

DEPARTMENT OF MINES AND ENERGY
SOUTH AUSTRALIA

REPT.BK.NO.82/46
FIRST INTERNATIONAL COLOURED
GEMSTONES CONFERENCE AND GEM
AND JEWELLERY EXHIBITION:
COLOMBO, SRI LANKA
1ST-3RD FEBRUARY, 1982.

GEOLOGICAL SURVEY

by

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GEOLOGIST

MINERAL RESOURCES SECTION

JULY, 1982

DME.208/82



Rough and cut sapphire and ruby,
Ratnapura Gem Bureau, Sri Lanka.

Trans. No. 22993

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DEPARTMENT OF MINES AND ENERGY
SOUTH AUSTRALIA

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DME No. 208/82
Disk No. 55

FIRST INTERNATIONAL COLOURED GEMSTONES CONFERENCE AND GEM AND
JEWELLERY EXHIBITION:
COLOMBO, SRI LANKA
1st-3rd February 1982.

ABSTRACT

Sri Lanka is a major producer of coloured gemstones, principally sapphire, ruby, chrysoberyl, garnet and zircon won from pits in Pleistocene alluvial gravel. The gem minerals originate from alumina-rich, high-grade metamorphic rocks of the Highland Series of Precambrian age.

Traditional mining and processing methods are widespread but modern lapidaries have been established recently and mechanised mining is being tried.

The State Gem Corporation, formed in 1971 to control and promote the gem industry, has made significant progress in improving the international reputation of Sri Lankan gemstones.

The Corporation, with cooperation from industry organised the First International Coloured Gemstones Conference in Colombo from 1st to 3rd February 1982.

Titles of papers presented at the Conference included the gem industry in Sri Lanka, gem occurrence in other parts of the world, colour improvement in sapphires by heat treatment and trends in coloured gemstone markets in Japan and United States of America.

INTRODUCTION

The First International Coloured Gemstones Conference was held in Colombo, Sri Lanka on 1st - 3rd February 1982.

Adelaide businessman, Mr. G.L. Maslen organised travel arrangements for a party of ten Australians attending the conference. The party comprised:-

- | | |
|-----------------------------|---|
| G. Maslen | - Businessman/Gemmologist, Adelaide. |
| L. & M. Kavanagh | - Jeweller/Valuer, Adelaide and his wife. |
| G. & J. Voivodich | - Managing Director, Voivodich Jewellers, Adelaide and his wife. |
| B. & T. Sheath | - Jeweller/Gemmologist, Wedgewood Jewellers, Nowra, N.S.W. and his wife. |
| J. Beresford and P. Hickman | - Gemmologists, Gemmological Association of Australia, Hobart Branch. |
| J. Keeling | - Geologist/Gemmologist, South Australian Department of Mines and Energy. |

My attendance at the conference was assisted by the South Australian Government which provided accommodation and living expenses totalling \$670 and paid the conference registration fee of \$205.

While in Sri Lanka, I was requested to

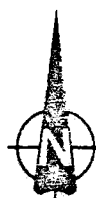
- . liaise with the Sri Lankan Geological Survey concerning publication of the Geological Map of Sri Lanka under contract to the South Australian Government Printer
- . obtain information on gem mining in Sri Lanka and the role of the State Gem Corporation
- . record details of papers presented at the conference.

ITINERARY

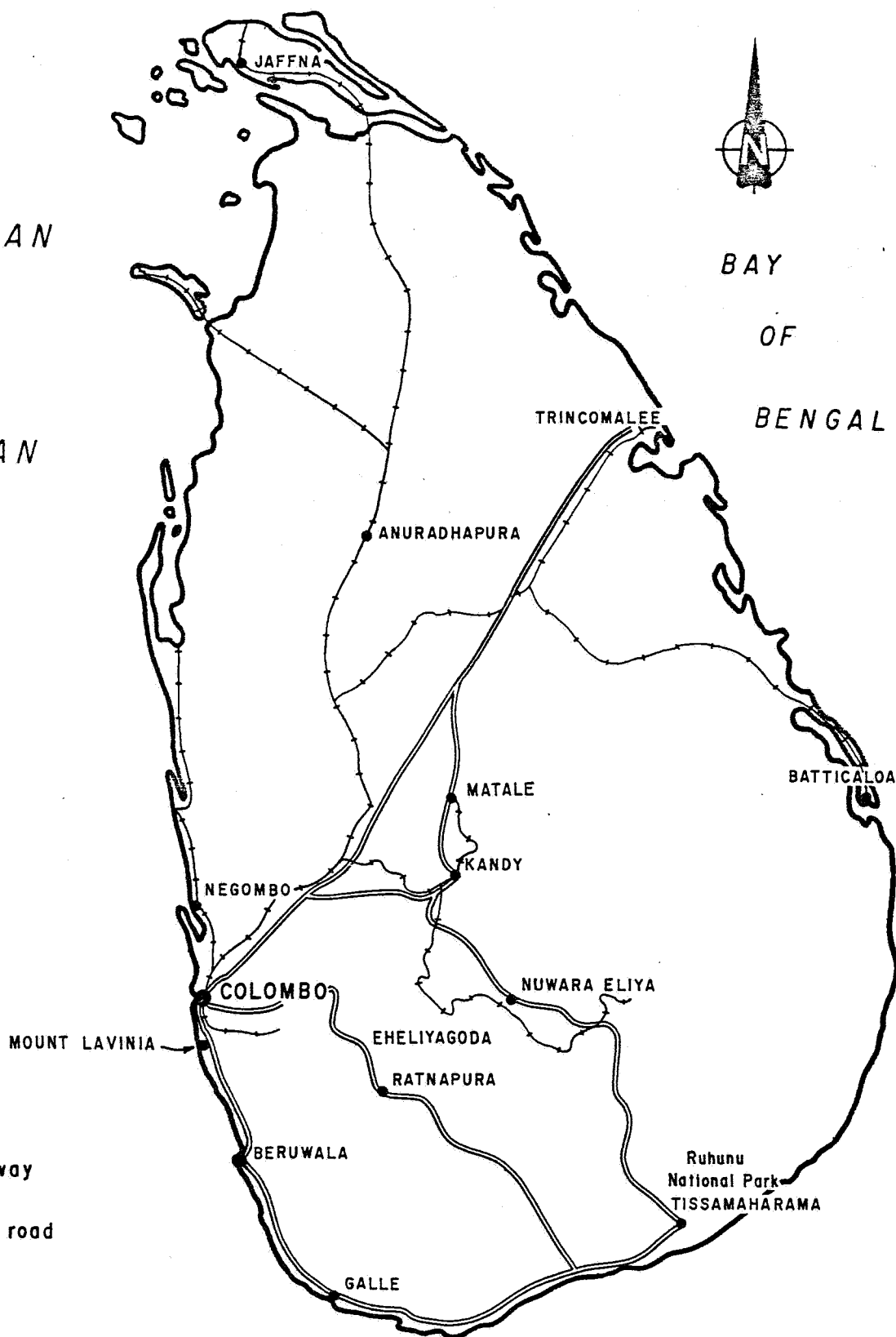
The group left Australia on 27th January 1982 and returned on 10th February 1982. Our itinerary is summarised below and places visited in Sri Lanka are shown on figure 1.

