The following information is derived from Terawhiti and the Goldfields by James Brodie, 1986, Karori Historical Society.

Alluvial gold was discovered in the Kaiwarra Stream below Bakers Hill in June 1869. The area is about where the present road tunnel cuts through to Karori.

Following the discovery, much prospecting and mining was carried out in the area extending from Bakers Hill, along the ridge east of the lower and upper water reservoirs.

W H Bennett recollected in the Evening Post of 28 February 1935, that as a lad he had visited the gold diggings …
The whole of the valley was studded with tents and huts and alluvial workings. The scene on the flat now occupied by the two reservoirs as I saw it was a lively one. On the return journey that afternoon my father and I crossed the range by Mitchell's Track which passed through his sheep run. Near the top of the hill I was told to fill my handkerchief from a seam of quartz at the side of the track. I carried it home and put it through a pestle and mortar and my father washed out a good sample of gold which I proudly carried about with me in a small phial.

By 9 July 1869 the first company had been formed to carry out mining. This was the Bakers Hill Mining Company. Other companies followed including Golden Crown, Morning Star, Union and Try Again.

Companies concentrated on quartz mining for gold. This involved tunnelling drives and shafts, extracting quartz rock, crushing the rock in stampers and then berdans to extract gold.

Gold mining activity in 1870 coincided with demand from Wellington City for a reliable and healthy water supply. The city's water supply up to this time depended on creeks and roof supplies. Both were unreliable and often caused disease epidemics.

By 1871, Nicholas Marchant, the City Surveyor had developed plans for a water reservoir based at the upper Kaiwarra Stream. In June of 1871 the Government Gazette published an application to bring in legislation to allow Wellington City to provide for a water supply and purchase of 228 acres of land in the Kaiwarra catchment for this purpose.

Once legislation was passed in 1872, the Wellington City Council set about purchasing the land and compensating owners. Most of the gold mining claims in the valley were affected by the decision to take land for the proposed reservoir. Today many of the former mining sites are under water in the area of the lower reservoir. However, many of the original drives (or tunnels) into the hills, still remain, but are closed to public access.

Early in 1873 Nicholas Marchant had measured the water flow in the upper Kaiwarra following two months drought. The flow was reckoned to be 260,000 gallons per day, enough to supply the 7,000 population of Wellington with 30 gallons each, plus a "surplus of 50,000 gallons for fires".

By 22 November 1873, the lower reservoir had been completed and the first water from the Kaiwarra catchment flowed through mains to Wellington City.