor I was calling attention to items in the prospectus, and the construction I put upon the statements in reference to the property was that the 160 acres to which I have previously referred was known to be valueless when the prospectus was issued. The coal-workings thereon had been abandoned, and have not since been resumed. The portion referred to in the prospectus as being under application was really Bayfield and Rowland's, although we have secured about 950 acres of it since; so that Mr. O'Connor and the other Westport directors, in coming to Wellington and asking people to buy shares on that prospectus, presented a series of misstatements of which they may hear more hereafter. I think you have sufficient before you to show that there was practically no title to the two miles of railway, and that the defect in the title was due to Mr. O'Connor's neglect. I now put in the prospectus. Mr. O'Connor, in referring to the position of the company, spoke of it as flourishing when the management was brought to Wellington. If you turn to folio 93 of the minute-book, 2nd January, 1889, four weeks before the prospectus was issued, you will find this resolution passed by the directors at Westport: "Proposed by Mr. O'Connor, seconded by Mr. Rodgerson, that the chairman, with a quorum of directors at Wellington, be authorised to make an addenda to the prospectus issued at Melbourne, offering to subscribe to the new issue a preference in the distribution of dividends, not to exceed 10 per cent., this to be paid to them previous to dividends being payable to the original shareholders on the subscribed capital.—Carried." A comparison of the resolution with the statements of Mr. O'Connor will convince you that in asserting that the affairs of the company were in a very prosperous condition he was endeavouring to mislead you. A preference dividend of 10 per cent. seems to me to be a particular inducement to take up shares, and an indication that the company was in serious financial difficulty. Mr. O'Connor states that 10s. per ton is not sufficient to charge for coal delivered on board steamers at Mokihinui, but in the prospectus he states that the outside cost of screened

coal would be 6s. f.o.b. at Mokihinui. Another series of misstatements in the circular is the list of unpaid liabilities in Westport. The amount stated is £187 13s. 9d. As a fact, the amount paid after the removal of the office to Wellington was £412 18s. 11d.

Mr. STRAW, recalled.

Mr. Macarthy: At the time the management of the company was removed to Wellington there were two leases in the possession of the company—160 acres and 640 acres: is that not so?—Yes.

What has been done with the 160-acre lease?—Nothing.

Why?—It was abandoned; there was no coal.

How long has it been abandoned?—It was abandoned when I was engaged as mine-manager—9th April, 1888.

Nothing has been done with it since?—No.

For what reason?—Because there is no coal.

You can hardly say there is no coal?—No payable coal.

No coal that would pay the company to work?—Certainly not; it would not pay half a dozen men.

What portion of the 640-acre lease is valuable?—The major portion of it is valueless, being denuded granite.

What about the new lease—the 900 odd acres?—That is coal. I have been all round the boundaries. There is coal all over that area.

Is it not the fact that that is the most valuable asset the company possesses?—Certainly, by far.

You say the company would hardly have any workable coal only for the new piece?—I do. That is the most valuable part of their property—the new lease.

Mr. Macarthy (to the committee): That is part of the work of the company since the management has been in Wellington; we have secured that lease.

Mr. Miles: Have you got a complete title for that lease?