- | | |
|------------------------|--|
| Wednesday 27th January | - Adelaide to Melbourne to Kuala Lumpur. Overnight at Kuala Lumpur. |
| Thursday 28th January | - Kuala Lumpur to Colombo via Singapore. Overnight at Mount Lavinia, 13 km south of Colombo city centre. |

INDIAN
OCEAN



BAY
OF
BENGAL



SCALE
20 0 20 40 60 80 100
KILOMETRES

FIG. 1

DEPARTMENT OF MINES AND ENERGY
SOUTH AUSTRALIA

SRI LANKA
LOCALITY PLAN

COMPILED
J.K.

DRAWN
R.H.

DATE
Mar. 1982
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30.7.82
C.D.O. DATE

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Friday 29th January - Travelled by coach to Beruwala, 60 km south of Colombo. Guests of Berberyn Gem Co. Ltd., traditional family gem dealers of high standing. Beruwala boasts a large number of established gem merchants, primarily family concerns and invariably Muslim.

A display of Sri Lankan gems had been arranged and lunch was provided at the private home of one of the company directors.

Travelled from Beruwala to Galle. Visited arts and crafts factory incorporating gem cutting and polishing. Overnight at Tissamaharama.

Saturday 30th January - Visited Ruhunu National Wildlife Sanctuary then travelled to Nuwara Eliya in the highlands. Overnight at Nuwara Eliya.

Sunday 31st January - Travelled to Kandy, the last seat of the Sinhala Kings which fell to the British in 1815. Visited Temple of the Tooth and the Royal Botanical Gardens. At Katukitula, inspected Glenloch tea factory then travelled to Colombo.

Met with Mrs. Barbara Edrisinghe, President, Gemmologists Association of Sri Lanka. Conference registration formalities completed.

- Monday 1st February - Inauguration of the First International Coloured Gemstones Conference. Opening of gem and jewellery exhibition. First days papers presented.
- Tuesday 2nd February - Second day of conference. Papers dealt mainly with gemstones from other parts of the world.
- Met with D.J.A.C. Hapuarachchi, Director, Geological Survey of Sri Lanka. Preliminary discussions were held on the recently drafted geological base map and colour rough.
- Wednesday 3rd February - Third and final day of conference. Papers concentrated on economic aspects of international gem trade.
- Discussions with Hapuarachchi successfully concluded.
- Thursday 4th February - Independence Day in Sri Lanka and a public holiday. Babu Sukamur, geologist with the Geological Survey, arranged a tour of Colombo and a visit to places of interest south of the capital city.
- Friday 5th February - Travelled to Ratnapura, the gem mining centre of Sri Lanka. Shown methods of mining, cutting and polishing. Returned to Colombo. Overnight at Negombo, 35 km north of Colombo and near the Bandaranaike International Airport.
- Saturday 6th February - Departed Colombo for Singapore.
- Sunday 7th February - Singapore

Monday 8th February - Singapore

Tuesday 9th February - Singapore to Kuala Lumpur, overnight flight to Melbourne.

Wednesday 10th February - Melbourne to Adelaide.

SRI LANKA IN BRIEF

Sri Lanka is tropical island near the southern tip of India. Maximum north-south length is 435 km and maximum width is 225 km giving a total land area of 65 000 sq km.

Temperatures around the coast show little variation from 25 to 30 degrees celcius whereas in the highlands, the temperature falls to a low 10 degrees celcius.

The population is 14.8 million of whom 75 percent are Sinhalese (mainly Buddhists), 20 percent are Tamils (mainly Hindus and Christians) and the rest Moors (Muslims) and Burghers. Average annual income is about 10 000 rupees (Rs) equal to approximately \$A440.

Main industries are agriculture, forestry and fishing, the principal exports being tea, rubber, coconut and refined petroleum products.

The mineral industry is underdeveloped but growing rapidly and includes graphite, limestone for cement, heavy mineral sands and gemstones.

GEOLOGY OF SRI LANKA

Sri Lankan geology is dominated by Precambrian metamorphic rocks except in the northwestern coastal belt which is underlain by limestone of Miocene age (Fig. 2).

Gem-bearing host rocks are essentially restricted to the Highland Series, a major lithological unit which extends north-northeastwards across the island as an arcuate belt. Highland Series is bounded to the east and west by Vijayan Complex of

