The Mineral Industry of Sri Lanka

By Chin S. Kuo

Sri Lanka is a lower-middle income developing country in South Asia. The Government’s economic policies were focused on alleviating poverty and steering investment to disadvantaged areas, developing the small- and medium-enterprise sector, promoting agricultural production, and expanding the country’s civil service. In 2006, the service and manufacturing sectors accounted for the majority of the gross domestic product (GDP). Mining and quarrying contributed less than 2% of the GDP. The agriculture and tourism sectors were in decline. The Government planned an infrastructure development program to encourage growth in investment and exports (U.S. Department of State, 2007).

Production

Sri Lanka is endowed mostly with industrial minerals, which include ball clay, calcite, clays, dolomite, feldspar, graphite, kaolin, limestone, mica, mineral sands, phosphate rock, quartz, and silica sand; it has no metal or mineral fuel resources. The industrial minerals were mined in quarries and surficial pits, except graphite, which was mined underground. During 2006, the production of ball clay, feldspar, gemstones, phosphate rock, quartz, and silica sand increased gradually (table 1).

Structure of the Mineral Industry

The mining of graphite, mineral sands, phosphate rock, and salt and the refining of petroleum were performed by state-owned companies; the private sector produced all other mineral output with the exception of cement, which was manufactured and sold by the private sector and by state-owned Sri Lanka Cement Corp. (table 2). Graphite, mica, mineral sands, and quartz were produced mainly for export. The development of mineral resources is the responsibility of the Geological Survey and Mines Bureau and is governed by the Mines and Minerals Act No. 33 of 1992 and the Mining (Licensing) Regulations No. 1 of 1993 (Geological Survey and Mines Bureau, 2007, p. 1).

Commodity Review

Metals

Iron and Steel.—Sri Lanka was not a producer of iron and steel. However, some of the steel products needed by the construction industry were manufactured by Ceylon Heavy Industries and Construction Co. Ltd. using imported materials. Steel rolled products were produced out of scrap iron by Coninfab Steel (Private) Ltd. and Melbourne Metal (Pvt.) Ltd. Sri Lanka’s other requirements for iron and steel products were met by imports from Australia, Belgium, Brazil, Germany, Hong Kong, India, Japan, Russia, and Singapore (Geological Survey and Mines Bureau, 2007, p. 34).

Industrial Minerals

Cement.—About 50% of the country’s cement requirement was produced locally using indigenous raw materials, such as clay, dolomite, laterite, and limestone, and imported clinker; the other 50% was imported. The country had four cement plants, which were located at Kankesanturai, Puttalam, and Trincomalee. The Puttalam plant was owned by Holcim Ltd. and produced cement using local raw materials. The Trincomalee plant was owned by Tokyo Cement Co. (Lanka) Ltd. and produced cement using imported clinker. Sri Lanka Cement Corp. operated two plants at Kankesanturai and Puttalam (Geological Survey and Mines Bureau, 2007, p. 33).

Gemstones.—Sri Lanka is world renowned for its gemstones. Aquamarine, garnet, ruby, sapphire, spinel, topaz, tourmaline, and zircon were the most commonly found gemstones in the country. Some of the best known gemstone-mining areas were Balangoda, Elahera, Kamburupitiya, Moneragala, Okkampitiya, and Ratnapura. The National Gems and Jewellery Authority was responsible for regulating the mining and export activity of gemstones (Geological Survey and Mines Bureau, 2007, p. 25).

Demand for sapphires in Sri Lanka started to increase in 2006, particularly for fine blue sapphires in sizes ranging from 3 to 30 carats and for fancy colored and yellow ones. Production was down, however, owing to heavy rains that caused landslides and flooding in the mining areas. In addition, gemstone miners moved to mining river sand because the income from sand mining was much higher than from gemstone mining. Demand for sand for the construction boom in the 2004 tsunami-devastated areas was huge (Jewellery News Asia, 2006).

Mineral Fuels

Natural Gas.—The Government planned to build a liquefied natural gas receiving terminal at Kerawalapitiya that was expected to come onstream in 2009. The proposed capacity of 1 million metric tons per year would be sufficient to meet domestic demand. The Japanese Government would give financial aid to build the terminal (Petroleum Economist, 2006b).