Mr. Macarthy: Yes, we have the lease. You will find the fact recorded in the minute-book. The lease is now in the company's safe, and can be seen by you. Practically, we were only suppliants for this ground. It was applied for by Bayfields and Rowlands, and to secure it it was necessary that we should continue our works there when the "Lawrence" was wrecked, and a large expenditure had been incurred since the wreck in prosecuting coal explorations, which have had the result of proving that this lease and a portion of the 600 acres constitute a really valuable asset. Had we discontinued the work, as Mr. O'Connor and some of the Westport shareholders wished, we would have been liable to have the whole of the leases forfeited for non-compliance with the conditions, and the forfeiture of the lease would have entailed forfeiture of the railway. The point I wish to press is that the expense incurred was absolutely necessary to secure this 950 acres, and it became additionally necessary when we ascertained that our title to the railway was defective. And for another reason the expenditure was necessary, and that was to prospect the land and prove the extent and value of the coal before we expended money in completing the railway. I use the word "completion" because it will be shown by the report of the Government Engineers that the railway is "not fit for passenger traffic." When I use the expression "not fit for passenger traffic," you will recollect that Mr. O'Connor mentioned to you that the railway only required to be of a temporary character, just to reach the coal and get it down to the other line. If you examine the Westland and Nelson Coalfields Administration Act, and the agreement entered into with the New Zealand Railway Commissioners, in the minute-book, you will find it is incumbent on the company to adapt the railway to the requirements of passenger traffic. Mr. O'Connor should have been quite aware of this, for here is a letter addressed to the chairman of the Mokihinui Coal Company, dated 6th July, 1887. [Letter put in, also report from Mr. Lowe, Government Railway Engineer, 22nd July, 1891.] That correspondence will show that a very large expenditure is necessary before the railway can be adapted to the requirements of heavy traffic and passenger traffic, both of which have to be provided for under the Acts I have referred to. In quoting this to you I am placing before you the reasons for the large expenditure incurred during the past year and a half since the wreck of the "Lawrence," because in some cases £70 a week has been expended in opening the mine, and no coal has been sold. Something like 3,000 or 4,000 tons of coal are lying at Mokihinui now. No vessel will go there for it. As a consequence, the overdraft of the company had grown to the sum of £5,000 when Mr. O'Connor returned from England. We were then endeavouring to raise money to put the railway in a state fit for traffic, and it was then that we were officially informed of the defect in the title to the two miles of railway. That fact was not concealed from our banker, and probably that knowledge and the action taken by Mr. O'Connor in issuing his circular were the cause of the bank insisting on the overdraft of the company being liquidated. Calls were made for the purpose, and the money has been paid into the bank; and it is intended to connect our line with the Government line of railway to Mokihinui, thereby enabling us to convey our coal to Westport. I am under the impression that Mr. O'Connor in his circular refers to the money having been ill-spent in one sentence, and in another regrets that not more work has been done to develop the coal. Certainly, any stick is good enough with which to beat the directors. According to our manager's report for last year, he had proved the existence of millions of tons of coal. There are one or two matters on which Mr. Straw should be able to give some information. (To Mr. Straw): You were manager at Mokihinui when the management was shifted to Wellington?—Yes.

Would you hazard an opinion as to the amount that would be required to put the railway-staiths and wharf in the state they were when the management was shifted to Wellington?—£10,000 would do it.

You think £10,000 would be sufficient for the railway, wharf, and staiths?—I do.

Supposing the expenditure had been £20,000?—It could not be that; it is impossible.

At the time the management was shifted to Wellington, do you consider that there was anything to show that £20,000 had been judiciously expended at Mokihinui?—Certainly not.

(To the committee): The accounts will show that at the time the management was shifted to Wellington there had been expended £20,000. I do not know that there was that amount expended except from the statements in the prospectus. Mr. Straw states that if £10,000 had been judiciously expended, it ought to have done more work. I take it that a great deal of the money expended there was when Mr. O'Connor was engineer. The works required by Mr. Lowe's report indicates that Mr. O'Connor's engineering was very crude.

Mr. Miles: Is there anything to show how much has been expended on the mine since the management was removed to Wellington?—Yes, there is a series of sheets prepared by Mr. Arthur Kember, showing the expenditure summarised. I produce a statement extracted from the books of the company by Mr. Kember, showing that for the four years 1889 to 1892 the following sums were expended: Railway equipment, £1,120; wharf, coal-staiths, and river-works, £592; wages account, Mokihinui, £9,655; mine and plant, £1,270; wages, "Lawrence" wreck account, £377: making a total during the four years of £13,014: against which there have been coal receipts to the extent of £5,734, less allowances £511, leaving net coal receipts, £5,223. In addition to which there are between 3,000 and 4,000 tons of coal mined lying idle on the bank and in the bin at Mokihinui.

