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LK Strategic National Policy Framework to Reform and Globalize Sri Lanka's Mineral Industry

Executive Summary

This document is presented as an official proposal to **His Excellency the President of the Democratic Socialist Republic of Sri Lanka**, the **Cabinet of Ministers**, and all relevant governmental bodies and stakeholders. It aims to serve as a **national policy guideline** to reform the current mineral legislation, unlock the country's mineral wealth, and attract global investment and technology partnerships. The policy outlines transformative reforms over short, medium, and long-term horizons, with a special emphasis on industrial minerals such as **dolomite**, which are currently underutilized due to outdated legal restrictions.

Amendment Proposal: Reclassification of Industrial Minerals

Current Challenge: Several high-demand industrial minerals, notably **dolomite**, are classified as "heritage products" under existing laws, thus restricting their export. This policy limits the nation's ability to capitalize on its high-grade mineral resources and hinders the inflow of technology, expertise, and foreign investment.

Proposed Reform:

- **Amend the National Heritage Law and Mineral Act** to reclassify industrial minerals such as dolomite, removing them from heritage status.
- Implement a **regulated export framework** that ensures value addition and environmental compliance.
- Enable **technology partnerships and beneficiation agreements** with foreign stakeholders to create a high-value mineral export industry.

Legal and Institutional Reform of the Mineral Act

Objectives:

- Modernize the Mineral Act of Sri Lanka to align with **global standards** from countries like Australia, Japan, and Germany.
- Introduce clear regulations for:
 - Mineral concessions and export licenses
 - Investor protections and legal predictability
 - Transparent royalty structures with community sharing
 - ESG compliance and traceability

- **Mandatory Environmental Impact Assessments (EIA) and Environment Management Plans (EMP)** for every licensed mine and processing facility to ensure sustainable environmental protection across the island nation

Strategic Vision: Reforms must shift the focus from extraction volume to **value generation through innovation and processing**, leveraging the superior quality of Sri Lankan minerals.

✓ **SHORT-TERM STRATEGIES (0–12 months)**

Objective: Stabilize governance, build investor confidence, and close regulatory gaps.

- 1. Establish an Independent National Mineral Reform Task Force**
 - Parliamentary oversight but independent operations
 - Include geologists, economists, legal experts, and anti-corruption officers
- 2. Emergency Audit of Mining Licenses**
 - Forensic review of licenses from the last decade
 - Suspend non-compliant or fraudulently obtained licenses
- 3. Digital Licensing and Compliance System**
 - Launch an online license portal with blockchain traceability
- 4. Stakeholder Roundtables**
 - Engage private sector, exporters, local communities, and legal institutions
- 5. Public Education Campaigns**
 - Promote legal mining, community benefit-sharing, and environmental care
- 6. Appoint a Special Task Force for Resource Re-Evaluation and Market Transformation**
 - Conduct a national-level re-evaluation of all existing mining deposits and associated waste materials
 - Identify potential value-added processing opportunities and international market demand
 - Recommend new industry models with benefits for local economic upliftment and foreign exchange generation
 - Analyze the current use of certain minerals (e.g., for low-value fertilizer production) and propose strategic redirection toward higher-value applications both locally and internationally
 - Propose pricing mechanisms and eliminate regulatory and trade barriers blocking these high-value industrial uses
- 7. Implement Zero Waste Mining and Processing Practices**
 - Enforce guidelines that promote full resource utilization across the value chain
 - Require mining and mineral processing operations to adopt circular economy principles, resource recovery technologies, and sustainable product life cycle standards

MEDIUM-TERM STRATEGIES (1–3 years)

Objective: Modernize institutions, unlock value, and encourage foreign direct investment (FDI).

- 1. Revamp the GSMB (Geological Survey and Mines Bureau)**
 - Replace political appointees with professionals
 - Partner with local and international research institutions
- 2. Develop a National Mineral Policy Framework**
 - Include investor protections, environmental assessments, royalty models, and **mandatory EIAs and EMPs as licensing prerequisites**
- 3. Modernize Data Infrastructure**
 - Launch a National Geological Mapping Program
 - Create a central open-access mineral data repository
- 4. Support for Mid-Tier Mining and Beneficiation**
 - Tax holidays and subsidized leases for SMEs
 - Promote downstream industries (ceramics, advanced materials, etc.)
- 5. Create a Minerals Arbitration Tribunal**
 - Fast-track mining-related legal cases and anti-corruption enforcement

LONG-TERM STRATEGIES (3–10 years)

Objective: Establish Sri Lanka as a world-class, ethical, and innovation-driven mineral hub.

- 1. National Mineral Sovereign Fund**
 - Invest mining royalties into infrastructure, education, and R&D
- 2. Mineral Technology Parks**
 - Establish R&D and processing centers in mineral-rich regions (Monaragala, Matale)
- 3. Strategic Bilateral Partnerships**
 - With Japan, Germany, India, and the EU for technology and offtake agreements
- 4. Compliance with Global ESG Standards**
 - Market Sri Lankan minerals as ethical, traceable, and green
 - Require **full EIA and EMP integration** in all exploration, mining, and processing activities
- 5. Develop a Future-Ready Workforce**
 - Partner with international universities
 - Establish Sri Lanka's first Mining & Mineral Policy Academy

Global Partnerships and Technology Transfer

Hikari MEC Company (Pvt) Ltd is prepared to support the Government of Sri Lanka by facilitating strategic partnerships with Globally recognized private entities in **Japan and Germany**, providing:

- Access to mineral processing technology
- ESG-compliant mining methods
- Research and development collaborations
- Professional training for Sri Lankan geologists and engineers

These partnerships are vital to creating a **modern, ethical, and globally competitive mineral sector**.

Strategic Vision for Rare Earth Elements (REE):

Positioning Sri Lanka in the Global Critical Minerals Supply Chain

Sri Lanka holds untapped potential in **rare earth-bearing minerals** such as **monazite and apatite**, predominantly found in beach mineral sands and phosphate formations. While historically underrecognized, these materials are now globally strategic due to their applications in **clean energy, semiconductors, defence systems, and advanced electronics**.

Hikari MEC's Strategic Position:

- **Identify and secure key monazite-rich zones** (e.g., Rathethan coastal belt).
- Partner with global REE processing experts in **Japan and Germany** to develop downstream capabilities (separation, refining, oxide production).
- Promote **joint ventures and technology licensing models** with compliant ESG frameworks.

National Benefits:

- Entry into the global critical mineral market under the EU/US "Green Deal" standards.
- High-value export of REE oxides vs. low-value raw sand exports.
- Employment generation and university-R&D-industry linkages.
- Position Sri Lanka as a **reliable, ethical REE supplier** for the Asia-Pacific region.

Key Policy Recommendations:

- **Amend mining licenses and the Mineral Act** to specifically accommodate REE-focused exploration.
- Create a **Special Rare Earth Mineral Division** under GSMB.
- **Mandate EIA/EMP for REE zones** with global compliance tracking.
- Develop an **REE Innovation Cluster** at one of the proposed Mineral Technology Parks (e.g., Monaragala).

- Ensure **zero-waste policy** and safe radioactive material handling standards.

☒ **Economic Justification and National Impact**

The proposed reforms will:

- Attract billions in foreign direct investment
- Create skilled jobs and community wealth
- Reduce reliance on debt-based development
- Enable Sri Lanka to become a globally respected mineral-exporting country
- **Preserve the ecological integrity of the island through mandatory environmental safeguards**

Yours faithfully,



Sunimal Rodrigo

Chairman


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