Petroleum.—The Government selected Star Petro Energy of the United Arab Emirates to build a $320 million 100,000-barrel-per-day (bbl/d) crude oil refinery in Hambantota. The new refinery would supply not only the local market when the existing Sapugaskanda Refinery was unable to meet the demand but also would supply exports of refined products to other markets in Asia. The Government planned to invest $500 million to double the Sapugaskanda Refinery’s capacity to 100,000 bbl/d (Petroleum Economist, 2006a).
## TABLE 1

**SRI LANKA: PRODUCTION OF MINERAL COMMODITIES**

(Metric tons unless otherwise specified)

<table>
<thead>
<tr>
<th>Commodity</th>
<th>2002</th>
<th>2003</th>
<th>2004$^e$</th>
<th>2005$^e$</th>
<th>2006$^e$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cement, hydraulic</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Thous. metric tons</td>
<td>1,018</td>
<td>1,164</td>
<td>1,400</td>
<td>1,500</td>
<td>1,600</td>
</tr>
<tr>
<td><strong>Clays</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ball clay</td>
<td>28,431</td>
<td>33,405</td>
<td>34,000</td>
<td>36,000</td>
<td>38,000</td>
</tr>
<tr>
<td>Kaolin</td>
<td>8,613</td>
<td>9,073</td>
<td>9,200</td>
<td>9,400</td>
<td>9,500</td>
</tr>
<tr>
<td>Brick and tile clay$^c$</td>
<td>8,000</td>
<td>8,000</td>
<td>8,000</td>
<td>8,000</td>
<td>8,000</td>
</tr>
<tr>
<td>Clays for cement manufacture$^c$</td>
<td>850</td>
<td>900</td>
<td>900</td>
<td>950</td>
<td>950</td>
</tr>
<tr>
<td><strong>Feldspar, crude and ground</strong></td>
<td>28,866</td>
<td>32,586</td>
<td>33,000</td>
<td>34,000</td>
<td>35,000</td>
</tr>
<tr>
<td>Gemstones, precious and semiprecious, other than diamond, value</td>
<td>$54,604$</td>
<td>$96,797$</td>
<td>$99,000$</td>
<td>$101,000$</td>
<td>$103,000$</td>
</tr>
<tr>
<td>Cat’s eye</td>
<td>36,891</td>
<td>45,228</td>
<td>46,000</td>
<td>47,000</td>
<td>48,000</td>
</tr>
<tr>
<td>Ruby</td>
<td>23,000</td>
<td>12,934</td>
<td>15,000</td>
<td>17,000</td>
<td>19,000</td>
</tr>
<tr>
<td>Star ruby</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Sapphire</td>
<td>344,900</td>
<td>773,547</td>
<td>780,000</td>
<td>785,000</td>
<td>790,000</td>
</tr>
<tr>
<td>Star sapphire</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>4,110,400</td>
<td>1,828,400</td>
<td>2,000,000</td>
<td>2,100,000</td>
<td></td>
</tr>
<tr>
<td>Graphite, all grades</td>
<td>3,619</td>
<td>3,387</td>
<td>3,400</td>
<td>3,000</td>
<td>3,200</td>
</tr>
<tr>
<td>Iron and steel, metal, semimanufactures$^c$</td>
<td>50,000</td>
<td>50,000</td>
<td>50,000</td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Mica, scrap</td>
<td>1,161</td>
<td>1,674</td>
<td>1,700</td>
<td>1,700</td>
<td>1,800</td>
</tr>
<tr>
<td>Petroleum refinery products$^c$</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gasoline</td>
<td>2,100</td>
<td>2,100</td>
<td>2,100</td>
<td>2,200</td>
<td>2,200</td>
</tr>
<tr>
<td>Jet fuel</td>
<td>600</td>
<td>650</td>
<td>650</td>
<td>650</td>
<td>700</td>
</tr>
<tr>
<td>Kerosene</td>
<td>1,500</td>
<td>1,500</td>
<td>1,500</td>
<td>1,500</td>
<td>1,500</td>
</tr>
<tr>
<td>Distillate fuel oil</td>
<td>4,900</td>
<td>5,000</td>
<td>5,100</td>
<td>5,200</td>
<td>5,300</td>
</tr>
<tr>
<td>Residual fuel oil</td>
<td>5,200</td>
<td>5,200</td>
<td>5,100</td>
<td>5,100</td>
<td>5,000</td>
</tr>
<tr>
<td>Refinery fuel and losses</td>
<td>700</td>
<td>710</td>
<td>720</td>
<td>720</td>
<td>730</td>
</tr>
<tr>
<td>Other</td>
<td>2,000</td>
<td>2,050</td>
<td>2,100</td>
<td>2,200</td>
<td>2,300</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>17,000</td>
<td>17,200</td>
<td>17,300</td>
<td>17,600</td>
<td>17,700</td>
</tr>
<tr>
<td>Phosphate rock, gross weight</td>
<td>38,775</td>
<td>41,357</td>
<td>42,000</td>
<td>43,000</td>
<td>44,000</td>
</tr>
<tr>
<td>Salt</td>
<td>73,274</td>
<td>78,713</td>
<td>79,000</td>
<td>80,000</td>
<td>81,000</td>
</tr>
<tr>
<td><strong>Stone</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Limestone</td>
<td>848</td>
<td>991</td>
<td>1,000</td>
<td>1,010</td>
<td>1,050</td>
</tr>
<tr>
<td>Quartzite</td>
<td>7,857</td>
<td>18,139</td>
<td>20,000</td>
<td>22,000</td>
<td>24,000</td>
</tr>
</tbody>
</table>