Mr. Miles: I would ask Mr. Straw to give us his estimate of the amount of coal mined virtually in stock, on hand, and awaiting delivery at the present time?—You can calculate on 3,300 tons; 3,000 tons at the mine, and 300 tons in the wharf-bins.

Mr. Macarthy: I would call your attention to the fact that this coal has been more expensive to obtain than it would have been if the mine had been worked systematically. In opening up a mine the expense is very much greater than in working a mine. I think Mr. Straw will give you reasons for that, and will explain the character of the work according to that plan.

[Mr. Straw here exhibited a plan of the mine and pointed out the workings.]

Mr. Macdonald: Do I understand you to say that the 3,300 tons of coal you have got on hand has cost you a very much greater price per ton to get out than if the coal had been mined in bords?—Yes.

What does the coal cost to get out in the ordinary way by bords?—For cutting, 2s. 5d. per ton.

Mr. Miles: How much per ton has been sunk in producing the amount of coal you have lying there?—This coal on hand has cost about double what it would have done had it been got out after the mine was opened out in bords. Everything done in this mine up to date has been practically dead-work. [Mr. Straw here pointed out on the plan of the mine where he had to drive through broken ground and fault, the cost of driving—about 3 chains in length—amounting to about £400—that was for putting through two drives.] Fully one-half of the total expenditure charged to coal-getting since the wreck of the "Lawrence" has been expended in driving through faults and broken ground. The expenditure, being upwards of £3,000, means that I have expended over £1,500 in dead unproductive work. The counterpoise to that expenditure is this: that as a result of it we have been able to prove the existence beyond the fault of a large field of valuable coal, which we have now open ready for mining. These workings would permit of an output of 200 tons a day if worked by bords, and justify the expenditure now necessary to adapt the railway to traffic requirements as required by the Government Engineers. The new workings have opened out a 30 ft. seam of good, hard, strong coal, and the field is equal to the Westport or any other coalfield in the colony. It is impossible for it to be better, and there is any quantity of it available, without any doubt. If prospecting-work had not been continued the company would not have had more than some 2,000 tons available for working.

Mr. Macdonald: Has the work been done in an economical manner?—Yes, as far as the means at the disposal of the company would allow. If, instead of spending £50 a week, which was all the directors would allow, we had been able to spend £100 a week, we should have had far better results in proportion.

Mr. Miles: From your remarks I gather that it would have been in the interest of the company to have expended more money?—Certainly it would.

But the directors would not place more money at your disposal?—That is so.

Mr. Macarthy: Now, with respect to the "Lawrence," do you recollect the date of the wreck?—No.

Did you, on behalf of the company, assist Captain Leys to save all you could from the "Lawrence"?—I did.

Was there any delay in doing so?—Not any.

With Captain Leys you recovered everything removable from the wreck?—Yes, we did.

Including boilers, engines, and fittings of all kinds?—Everything that could be recovered.

These goods are protected at Mokihinui?—Yes.

A considerable portion were removed to the mine and used there—the donkey-engines, winch, &c.?—Yes.

Will you hazard an opinion as to their value?—I suppose £150 for the portion removed to the mine.

The remains of the wreck are available for mining purposes, are they not?—Yes, the hull is worth a lot.

To work the mine you require a large amount of iron plate?—Yes.

Iron plates at Mokihinui are worth £12 10s. a ton, are they not?—Yes.

And from the "Lawrence" they cost £1 15s. or so per ton?—Yes.

The ship's boiler, engines, steam steering-gear, and fittings you recovered have been removed ashore?—Yes, they are covered up and painted, and everything is in order.