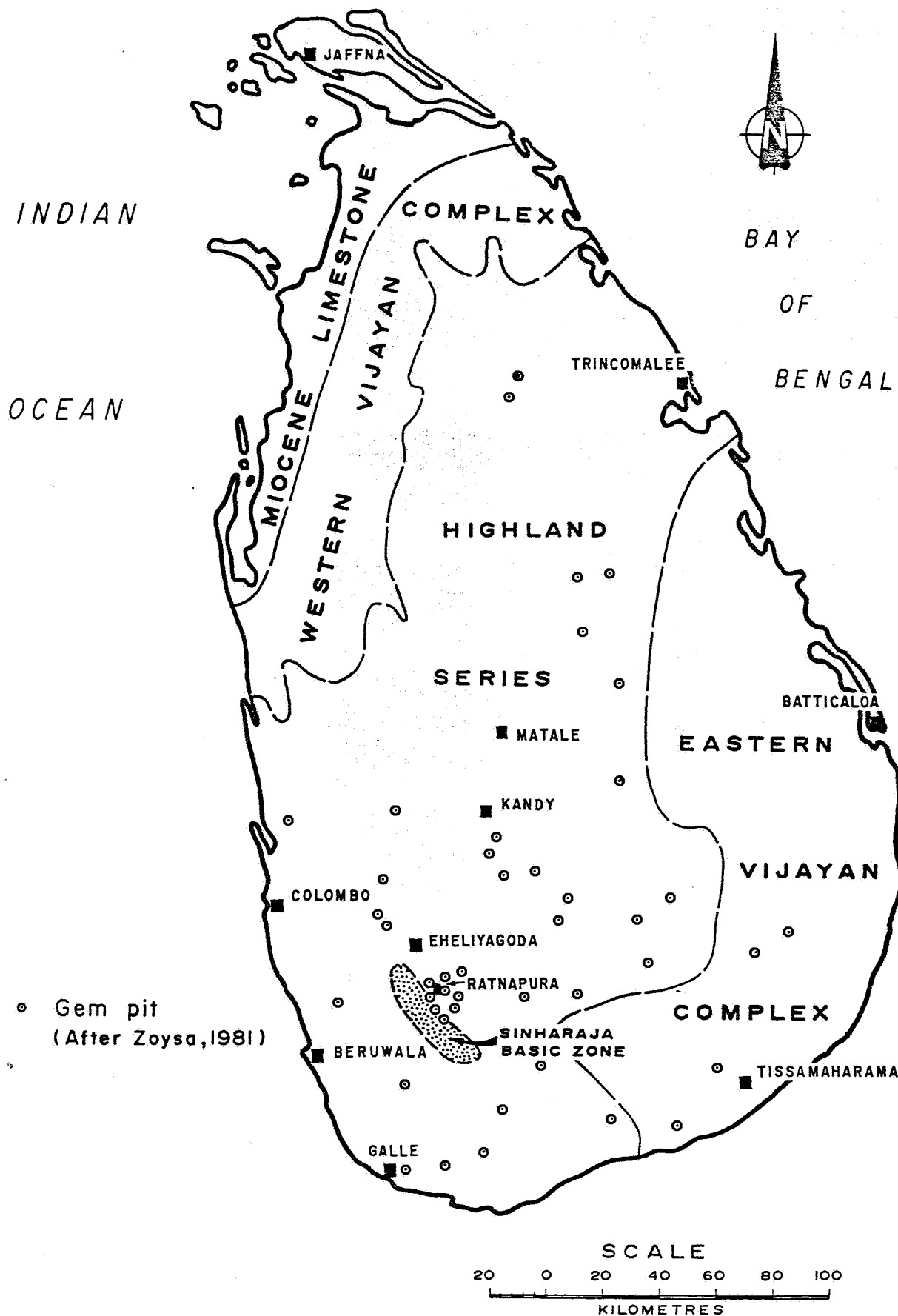



FIG.2

	DEPARTMENT OF MINES AND ENERGY SOUTH AUSTRALIA		COMPILED J.K.	30. 7. 82 C.D.O. DATE
	SRI LANKA GENERALISED GEOLOGY AND DISTRIBUTION OF GEM PITS		DRAWN R.H.	SCALE 1:2000 000
			DATE Mar. 1982	PLAN NUMBER
			CHECKED	SIG106

granite, migmatite and gneiss thought to represent original Archean basement (Katz, 1971).

The gem-bearing Highland Series comprise metamorphic rocks of granulite facies, commonly pelitic, quartzo-feldspathic, calcareous, basic and ultrabasic rocks. Metamorphism of the Highland Series is the result of collisional orogeny, the collision having taken place between the two Vijayan blocks 3 000 million years ago (Munasinghe and Dissanayake, 1981). This continental collision caused partial melting of oceanic basement with resultant emplacement of basic igneous rocks in the upper crust (Dewey and Burke, 1973). The Sinharaja basic zone (Fig. 2) probably represents the metamorphic equivalent of such an emplacement.

GEOLOGICAL MAP

The Geological Map of Sri Lanka, prepared by the Geological Survey of Sri Lanka, will be published under contract awarded to the South Australian Government Printer. All publication drafting is the responsibility of the Drafting Branch of the South Australian Department of Mines and Energy.

Drafting is in the final stages, and copies of the topographic base and colour rough were taken to Sri Lanka for comment.

The Director of the Geological Survey, Mr. Happaurachchi, was very pleased with progress to date and impressed with the quality of drafting and overall presentation.

Twenty six points were discussed, mainly fine detail on geological boundaries and incorrectly coloured units. The results of these discussions were passed on to P. Knoblauch, (Senior Technical Officer, Map Publication Section).

The most important changes relate to differentiating rock units of the Highland Series and Vijayan Complex. Lithostratigraphic boundaries between the two complexes are to be emphasised and brighter green will be used to highlight biotite hornblende gneiss of the Highland Series.

GEM INDUSTRY

Production

Gemstones are the major mineral export constituting about 5 percent of Sri Lanka's total exports. The value of gems exported since 1971 is given in Table 1.

Formation

According to Munasinghe and Dissanayake (1981), gem formation is a result of the following sequence of events:-

1. Deposition of alumina-rich argillaceous sediments in the Highland Basin.
2. Collision orogeny resulting in granulite facies metamorphism and deformation of the aluminous sediments, with resultant formation of gem quality garnet, sillimanite, andalusite, cordierite etc.
3. Emplacement of basic and ultrabasic igneous rocks resulting in desilication by contact metamorphic effects producing spinel, corundum (ruby and sapphire), cordierite and other associated minerals.
4. Intrusion of beryllium-rich pegmatite fluids into basic and ultrabasic rocks producing beryl, and chrysoberyl, as well as topaz, tourmaline and zircon.
5. Extensive chemical weathering and alluvial-gravity transportation during Pleistocene times to form local concentrations of gems in gravel beds within extensive flood plain and stream channel deposits.

Table 1. Value of gemstone exports, Sri Lanka 1971-1981

Year	Value (*Rs million)
1971	3.4
1972	11.7
1973	152.6
1974	132.9
1975	180.2
1976	261.4
1977	297.9
1978	531.0
1979	490.1
1980	n.a.
1981	650.0

Source: Adapted from Central Bank of Ceylon and Geological
Survey Department.

*In February 1981 \$A1.00 \approx Rs 23.

Gem Minerals

A diverse range is found in Sri Lanka, second only to the deposits of Brazil. Principal gem mining areas and distribution of gem minerals are shown in figure 3.

Commercial gem varieties mined in Sri Lanka are:-

Corundum - (Al ₂ O ₃)	blue sapphire ruby pink sapphire yellow sapphire white sapphire <i>p</i> padmarascha sapphire - a rare highly prized pinkish orange stone orange sapphire star sapphire and star ruby geuda - milky or brownish sapphire, recently heat treated in Bangkok to produce blue sapphire.
Chrysoberyl - (BeAl ₂ O ₄)	alexandrite - a stone which appears green in daylight and red in artificial light and is one of the most highly prized gemstones in the world today. cat's-eye - yellow, green or brownish- yellow translucent stone showing a white or yellow chatoyant line.
Zircon - (ZrSiO ₄)	green, yellow, yellow-brown, reddish and white varieties.
Garnet group - (Fe ₃ Al ₂ (SiO ₄) ₃) (Mg ₃ Al ₂ (SiO ₄) ₃) (Ca ₃ Al ₂ (SiO ₄) ₃)	almandine and pyrope mixtures - bright purplish-red hessonite - orange-brown and reddish- brown. High quality stones are unique to Sri Lanka. spessartite - brownish red. star varieties are rare.
Spinel - (MgAl ₂ O ₄)	pale and dark blue, mauve, purple, pink and rarely red. Star varieties are also known.
Beryl - (Be ₃ Al ₂ (SiO ₃) ₆)	aquamarine, usually pale blue to greenish-blue, pale green beryl white beryl.
Topaz - (Al ₂ (F,OH) ₂ SiO ₄)	mainly colourless, but very rarely with the faintest tint of blue, yellow or pink.
Tourmaline - ((NaCa)(LiMgFeAl) ₉ B ₃ Si ₆ (O,OH) ₃₁)	brown, orange-brown, yellow-brown and dull green.

