In dealing with the question of what he calls the falsification of the balance-sheet, Mr. O'Conor made a large number of statements, many of them unsupported by evidence. The committee have, however, taken the whole of Mr. O'Conor'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'Conor and the directors may be described as book-keeping differences, Mr. O'Conor 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'Conor 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'Conor'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'Conor 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'Conor 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'Conor, 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'Conor," dated 4th August, 1892. These circulars deal with nearly the whole of the matters referred to by Mr. O'Conor 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'Conor 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'Conor himself, and not by Mr. Allen and Mr. Macarthy, as alleged by him. The minutes of the board of directors show that Mr. O'Conor 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'Conor 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'Conor was in error, the only signature upon the document being his own. Great stress was laid by Mr. O'Conor 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