Mr. Macdonald: Did you have anything to do with removing a man from the charge of the "Hapuka," whom Mr. O'Connor had appointed, and replacing him by an incompetent man?—Mr. O'Connor's statement is incorrect. The man was removed by the Westport Harbour Board, who wanted him in the Buller River for other work. He left his son to take his place, and I was satisfied with him, but he also was taken away by the Westport Harbour Board. Both these men were in the service of the Board. I then placed a man in charge whom I knew to be competent—a certified engineer of seventeen years' standing—and his predecessor was perfectly satisfied to leave him in charge, as he was competent for the work.

And what about the bin referred to by Mr. O'Connor?—The story of the bin is a very short one. Mr. O'Connor was going to cut out an open face of coal by the employment of navvies, which he started and failed to do. He came to me to get him out of his difficulties. I proposed to put in a big drive to supply the "Lawrence" with coal, and where this coal came from left a space 20 ft. high and about 60 ft. long, which I converted into bins for the purpose of storing coal. I had to secure it with timber to keep up the roof.

Mr. Macarthy: I think I have put in sufficient evidence to show that the expenditure of the directors since the wreck of the "Lawrence" has been perfectly justified. Before concluding, I would like to say a word or two respecting Mr. Greenland, and I am sorry he is not present to hear me. I wish you to record that on this day fortnight, about half-past 9 in the morning, I visited the Mokihinui Company's office and found Mr. O'Connor engaged at the books of the company, seated at the table. Mr. Greenland was also in the room with him. I immediately remarked to Mr. Greenland, "This is extraordinary, Mr. Greenland, finding you here. You are quite out of place. You ought not to be here unless your coadjutors associated in the inquiry are with you." Mr. O'Connor took up the subject and favoured me with a storm of abuse, but Mr. Greenland apologized for being there, and said that Mr. O'Connor, hearing his voice, had asked him to step in and help him. Mr. Greenland followed into the outer office with me and again apologized for his presence, and explained that he had only been there a few minutes, and that Mr. O'Connor had requested him to go in and help him. He added the remark, "Of course, you know, I am here to look after Mr. O'Connor's interest." I told him that my view of his position was that he was like an arbitrator appointed by a Court, or even a Judge in a case, and I made that remark in the presence of Mr. Gale.

Mr. Gale: I corroborate that statement.

Mr. Deacon: And I corroborate the first part.

Mr. Macarthy: It appears to me that Mr. Greenland is out of place in this inquiry. An examination of the vouchers in your possession will show that Mr. Greenland for two years occupied a position as auditor of the company. The reference to the committee of inquiry points to an examination being made into the affairs of the company since its incorporation, and therefore Mr. Greenland, in accepting the appointment as one of the arbitrators, must have been aware that the committee would have to examine into the manner in which he had discharged his duty as auditor. There is yet one more matter. You will recollect that we have no record of the meeting at Westport at which Mr. Greenland was appointed, but merely an intimation from the chairman that he was appointed. I am under the impression that Mr. Greenland made a distinct promise (when I called attention to the fact) that we should be furnished with a record of the meeting at which he was appointed. That has not been furnished. It might not be of any value, but possibly if we had had the record we might have found that Mr. O'Connor had only two or three of his friends with him in this matter. I will conclude by handing you a recapitulation of the whole position from the directors' standpoint. [The recapitulation referred to by Mr. Macarthy will be found in the Appendix.]

Mr. Macdonald: Well, gentlemen, we have heard Mr. O'Connor's statements, and we regret that we have not had an opportunity of obtaining the copies of the extracts from the books and papers of the company upon which Mr. O'Connor stated that he relied to prove his case, in consequence of his own action in taking them away from the custody of the officers of the committee and refusing since to deliver them up. We have also heard you at length in reply to his statements. The committee will now take steps to carefully consider the statements that have been made. They will go through the minute-book and accounts of the company, and compare the statements with the records in the possession of the company. They will give careful attention to all the points, and at as early a date as possible—of course, there is a very large amount of work involved in examining books and records—they will furnish to the shareholders a report upon the whole of the matters which have been brought before them. This they hope to do as early as possible during the ensuing week. I have only to express on behalf of Mr. Miles and myself our regret that Mr. Greenland has not been present since Mr. O'Connor closed his case, and has not had an opportunity of hearing the whole of the evidence produced. I have to express my regret and my colleague's regret that the work of the inquiry has been so marred by the conduct of Mr. O'Connor. It has been a matter of considerable regret to us that we have not been able to pursue the inquiry with the order and decorum which we had hoped in the beginning would have been the case; but we have to thank the directors for the desire they have shown to submit to us very fully and completely the whole of the records of the company, and for the explanations which they so far have offered to the committee.