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BAY
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BENGAL

LEGEND

- S BLUE SAPPHIRE
 - R RUBY
 - U OTHER CORUNDUM VARIETIES
 - C CHRYSOBERYL
 - H HESSONITE GARNET
 - A ALMANDINE and PYROPE
 - Z ZIRCON
 - T TOURMALINE
 - M MOONSTONE
 - G OTHER GEM VARIETIES
 - O OPAQUE MINERALS
- (after ZOYSA, 1981)

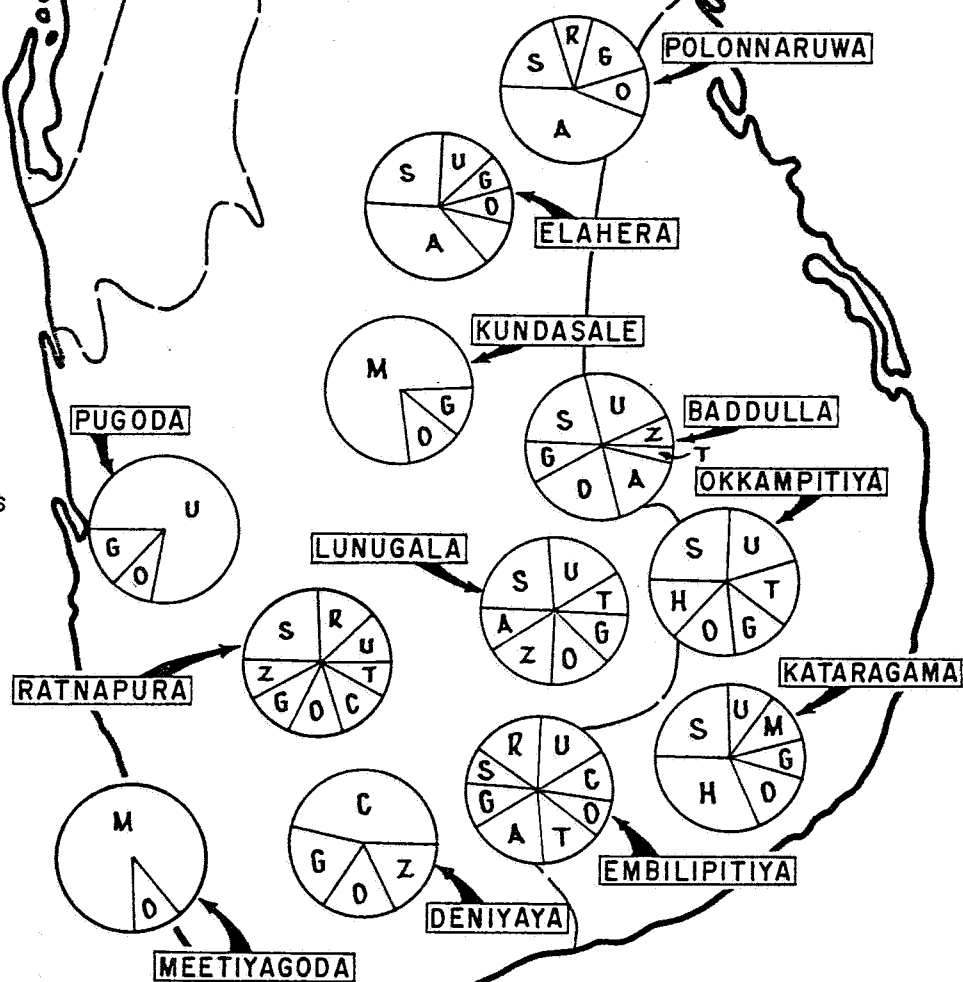


FIG. 3

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SRI LANKA

OCCURRENCE AND PERCENTAGE
DISTRIBUTION OF GEM MINERALS

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Quartz - colourless, pale to dark brown and pale
(SiO₂) yellow. Rose quartz, star quartz
and star rose quartz. Some
high quality dark purple amethyst has
been mined in recent years.

Orthoclase feldspar - moonstone showing white or very fine
(KAlSi₃O₈) blue chatoyancy.

Sri Lanka is the source of the following rare gem minerals.

<u>Mineral</u>	<u>Chemical formula</u>	<u>Colour</u>
Sinhalite	MgAlB ₃ O ₄	pale yellow-brown
Ekanite	(Th,U)(Ca,Fe,Pb) ₂ Si ₈ O ₂₀	green
Kornerupine	Mg ₃ Al ₆ (Si,Al,B) ₅ O ₂₁ (OH)	green, greenish-yellow
Sphene	CaTiSiO ₅	green, greenish-yellow
Fibrolite	Al ₂ SiO ₅	greyish-green
Iolite	Mg ₂ Al ₄ Si ₅ O ₁₈	purple
Axinite	(CaFeMn) ₃ Al ₂ BSiO ₁₅ (OH)	yellow
Enstatite	Mg ₂ Si ₂ O ₆	greyish-green
Andalusite	Al ₂ SiO ₅	green
Taaffeite	MgAl ₄ BeO ₈	purple
Taprobanite	MgAl ₄ BeO ₈	red

Mining and Processing

Most gems are mined from alluvial gravel lenses associated with buried stream channels and flood plains. The exceptions are small quantities of gems produced from modern river and eluvial hillslope deposits and gems mined in the Elahera district which are found in a residual laterite profile. Moonstone is the only gemstone mined commercially from parent rock, partly decomposed pegmatite at Meetiyagoda in the southwest.

Depth to gem-bearing gravel commonly 3 to 20 m may exceed 40 m. Up to three sandy gravel lenses, 1 to 10 m thick may be present in the sequence although gem-bearing gravel layers are generally less than 0.6 m thick (Fig. 4). The lateral distribution of lenses is highly variable, but basal gravel on