1 Estimated; estimated data are rounded to no more than three significant digits; may not add to totals shown. NA Not available.

2 Table includes data available through August 2, 2007.

3 In addition to the commodities listed, crude construction materials, such as sand and gravel, sulfur, and varieties of stone, presumably are produced, but available information is inadequate to make reliable estimates of output.
**TABLE 2**

SRI LANKA: STRUCTURE OF THE MINERAL INDUSTRY IN 2006

(Thousand metric tons unless otherwise specified)

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Major operating companies and major equity owners</th>
<th>Location of main facilities</th>
<th>Annual capacity ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cement</td>
<td>Holcim (Lanka) Ltd.</td>
<td>Puttalam</td>
<td>1,000</td>
</tr>
<tr>
<td>Do.</td>
<td>Sri Lanka Cement Corp.</td>
<td>Kankesanturai</td>
<td>1,000</td>
</tr>
<tr>
<td>Do.</td>
<td>do.</td>
<td>Puttalam</td>
<td>400</td>
</tr>
<tr>
<td>Do.</td>
<td>Tokyo Cement Co. (Lanka) Ltd.</td>
<td>Trincomalee</td>
<td>300</td>
</tr>
<tr>
<td>Clay, ball</td>
<td>Lanka Ceramic Ltd.</td>
<td>Dediyawala</td>
<td>NA</td>
</tr>
<tr>
<td>Graphite</td>
<td>Kahatagaha Graphite Lanka Ltd. (Ministry of Industrial Development)</td>
<td>Kahatagaha Mine</td>
<td>4</td>
</tr>
<tr>
<td>Do.</td>
<td>Bogala Graphite Lanka Ltd. (Ministry of Industrial Development)</td>
<td>Bogala Mine</td>
<td>7</td>
</tr>
<tr>
<td>Petroleum, refined</td>
<td>42-gallon barrels per day</td>
<td>Ceylon Petroleum Corp. (Ministry of Petroleum and Petroleum Resources Development)</td>
<td>Sapugaskanda</td>
</tr>
<tr>
<td>Phosphate rock</td>
<td>Lanka Phosphate Ltd. (Ministry of Industrial Development)</td>
<td>Eppawela</td>
<td>20</td>
</tr>
<tr>
<td>Titanium, ilmenite sands</td>
<td>Lanka Mineral Sands Corp. (Ministry of Industrial Development)</td>
<td>Pulmoddai</td>
<td>180</td>
</tr>
</tbody>
</table>

NA Not available.