Mr. Macarthy: May I ask you further to add that we have not delayed the proceedings?

Mr. Macdonald: The committee have no fault whatever to find with the directors in reference to that point. Any delay that has arisen, any failure which has taken place in getting the business put before us as it ought to have been put, is in the opinion of the committee in no sense attributable to the directors.

The inquiry was then adjourned.

APPENDIX.

A.—RECAPITULATION by Mr. Thomas G. Macarthy, on behalf of the Board of Directors, of his Statement in Reply to Mr. O'Connor's Charges.

I SUBMIT that Mr. O'Connor has altogether failed to substantiate the very grave charges he has made against the directors of wilful falsification of the balance-sheet for the year 1890, and that the correctness of the said balance-sheet is confirmed by the company's books of account, to which I have confidence in directing the attention of the committee of inquiry.

That the commissions paid to the company's agents (for Wellington, Foxton, and Wanganui) were in terms of the agreement made by Mr. O'Connor—contract sales being 1 per cent., ordinary sales $2\frac{1}{2}$ per cent.; and that contract and ordinary sales were made by Messrs. Johnston and Co., at places outside the scope of the agreement, upon which Messrs. Johnston and Co. might have charged 5 per cent. commission; but, notwithstanding Mr. O'Connor's carelessness in not including Napier, Lyttelton, Oamaru, Timaru, &c., in the agreement, Messrs. Johnston and Co. have only charged commission for these ports in terms of agreement. That a commission of not less than £250 a year was guaranteed for two years, which guaranteed amount has not been reached.

That the steamer "Lawrence" was purchased at the suggestion and with the entire concurrence of Mr. O'Connor. He first informed the directors of the "Lawrence" being for sale. He was chairman of the meeting of directors, 9th July, 1889, when it was resolved to cable to the owners of the "Lawrence" asking them to place her under offer for £6,000. He was chairman of the meeting of directors, 1st August, 1889, when Mr. Seagar was appointed agent to purchase the "Lawrence" for £5,500. He was chairman of the meeting of directors, 2nd August, 1889, when Messrs. Newbegin and McGee were authorised to appoint a surveyor. He was chairman of the meeting of directors, 9th August, 1889, when he was authorised to arrange with the bank for its Sydney agents to pay for purchase-money of "Lawrence," £5,500. He was chairman of the meeting, 13th August, 1889, when the whole of the preceding resolutions were confirmed; and at that meeting the action of the chairman in giving Mr. Seagar a letter of credit for £200 was confirmed. He was chairman of the meeting of directors held on the 11th September, 1889, when the secretary was directed to record on the minutes the purchase of the "Lawrence" for £5,500. It was further resolved at that meeting that the thanks of the directors be given to Mr. Seagar for the energetic and judicious manner displayed with regard to the purchase of the "Lawrence" in Sydney.

The above are records of six directors' meetings at which Mr. O'Connor was chairman, at none of which did he record his dissent, although on other subjects he has several times recorded his dissent when he disagreed with directors.

Mr. O'Connor's statement that his instructions to Mr. Charles Seagar regarding purchase of "Lawrence" were signed by Mr. F. Allen and myself is disproved by the production of the original, which bears Mr. O'Connor's signature only.

Mr. O'Connor's statement that the "Lawrence" was run at a loss is untrue. By resolution of the directors dated the 26th November, 1890, the f.o.b. price of coal at Mokihinui was fixed at 12s. 6d. per ton, less a discount up to 25 per cent., or equal to 9s. 4½d. The mine was credited with 10s. per ton, and the difference between that amount and the price the coal sold for was the steamer's profit.