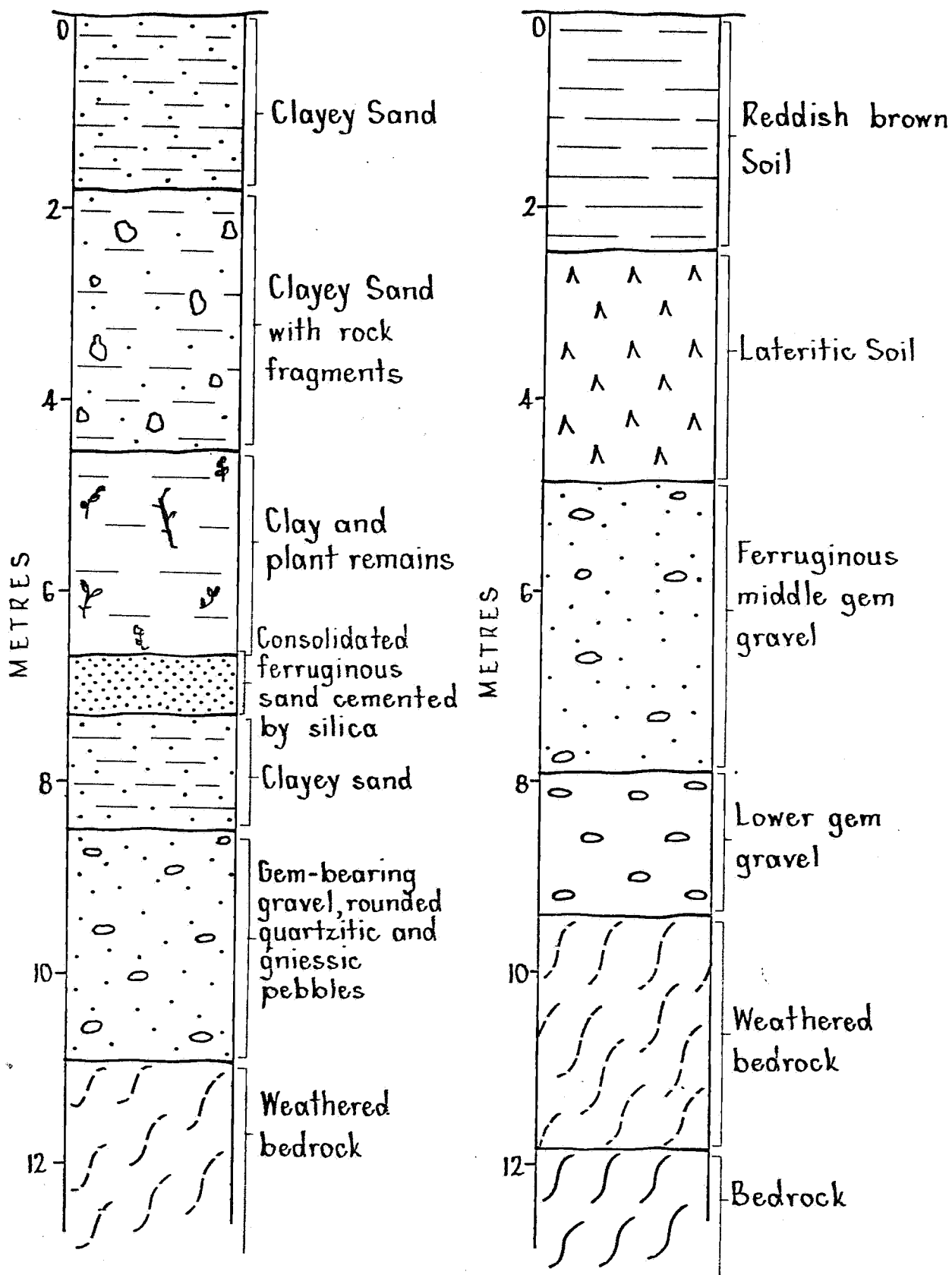


FIG. 4



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SOUTH AUSTRALIA

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SRI LANKA

RATNAPURA GEM MINING DISTRICT
TYPICAL GEOLOGICAL SECTIONS

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PLAN NUMBER

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weathered bedrock is usually present. Garnet and beryl are dominant in the upper horizons while corundum, chrysoberyl, topaz, spinel and zircon are found in the lower levels, often directly overlying weathered bedrock. Overburden is water saturated soil, clay and sandy clay.

Mining is conducted typically by small partnerships, often including the landowner, and profits are shared on fixed percentages determined by the contribution of the partner. Labour is usually employed to sink the shaft and wash the gravel.

Methods of mining have remained virtually unchanged for hundreds of years with the exception of the introduction of mechanical pumps for dewatering, (Plate 1).

A shaft, 2.5 to 4 m square is sunk to the top of gem bearing gravel which is dug and lifted in baskets to the surface and stockpiled in a cleared area (Plates 1 to 3). The shaft is timbered over the full depth and bracken is packed between timbers to prevent collapse of sand and to reduce seepage. Dewatering is usually a continuous process.

Driving may be attempted but is extremely dangerous in the unconsolidated, saturated sediments. New shafts are normally sunk to exploit extensions to productive gravel lenses.

Many gem pits are in alluvial valleys cultivated for rice growing and on completion of mining, the shafts are backfilled and the land returned to cultivation.

Stockpiled gem gravel is washed in woven baskets to remove clay, silt and sand (Plate 4). These concentrates may be sold in lots or sorted for further processing.

Although modern lapidaries are being established in Sri Lanka, most gemstones are cut using traditional methods.

Gem cutters select rough stones from the gravel concentrate. The gems are dressed to eliminate major flaws and roughly shaped using a grinding wheel rotated by means of a bow string (Plate 5). The roughly shaped stone is set in a brass dop for final facetting and polishing on a copper lap rotated with the help of an assistant (Plate 6).

Stones cut in this manner are often incorrectly orientated for best colour and lack proper geometric proportions to take full advantage of the optical properties of the gem mineral. The prime consideration is to maximise the weight of the cut stone.

In March 1979, the government of Sri Lanka selected eleven companies, ten from Australia, Singapore, Thailand and the United Kingdom and one from Sri Lanka, to carry out mechanised mining for gems, and exploration for other minerals in 20 000 hectares of land which will be submerged permanently under the Mahaveli and Samanala Wewa Irrigation Projects due to be completed in 1985.

The companies will receive a fixed percentage of the gems found and profits will be shared on a 50-50 basis after operational expenses have been met. The contractors will meet all capital expenditure. The gems will be processed in Sri Lanka and the State Gem Corporation will have right of purchase.

Mining operations commenced in mid 1981 with mixed success. Some areas appear to have been thoroughly worked over by previous mining and other areas are untested, requiring extensive exploration before mining.

Three companies are reportedly still active including Chatham House Ltd. of the United Kingdom. The success or otherwise of this mechanised mining venture will probably be determined over the next twelve months.

As part of a general policy to attract foreign investment to develop export orientated industries using local materials, the government of Sri Lanka offers generous tax concession to these companies and has established Free Trade Zones.

Dakota lapidary recently was established in the Katunayake Industrial Promotion Zone and another lapidary project has been approved in an Investment Promotion Zone.

Imported rough diamonds are cut and polished in the recently established Blue Peacock diamond lapidary on the western coast.

Marketing

Marketing of gemstones is under the control of the State Gem Corporation. Export of rough gem minerals from Sri Lanka is illegal and cut stones are either sold direct to buyers or tourists who visit the country, or are exported with the approval of the State Gem Corporation.

There is no limit on the value of cut gems which can be purchased in Sri Lanka, but Sri Lankan Customs require that evidence be produced to show that sufficient foreign exchange was brought into the country to cover purchases. It is recommended that all receipts be retained.

Sales tax is payable by retail and wholesale jewellers.

In August 1980, the first gem auction was held in Sri Lanka under control of the Chamber of Commerce. Gems worth more than Rs 75 million (\$A3.3 million) were sold. All profits from these auctions are tax free to the seller, and if the buyer is from a foreign country, the whole transaction is tax free.

Principal overseas buyers of Sri Lankan gems are Japan, Hong Kong, Switzerland and U.S.A. Purchasers have concentrated on blue sapphire, ruby, chrysoberyl cat's-eye, alexandrite and star stones. In 1981, a purchasing team from the China National Arts

and Crafts Imports and Export Corporation headed by Mr. Peng Wuyao purchased gems worth Rs 21 million (\$A0.9 million).

Role of the State Gem Corporation

The State Gem Corporation (The Corporation) was established by an Act of Parliament of Ceylon on 9th March 1971.

The Corporation is responsible to the Minister of Finance and Planning (currently Hon. Ronnie de Mel) and is financed by fees collected for licences etc., sale of gemstones and government funds.

