THE MINERAL INDUSTRY OF

SRI LANKA

By Chin S. Kuo

The major mineral commodities produced in Sri Lanka were gemstones, graphite, and titanium minerals. The country was one of the world's top 10 producers of colored gemstones, lump and chip graphite, ilmenite, and natural rutile. Phosphate mining and downstream processing of mineral sands had the best potential for future mineral development. *(See table 1.)*

The Government was seeking active foreign participation in the exploitation of mineral resources. The Geological Survey and Mines Bureau acts as a coordinating agency for mineral exploration and grants exploration licenses for up to 10 years. The Government also planned to begin a new privatization program of key state enterprises which might lead to the partial sale of Lanka Phosphate Ltd.

Sri Lanka produced more than 60,000 metric tons per year (t/yr) of ilmenite and between 4,000 and 5,000 t/yr of rutile. Consolidated Rutile and Renison Goldfields Consolidated, both of Australia, sought licenses to prospect for gold and other minerals in Sri Lanka. Consolidated Rutile was granted exploration rights for ilmenite and rutile on the northwestern and eastern coasts. Renison Goldfields Consolidated was prospecting for gold and also was interested in mineral sands.

Kahatagaha Graphite Lanka Ltd. planned to increase output from its underground mine that currently had a production capacity of 3,500 t/yr. A restructuring plan would involve the sinking of a subvertical shaft from the 345 meter (m) to the 610-m level and the construction of a beneficiation plant to increase the proportion of high-purity graphite produced.

Freeport-McMoRan Resources Partners Ltd. of the United States set up a $400-million[1] phosphate mining and fertilizer manufacturing project in Sri Lanka. State-owned Lanka Phosphate Ltd. planned to form a joint venture with the company to develop a phosphate deposit at Eppawela in the north-central Anuradhapura district as a feedstock. Proven reserves were estimated at 25 million metric tons (Mt) with a total inferred resource of 60 Mt.[2] The fertilizer unit at the northeastern port of Trincomalee would be operated by Freeport-McMoRan's Agrico subsidiary and produce 600,000 t/yr of diammonium phosphate, mainly for export. Startup was expected in early 1998.

The country was considering a proposal by a consortium of foreign oil and power companies to build a $2 billion crude oil refinery and diesel powerplant. The refinery was proposed on a site in southern Hambantota district and would process up to 6.5 Mt/yr of crude. The project was being designed conforming to the World Bank and Central Environmental Authority guidelines. An environmental impact assessment and environmental mitigation plan were under preparation.

Environmental Technologies USA Inc. reached an agreement with Maharaja Organization Ltd. to establish a plastics recycling operation in Sri Lanka in the form of a joint venture. Equity participation and attractive earnings potential were envisioned by the U.S. company. A market analysis would be conducted on the types, sizes, and availability of plastics that could be successfully recycled. The country's use of disposable plastic products continued to grow along with its population.

The Government was formulating a national energy policy in response to a looming power crunch that could seriously undermine its plan to boost exports. The growth rate in the power sector was expected to be in the region of 10% per year.

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[1]Where necessary, values have been converted from Sri Lankan rupees (SLR) to U.S. dollars at the rate of SLR50.12=US$1.00 for 1995.

[2]Mining Journal. Apr. 21, 1995, p. 292.

Major Sources of Information

Ceylon Petroleum Corp.
P.O. Box 634, 113 Galle Road
Colombo 3, Sri Lanka
Lanka Ceramic Ltd.
Colombo, Sri Lanka
Sri Lanka Government
Colombo, Sri Lanka
State Gem Corp.
Colombo, Sri Lanka
State Mining and Mineral Development Corp.
Colombo, Sri Lanka

TABLE 1
SRI LANKA: PRODUCTION OF MINERAL COMMODITIES 1/

(Metric tons unless otherwise specified)

Commodity 2/		1991	1992	1993	1994	1995 e/
Cement, hydraulic	thousand tons	400 e/	817	676	925	900
Clays:						
Ball clay		25,000 e/	18,558	21,017	16,085	17,000
Kaolin		7,737	6,759	7,000 e/	7,500 e/	7,500
Brick and tile clay e/		75,000	75,000	7,722 3/	7,800	8,000
Clays for cement manufacture e/		320 3/	300	400	500	550
Feldspar, crude and ground		9,908	7,524	8,000 e/	12,280	12,000
Gemstones, precious and semiprecious, other than diamond e/	value, thousands	$57,000	$58,000	$60,000	$60,300	$61,000
Graphite, all grades		6,381	3,307	5,163	2,946	3,000
Iron and steel, metal, semimanufactures		47,659	53,811	39,015	55,117	50,000
Mica, scrap e/		200	200	200	200	200
Petroleum refinery products:						
Gasoline	thousand 42-gallon barrels	1,168	957	1,390	1,582	1,600
Jet fuel	do.	722	553	724	488	500
Kerosene	do.	1,173	985	1,464	1,488	1,500
Distillate fuel oil	do.	3,450	2,700	3,980	4,495	4,500
Residual fuel oil	do.	3,801	4,383	3,753	3,868	3,800
Other	do.	1,030	471	240	464	500
Refinery fuel and losses	do.	464	428	461	400 e/	450
Total	do.	11,808	10,477	12,012	12,785	12,850
Phosphate rock		19,693	26,010	35,681	32,313	32,000
Rare-earth metals, monazite concentrate, gross weight e/		200	200	200	200	200
Salt		52,888	121,875	43,344	56,162	60,000
Stone:						
Limestone	thousand tons	621	600 e/	650 e/	670 e/	700
Quartz, massive		978	1,130	1,133	1,200 e/	1,100
Titanium concentrate, gross weight:						
Ilmenite		60,861	33,283	76,930	60,445	60,000
Rutile		3,085	2,741	2,643	2,410	2,400
Zirconium, zircon concentrate, gross weight		26,123	13,368	14,401	22,310	20,000

e/ Estimated.

1/ Table includes data available through Aug. 22, 1996.

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

3/ Reported figure.