Mr. O'Connor's statement that the wreck of the "Lawrence" could have been repaired and made to be worth £10,000 for an outlay of £2,000 to £2,500 is not confirmed by Mr. Edward Seagar, an experienced shipbuilder.

Mr. O'Connor's statement in his circular dated the 4th August, 1892, "that the wreck of the 'Lawrence' was never made the subject of official inquiry" is untrue.

Mr. O'Connor's insinuation that Mr. Blair has received fees, or that he used his position as a director to secure the company's printing business, is untrue. Mr. O'Connor opened the account with Messrs. Lyon and Blair, and some time after he had done so he proposed Mr. Blair as a director.

Mr. O'Connor's statement that the articles of association have been altered against the wish of the Westport shareholders is untrue. He himself, the largest Westport shareholder, assisted to prepare the alterations. [See suggested alterations in his own handwriting.]

Mr. O'Connor's statement that he was chosen annually as managing director is not supported by the minutes.

Mr. O'Connor's statement that £105 directors' fees was divided among those present is untrue. This amount has not yet been divided.

Mr. O'Connor's statement that the directors' circular dated 27th June contains "cunningly garbled quotations from the minute-book" is untrue. Although the directors' circular dated 27th June may not give all the actual words of the minutes as they appear in the minute-book, they are correct extracts therefrom, and have been in no way distorted. The words "subject to instructions" were not used in the directors' circular when quoting the minutes regarding purchase of "Lawrence," because no sane man would suppose that any one would have been sent away to purchase a steamer or anything else without instructions.

Mr. O'Connor contends that the mine should have received the profit credited to steamers. At the annual meeting held on the 9th March, 1891, the following resolution was carried: "That a sum of £2,500 now standing to credit of profit and loss account in the books of the company be transferred to the credit of railway equipment, &c., with a view to writing down mine and plant account." Note.—This resolution practically transfers the profit made by steamers to mine account.

Prospectus issued to Shareholders.—I now submit, when shareholders were induced to subscribe to the enlargement of the capital of the Mokihinui Coal Company, in January, 1889, by

a specious prospectus distributed by Mr. O'Connor, that—(1.) He failed to disclose that coal-mining on the 160-acre lease had been abandoned twelve months prior to January, 1889. (2.) That the only other lease held by the company was 640 acres, one-half of which was and is valueless. (3.) That the prospectus intimated that the company then (January, 1889) had a large area of coal-bearing land under application for lease, whereas for this area Messrs. Bayfield and others had made a prior application. (4.) He failed to disclose in the said prospectus that two miles of the company's railway was by law attached to the 160-acre lease; that there were output covenants in that lease; that these covenants had not been performed; that the said lease was therefore liable to forfeiture, and thereby involved a possible forfeiture of the two miles of railway. All this must have been known to Mr. O'Connor when he issued the prospectus referred to. (5.) That these two miles of the company's railway were constructed by Mr. O'Connor without the necessary legal formalities having been observed. Mr. O'Connor had written notice of this from the then Government Engineer, Mr. C. Y. O'Connor. The defect was therefore known to him when he issued the prospectus in January, 1889. (6.) The company had no legal title to the wharf and staiths; and this the prospectus failed to disclose.

Record of Wellington Directors' Work.—I claim that the Wellington directors have succeeded in making the leases and railway, to which the titles were questionable, assets of very considerable value. (1.) They have, by "The Nelson and Westland Coalfields Administration Act Amendment Act, 1892," succeeded in perfecting the company's title to the two miles of railway constructed by Mr. O'Connor without legal authority (on completion of County Council road). (2.) They have by the same Act secured that the inability of the company to comply with the output covenants of the 160-acre lease will not prejudicially affect the company's title to that two miles of railway. (3.) They have acquired the lease of the most valuable coal area possessed by the company—957 acres. (4.) They have proved beyond doubt the existence therein of a very extensive and valuable coalfield of best quality; and have opened the mine up in a systematic manner. (5.) They obtained the passing of an Act of Parliament to make railway connection between Mokihinui and Westport. (6.) They acquired legal title to wharf and staiths at Mokihinui. (7.) They made an agreement with Railway Commissioners regarding coal-carriage charges and running charges on company's line.