Senior office holders as at February 1982 are:-

Chairman: Mr. Leonard Gunawardene

Director: Mr. T.G. Punchiappuhamy

Deputy General Manager: Mr. K.H. Piyatilleke

The Corporations' Head Office is at:

25 Galle Face Terrace,

COLOMBO 3,

SRI LANKA, Telephone: Colombo 29352

The functions of the Corporation as defined in the State Gem Corporation Act, No. 13 of 1971 (reproduced in full in Appendix A) are:-

- (a) the promotion and development of the gem industry;
- (b) the promotion and development of research in gems and the gem industry;
- (c) the advancement of the skill of persons employed or engaged in the gem industry;
- (d) the initiation and implementation of schemes for the promotion and development of the gem industry;
- (e) the exploitation of the market for gems, whether in or outside Sri Lanka;

- (f) to carry on the gem industry, whether in or outside Sri Lanka;
- (g) the regulation, supervision and control of the gem industry;
- (h) the regulation and control of the terms and conditions of employment of persons who work in the gem industry, and in particular, the safety measures to be taken to protect such persons from danger to life and limb;
- (i) the prevention of unlawful removal of gems from Sri Lanka;
- (j) to be the sole authority responsible for the alienation of the right to mine for gems in or over Crown land, or in or over land disposed of by the Crown where the mining or gemming rights remain with the Crown, whether by reasons of any reservation or otherwise; and
- (k) the administration of any scheduled written law in so far only -
 - (i) as it is applicable in the case of gems or the gem industry; or
 - (ii) as it may be necessary so to do for the purpose of enabling the Corporation to exercise, discharge and perform its power, functions and duties.

In addition, the Corporation is the sole authority responsible for the issue of licences to carry on the gem industry, whether such industry is or is not carried on in or over any Crown or private land.

All gems mined on Crown land must first be offered to the Corporation who may:

- (a) purchase at a price fixed by the Corporation.
- (b) make arrangements to sell the gems with the consent of the owners of the gems.

(c) decline to either purchase or make arrangements to sell the gems (in which case the owner can sell to whom he wishes).

The Corporation has exclusive rights to export and import gems. A private individual or company may only export or import gems with the authority of the Minister of Finance and Planning. The Corporation has wide powers included transfer of Crown property to the Corporation, compulsory acquisition of any land, issue of licences for conducting of a gem industry (i.e. mining, processing and retail sales) and has power of inspection, search and seizure.

Under the terms of the 1971 Act, the Corporation became a major purchaser and exporter of Sri Lankan gemstones and enjoyed tax advantages over private gem merchants.

In 1978, a ban was placed on the export of the country's most valuable gems in order to build up a gem reserve to complement the existing reserve of foreign exchange. The Corporation's stock, then valued at more than Rs 45 million was used to form the base of that reserve.

In recent years, the emphasis on buying and selling has changed and the Corporation is working in close cooperation with industry to promote Sri Lankan gemstones internationally, to increase exports and attract more foreign exchange into the country.

A fully equipped laboratory for gemstone identification, staffed by trained gemmologists, forms the Commercial and Export Division of the Corporation at:

24 Yorke Street,

COLOMBO 1

SRI LANKA

All gemstones exported from Sri Lanka must go through this laboratory for checking against the invoice description. Gemstones either incorrectly identified or undervalued are brought to the attention of the exporter who is asked to replace the stone or renegotiate the price. Synthetic or imitation gems discovered during testing are confiscated.

Any gemstone purchased by a traveller in Sri Lanka can be taken to the Yorke Street laboratory and tested free of charge. The Corporation will take action against a gem merchant who misrepresents his goods. Purchasers are advised to obtain receipts with a full description of the gemstone, weight and price paid. Receipts are generally stamped advising the purchaser of the free testing service available at the Corporation.

This facility has greatly improved confidence of importers and tourists buying gems in Sri Lanka.

The Corporation has sales outlets at:-

- (1) 24 Yorke Street,
COLOMBO
- (2) Bandaranaike International Airport,
KATUNAYAKE
- (3) Hotel Ceylon Intercontinental,
FORT COLOMBO

A sales outlet is also maintained in Singapore.

The Corporation operates a modern lapidary at Eheliyagoda and plans two more lapidaries at Ratnapura and Matale. The Matale lapidary will be primarily for training cutters and polishers.

The Corporation has encouraged and controlled the use of mechanised mining in areas to be submerged by the Mahaveli and Samanala Wewa Irrigation Projects.

Close contact is maintained with the recently formed Gemstones Corporation of Pakistan who currently send lapidary trainees to Colombo for instruction in cutting and polishing techniques.

The Corporation produces a number of colourful brochures in English and Japanese promoting Sri Lankan gemstones and the operations of the Corporation. Gems are widely promoted by the Ceylon Tourist Board who also advertise the free identification service provided by the Corporation.

The First International Coloured Gemstones Conference was organised primarily on the initiative of the Corporation and was highly successful in promoting Sri Lankan gems as well as being an international forum for discussing occurrence and marketing of coloured gemstones.

A future project of the Corporation is to establish a Gemstone Exchange Centre where laboratories, banks, customs and dealers offices would be located under the one roof to facilitate foreign purchasing.

CONFERENCE

Summary

Title: First International Coloured Gemstones
Conference and Gem & Jewellery Exhibition.

Date: 1st-3rd February, 1982

Venue: Bandaranaike Memorial International Conference
Hall.

Sponsors: The State Gem Corporation
Sri Lanka Development Board
Sri Lanka Jewellers and Gem Merchants
Federation.
Sri Lanka Jewellery Manufacturing Exporters
Association.

Sri Lanka Gem Traders Association
Gemmologists Association of Sri Lanka
Organisers: Conventions (Colombo) Limited

Delegates:	<u>Country</u>	<u>Number Attending</u>
	Sri Lanka	178
	Australia	14
	U.S.A.	11
	India	4
	Pakistan	4
	Hong Kong	4
	Sweden	3
	Japan	2
	Thailand	2
	Malaysia	1
	Singapore	1
	U.S.S.R.	1
	Venezuela	1
	Austria	1
	TOTAL	<u>227</u>

- * Note 6-8 visitors from the Arab states were present for the opening and attended some of the sessions. They were not listed amongst the delegates and presumably were invited guests.

Exhibitors:	Sri Lanka Gem Traders	52
	Gemstones Corporation of Pakistan	1
	Development Finance Corp. of Ceylon	1
	Foreign Investment Advisory Committee	1
	Greater Colombo Economic Commission	1
	Sri Lanka Export Credit Insurance Corporation	<u>1</u>
	TOTAL	<u>57</u>

Each exhibitor had a room of 18 m² which was hired at US\$1 250 per room for the 3 days of the conference.

Publicity: Pre Conference - Coloured brochures were printed and distributed worldwide through jewellery and gemmological associations.

On the Sunday before the conference, a two page supplement was run in the 'Sunday Times'.

Post Conference - The opening of the conference was reported on the front page of 'The Island', and the front page of the 'Daily News' which followed up with a half page article on page 5.

