

I received a telegram from Capt. Scott, stating that as soon as I had done with my seizure I was to proceed at once to the Strait of Canso, pay off crew, and deliver schooner up to the owner.

On the 18th, I made sail and proceeded to sea, cruising along shore, calling into Ingonish and Aspy Bays, but seeing no vessels in the vicinity of either place, I continued on my course, and at 7 p.m., rounded Cape North; and wind increasing to a gale, had to reduce sail. On the 19th, the weather continuing bad, I remained under short canvas until noon, when it became more moderate. I made all sail, and arrived in Port Hood, where I found several Colonial fishermen, but no Americans, they arriving the evening previous, through stress of weather. I remained in port on the 20th and 21st, through the inclemency of the weather and on the 22nd, I made sail and proceeded to Pictou, where I arrived at 11 p.m. During my passage to Pictou, I passed six sail of American fishermen, 5 miles off Cape Bear, in Prince Edward Island, but catching nothing. On the 23rd I paid off part of my crew, the remaining part I took with me to the Straits, they living there. On the 24th remained in port. At 8 p.m., Government steamer *Lady Head* arrived. On the 25th, I made sail and dropped down the harbor, and anchored off the coal wharf, abreast of the *Lady Head*, and embraced the opportunity of transferring all the stores, arms and ammunition on board of her. The first officer in charge promising to call for me at the Strait of Canso, on his way to Halifax, I immediately sailed for the Strait, where I arrived on the morning of the 26th, and after cleaning ship, I paid off the remaining portion of the crew, and delivered schooner to her owner.

Before closing this report, I would beg to draw your attention to the following particulars:—

I have every reason to believe, and I am informed by very reliable authority, that there is a very large amount of revenue lost through the very extensive illicit trade carried on through the intermediate ports between Cape North and Sydney Harbor, and I must say, our own vessels are the principal transgressors. It would require more than two or three cruisers, on the S.E. side of Cape Breton to put a check to the illicit trade carried on there. I would beg to remark that I have seen but very few Americans on our shores.

Annexed you will find a list of vessels boarded.

I have the honor to be, Sir,

Your obedient servant,

GEORGE MATSON,

Commander of Schooner "Katie."

To the Hon. PETER MITCHELL,
Minister of Marine and Fisheries, Ottawa.