Comparison between Wellington and Westport Management.—For Wellington management I submit—That the business of the company has been conducted on sound, strict, economic business lines; that none of the company's money has passed through the hands of the directors, every account being paid to creditors with the company's cheques; that the books of account and share-register have been kept at Wellington in a correct and systematic manner; that the cost of Wellington management is considerably less than it was at Westport.

That, for comparison of Wellington with Westport management, I draw your attention to—The first minute-book of the company; the letter from Mr. O'Connor, Wellington, to Mr. Wright, secretary at Westport, instructing him to call a meeting and make shareholders (letter dated the 31st January, 1889); the share-register, showing that six shareholders were made on the 13th February, 1889, from Mr. O'Connor's shares; the minutes of meetings, showing that these shareholders attended, and at that meeting held on the 13th February, 1889, the following resolution was passed: "That the remuneration of directors and managing director be authorised upon the same scale as last year" (that scale being £300 per annum and travelling-expenses for managing director, which office was filled by Mr. O'Connor), the share-register showing that five of these six shareholders retransferred their shares to Mr. O'Connor again, the sixth died and no transfer was made; the vouchers and minute-book showing that many amounts have been paid away irregularly, (a) some without any authority from directors being recorded, (b) some without any record of the work being authorised by directors, (c) some without vouchers being certified, (d) some amounts being paid to those whose names do not appear on the vouchers as claimants; the number of company's cheques (issued to others) paid into Mr. O'Connor's own banking account [see cheques]; the number and amounts of cheques signed by Messrs. O'Connor and Colvin (the latter being a butcher at Westport, the former's partner or associate in business), a great many of which have been paid into Mr. O'Connor's own banking account—one cheque, dated 16th April, 1888, for £128, being apparently cashed by Mr. Colvin, but the cheque was in favour of the Mokihinui Sawmill Company; the amounts paid to the Mokihinui Sawmill Company (Mr. O'Connor being a partner therein) without evidence of authority of directors, the secretary Mokihinui Sawmill Company being secretary Mokihinui Coal Company, both companies occupying same office at Westport; the amounts paid to Dolphin, a storekeeper, butcher, and accommodation-house keeper at Mokihinui, said then to be a partner of Mr. O'Connor's in the Mokihinui business; the amounts paid to Timothy Corby, Dolphin's successor, a storekeeper, butcher, and accommodation-house keeper at Mokihinui, and occasionally a contractor, said then to be a partner with Mr. O'Connor in the Mokihinui business—I refer you particularly to J. H. Cock and Co.'s invoice for one ton sugar to Mr. O'Connor, Mokihinui, and freight account for same, and in Mr. O'Connor's handwriting the word "Corby," thereby connecting Messrs. O'Connor and Corby with the Mokihinui storekeeping business; that on 10th January, 1887, at a meeting of directors (Mr. O'Connor chairman) it was resolved that an allowance of £52 9s. 3d. in Mr. E. J. O'Connor's call account be allowed, subject to approval of auditors; the share transactions between Messrs. O'Connor, Colvin, Dolphin, and Corby, many entries being in black-lead pencil; the disgraceful condition of one of the most important books of the company, the share-register, as kept at Westport, Messrs. O'Connor, Corby, and Colvin's pages being more or less in black-lead pencil, some with evidences of erasures; some of the vouchers of the company bearing Mr. O'Connor's receipt for amounts payable to others, and his having certified thereto; the number of vouchers bearing signatures of either Messrs. Corby, Dolphin, or Colvin to other claimants' vouchers; the books at Westport being kept without system, the ledger containing

no bank account; the large amounts drawn by Mr. O'Connor for managing director's fees and travelling-expenses.