Programme

Monday 1st February

- 0855 — Arrival of Chief Guest
Hon. Ronnie de Mel M.P.
Minister of Finance & Planning
- 0900 — Ceremonial Opening
(Main Assembly Hall)
- 0910 — Welcome Address
Mr. Leonard Gunawardene
Chairman, State Gem Corporation
- 0920 — Address by Chief Guest
- 0935 — Introductory Remarks
Mr. T.G. Punchiappahamy
Director, State Gem Corporation
- 1015 — Tea & Opening of Exhibition
- 1200 — LUNCH
Hosted by the Sri Lanka Gem Traders Association
(BMICH Banquet Hall)
- 1315 — Keynote Address
The Future Role of Collector Gemstones
Dr. Joel E. Arem FGA
President, Multifacet Inc. U.S.A.
- 1445 — The Importance of the Coloured Gemstone in The Netherlands
Prof. P.C. Zwaan FGA
Director, Netherlands Edelsteen Laboratorium
- 1545 — TEA
- 1600 — Panel Discussion
Mr. T.G. Punchiappahamy (*Moderator*)
Dr. Joel E. Arem FGA
Prof. P.C. Zwaan FGA
Mr. Leonard Gunawardene
Mr. A.G.B. Amarasinghe FGA
Mr. D.H.T. Wijeratne
(*The Panel welcomes questions from delegates on the days proceedings*)
- 1900 — Cultural Programme & Dinner
Hosted by the Ceylon Tourist Board (*Hotel Lanka Oberoi*)

Tuesday 2nd February

- 0900 — Coloured Gemstones in Africa
Mr. William F. Larson
President, Pala Properties International Inc., California
- 0945 — Gemstones in Pakistan
Brigadier (*Retd.*) Kaleem-ur-Rahman Mirza ^{SI(M)}
Managing Director, Gemstones Corporation of Pakistan Ltd.,
- 1030 — TEA
- 1045 — Gemstones from Sri Lanka
Mr. Herbert Guneratne FGA
Chief Valuer, State Gem Corporation
Mrs. Barbara Edirisinghe FGA
President, Gemmologists Association of Sri Lanka
- 1130 — Improvement of Colour of Sapphire and its Identification
Mr. Ooguchi Hideki FGA, CGJ
Managing Director, Gemmological Association of Japan
- 1215 — LUNCH
Hosted by the Sri Lanka Jewellers and Gem Merchants Federation.
(*BMICH Banquet Hall*)
- 1345 — Coloured Gemstones in Australia
Mrs. Margaret Marshall
Australian Precious Stones Co., Ltd., Australia
- 1515 — TEA
- 1530 — Panel Discussion
Mr. Leonard Gunawardene (*Moderator*)
Mr. William F. Larson
Mr. Ooguchi Hideki FGA, CGJ
Mrs. Barbara Edirisinghe FGA
Mrs. Margaret Marshall
Mr. Herbert Gunaratne FGA
Brigadier Kaleem-ur-Rahman Mirza ^{SI(M)}
Mr. T.G. Punchiappahamy
Mr. A. Ratwatte
(*The Panel welcomes questions from delegates on the days proceedings*)

Wednesday 3rd February

- 0900 — Gem Trade in Japan
Mr. S. Harimaya
Managing Director, Gemmological Association of All-Japan
- 0945 — Trend in Coloured Stone Market in USA
Mr. Reginald C. Miller
Reginald Miller Inc., U.S.A.
- 1030 — TEA
- 1045 — Grading System for Coloured Stones —
its Problems & Remedies
Mr. Peter G. Reed C. Eng. MIEE, MIERE, FGA
Director, P.G. Reed Consultancy Services Ltd., U.K.
- 1230 — LUNCH
Hosted by the Sri Lanka Jewellery Manufacturing Exporters
Association (*BMICH Banquet Hall*)
- 1400 — Wall Street and the Financial Community —
a Growing Potential for Gemstones
Mr. Bernard D. Cirlin
Editor & Publisher, Precious Newsletter
- 1500 — TEA
- 1515 — Panel Discussion
Mr. T. G. Puchiappahany (*Moderator*)
Mr. S. Harimaya
Mr. Peter G. Reed C. Eng. MIEE, MIERE, FGA
Mr. Reginald C. Miller
Mr. Leonard Gunawardene
Mr. Nowfel S. Jabir
Mr. Raafi Caffoor
(*The Panel welcomes questions from delegates on the days proceedings*)
- 1700 — Closing Remarks
Mr. Leonard Gunawardene
Chairman, Organising Committee
- 1900 — Farewell Dinner
Hosted by the State Gem Corporation (*Hotel Ceylon Intercontinental*)

Resumé of Papers

Welcome Address - Leonard Gunawardene

Chairman State Gem Corporation.

Delegates were welcomed to the conference, in particular, those from overseas.

The reason for organising an international coloured gemstones conference at this time was due to the spiralling cost of investment diamonds which had revived interest in coloured gemstones as investment stones. 'The stage is now set to encourage investors to invest their money in coloured gemstones'.

Sri Lanka has a rich variety of coloured stones, many are suitable for investment stones.

In conclusion, the speakers who had been invited to present papers at the conference were introduced briefly.

Address by Chief Guest - Hon. Ronnie de Mel M.P.,

Minister of Finance and Planning
who was deputising for the Prime
Minister.

The long association of gems with Sri Lanka dates back to the days of King Solomon who reportedly sent emissaries to Sri Lanka in 800 B.C. or 1000 B.C. to fetch gems for the Queen of Sheba.

A large variety of gems are found over a wide area of this comparatively small island.

Sri Lanka is the principal source of alexandrite (a rare variety of chrysoberyl and one of the most highly prized gems in the world), currently supplies the bulk of high quality blue sapphire and is famous for rare and valuable cat's eye (chrysoberyl showing asterism) and other even rarer gemstones.

Diamonds account for 90 percent of the world's gem trade primarily because of the high level of organisation within that industry.

By comparison, the coloured gemstone industry is fragmented and poorly developed. The industry is an important earner of foreign exchange for Sri Lanka and the government is keen to encourage the gem industry through tax concessions, export concessions etc. to assist further development.

Sri Lanka needs expertise to develop the industry in the quickest possible time and this is one of the objectives of the conference.

Introductory Remarks - T.G. Punchiappuhamy

Director State Gem Corporation.

The speakers that would be presenting papers at the conference were introduced with comments on their backgrounds.

The problems which face the gem industry are:-

1. The current market situation for diamonds.
2. Logistics and mining difficulties facing coloured gemstones.
3. Problems of valuation and classification of coloured stones.
4. Cutting and polishing techniques in producing countries.
5. Lack of research in the field of coloured gemstones.
6. Heat treatment of natural stones and problems with synthetics.
7. Marketing.
8. Coloured gemstones as investment stones.

The geological distribution of gemstones in Sri Lanka, gem mining and marketing were discussed and the role of the State Gem Corporation was outlined.

The future role of collector Gemstones - Dr. J.E. Arem

President, Multifacet Inc. U.S.A.

His talk began with two definitions:

'a gemstone is any mineral which can be cut and polished for ornamental purposes'.

'a collector gemstone is a gemstone species or variety, - it can be a coloured variety, that is acquired principally by a small sophisticated group of collectors who have much greater awareness of the rarity of the material than the remainder of the market-place'.

Some 235 mineral species have been cut and polished but only about 15 or so are of commercial significance, the rest are collector stones.