I submit that the company or directors had no power to appoint a managing director; therefore such appointment was *ultra vires*, and any amount so received should be refunded to the company.

Has the company received value for the work done at Mokihinui prior to the management being shifted to Wellington? Mr. Straw's estimate of what the railway, wharf, and staiths should have cost is £10,000; the balance-sheet of January, 1889, shows an expenditure of £22,000.

B and C.—STATEMENTS from Messrs. J. R. Blair and F. Allen, Directors of the Company, in reference to Mr. O'Connor's Charges.

GENTLEMEN,—

Wellington, 24th November, 1892.

I have the honour to submit this statement as my defence to the charges made by Mr. O'Connor against me as a director of the said Mokihinui Coal Company in a printed circular distributed by him to the shareholders of the company.

I am unable to recapitulate these charges *verbatim*, not having received a copy of the said circular. I have had the opportunity of a hasty glance at Mr. O'Connor's indictment, or whatever it may be called.

I am charged generally with the other directors—(1) With dereliction of duty generally; (2) falsification and publication of a false balance-sheet; (3) with receiving directors' fees, by implication, improperly; (4) by becoming a director through some discreditable intrigue; (5) by desiring and holding a seat on the board of directors solely for the purpose of enabling my firm to secure a monopoly of the stationery supplies of the company.

With reference to the charges (1) and (2)—the purchase of the s.s. "Lawrence," the arrangements with Messrs. Johnston and Co., &c., and the false balance-sheet—I have only to state that I was not a director at the time when these charges lie, as the minute-book of the company will show.

Charge (3): I have never received a penny of the shareholders' money as director's fees.

Charge (4): It was Mr. O'Connor who solicited me to become a shareholder, and when I yielded to his importunities I had no thought or desire to become a director of the company. It was at the urgent request of Mr. O'Connor that I consented to be nominated. When I saw the state of deadlock into which, by his arbitrary conduct of the business, he had brought the board's meetings, I was glad of the opportunity of Mr. Randall Johnson's return to the colony (he being a large shareholder) to resign in his favour. Six months or so after, when Mr. Johnson had resigned (see O'Connor's circular) before returning to England, I was again nominated for a seat on the board, I think by Mr. Miles; but I declare, beyond rather reluctantly consenting when asked by Mr. Miles, I had no communication directly or indirectly with any shareholder, and solicited no shareholder or director for votes; and as a matter of fact I was absent from Wellington, and I think was out of the Island, at the time of the general meeting of shareholders when the election took place.

Charge (5): With reference to this charge, I find that the stationery account of the company was opened by Mr. O'Connor himself; and, for my own part, the whole thing has been so trifling that I never gave it a thought. The amount of business done by the company with my firm from March, 1891, to October, 1892, amounts to £40 8s. (see detailed statement herewith), or a little over £2 per month. I have had at no time any communication with the secretary or any other person connected with the company with reference to its stationery supplies, nor have any of my employes solicited the custom of the company.

J. R. BLAIR.

The Committee of Investigation, Mokihinui Coal Company (Limited).

DEAR SIR,—

Wellington, 26th November, 1892.

The charges made by Mr. O'Connor, in his statement to the committee, against myself as an individual director are of such a vague nature that I have not considered it necessary to refute them, yet I would not like the inquiry to be closed without my stating to the committee that the charges are utterly devoid of truth.

I will ask you to allow this letter to form a portion of the proceedings of the committee of inquiry.

I am, &c.,

F. ALLEN.

T. K. Macdonald, Esq., Chairman of Committee of Inquiry *re*
Mokihinui Coal Company (Limited), Wellington.

Approximate Cost of Paper.—Preparation, not given; printing (1,325 copies), £42 18s.

By Authority: JOHN MACKAY, Government Printer, Wellington.—1899.

Price 1s. 6d.]