To become a commercial stone, a collector stone must be rare, although available in commercial quantities, have desirable colour and physical properties and be well promoted in the market-place. The value of a gemstone is related to its rarity and that rarity may be in quality, clarity, size or locality and is peculiar to each mineral species.

The Importance of the Coloured Gemstones in the Netherlands

Prof. P.C. Zwaan

Director, Netherlands Edesteen Laboratorium.

The Edesteen Laboratorium is responsible for testing and valuing gems and jewellery, particularly new purchases and valuations on deceased estates.

The Dutch are conservative purchasers of gemstones, preferring diamond jewellery although there has been some increase in the purchase of ruby, sapphire and emerald in recent years.

The only other gemstone which is purchased in significant quantities is almandine garnet which has been worn traditionally for hundreds of years.

Numerous synthetic or imitation stones are determined by the Edesteen Laboratory, particularly in estate jewellery.

Coloured Gemstones in Africa: William F. Larson

President, Pala Properties International Inc.,
California.

Pala Properties is a major producer of gem tourmaline from mines in California, and a large purchaser of gemstones from African countries.

The range of gemstones available in Africa were discussed and those that have increased in price significantly over the last ten years were highlighted, in particular chrome tourmaline and tanzanite.

Gemstones in Pakistan: Brigadier (Retd) Kaleem-ur-Rahmu Mirza.

Managing Director, Gemstones Corporation of
Pakistan.

The Gemstones Corporation of Pakistan was formed in 1979 to develop the gemstone resources of Pakistan.

These resources are principally

- . emerald from Swat and Mohmand Agency,
- . beryl in the form of aquamarine, morganite
and goshanite from the Kohistan District,
- . ruby and red spinel from Hunza Valley,
- . pink topaz from Katlang.

The geology of the locations, the properties of the gems and other minor gem occurrences in Pakistan were described. The role of the Gemstones Corporation of Pakistan was outlined.

Gemstones of Sri Lanka: Herbert Gunerantne,
 Chief Valuer,
 State Gem Corporation.
 Barbara Edrisinghe,
 President,
 Gemmologists Association of Sri Lanka.

Guneratne discussed the geology of Sri Lanka with relation to gemstone formation and their subsequent concentration in alluvial deposits.

The best blue sapphires currently available in the world are Sri Lankan stones and this was also true for star sapphire and star ruby.

Sri Lankan rubies although generally of purplish or pinkish tones are more readily available than rubies from more traditional sources.

The heat treatment of pale blue or brownish sapphire with inclusions (locally called geuda) has been carried on by the Thias since 1977-78 to produce a stone of good blue colour and clarity. Geuda comes almost exclusively from Sri Lanka.

Other quality stones from Sri Lanka are alexandrite and almandine-pyrope garnet.

Barbara Edrisinghe described the following gemstones with a brief discussion of the mine sites:- chrysoberyl, pyrope-almandine garnet, hessonite garnet, spinel, zircon, beryl, topaz, tourmaline, quartz, moonstone, sinhalite and kornerupine.

Improvement of Colour of Sapphire and its Identification:

Ooguchi Hideki,
 Managing Director,
 Gemmological Association of All Japan.

The Gemmological Association of All Japan is the largest jewellery appraisal organisation in Japan providing gem identification and diamond quality analysis on about 120 000 gemstones annually.

In Japan, a gem identification report is required at the time of sale of an item of jewellery, irrespective of whether the sale is between dealers or the end consumer.

A method of fluorescent X-ray analysis has been developed by the Association which provides good results in identifying natural corundum, emerald, alexandrite, turquoise, opal and black pearl and can distinguish those stones which have been enhanced by heat treatment.

Since the middle 1970's, two methods of heat treatment of sapphires have been used widely to improve the colour and clarity of the stones.

- (a) Simple heat treatment to fuse included rutile needles resulting in a permanent colour change.
- (b) Surface diffusion method which treats only the surface of the stone which reverts to its original pale colour when the stone is repolished.

Methods were described to distinguish between natural and 'colour improved' sapphires.

Colour Gemstones in Australia: Mrs. Margaret Marshall.

Australian Precious Stones Co. Ltd.

The historical background and recent developments for the following eight Australian gemstones were described.

Diamond	- Historical notes on N.S.W. diamonds followed by some up-to-date information on the Ashton Joint Venture in Western Australia.
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- Sapphire - General comments only. Estimated production for 1979-80 was A\$64 million.
- Ruby - Cabochon grade ruby from Harts Range.
- Opal - Very brief discussion on opal with some detail on UV noodling machines.
- Chrysoprase - Marlborough, Mount Davies and Western Australia.
- Nephrite Jade - A reasonably detailed account emphasising that our black jade ranks amongst the world's finest.
- Emerald - Poona, Western Australia - little activity today.
- Pearl - Joint Australian/Japanese ventures for cultured pearls in Western Australia and Torres Strait, northern Queensland. W.A. production is estimated at \$15 million per year.

Gem Trade in Japan: S. Harimaya

Managing Director,

Gemmological Association of All Japan.

Japan is the world's largest jewellery market and is ranked 2nd to U.S.A. in diamond imports.

Japanese customers purchase a wide range of gemstones set in jewellery. Average price for jewellery is \$US1 500.

Retailing seasons in Japan are March, May, July, November and December but sales planning and purchasing are 6 to 12 months in advance particularly January to February and July to September.

Japanese customers are very particular buyers, preferring high quality natural stones set in 18ct gold.

At present, the jewellery market is depressed and plenty of stocks are held by jewellers. Hence, prices are relatively low.

Trend in Coloured Stone market in U.S.A.: Reginald C. Miller,

Reginald C. Miller Inc. U.S.A.

At present, the retail gemstone market in U.S.A. is depressed owing to high interest rates of between 16 to 20 percent available in the money market.

Some investors in gemstones have been subject to adverse price fluctuations primarily because they purchased from investment houses which lacked expertise in gems.

Few retail jewellers have expert knowledge of gemstones.

To overcome this, an organisation called the American Gem Society was established. Membership is currently about 15 000 retail jewellers all of whom are qualified gemmologists and who are tested each year to ensure that their expertise is up-to-date.

Heat treated coloured stones have had an adverse effect on the gemstone market and have undermined the credibility of the retail jeweller.

Grading System for Coloured Stones Its Problems and Remedies:

Peter G. Read.

Director, P.G. Read

Consultancy Services Ltd. U.K.

In 1978, grading systems for coloured stones were developed by American Gemmological Laboratory and Swedish Gems International Limited.

Gemstone grading is based on depth of colour, colour purity, clarity, cut and weight.

Colour - subjective grading using sets of master stones.

Colour purity - assign percentages to principal and secondary colours.

Clarity - as determined using 10X magnification.

Cut and weight - using standard methods.

Recent developments have concentrated on measurements of colour and colour purity using machines. Some success has been achieved using a spectrophotometer.

International grading standards for coloured gemstones are yet to be formulated but discussion between major laboratories is currently underway.

Wall Street and the Financial Community - a Growing Potential for Gemstones:

Bernard D. Cirlin

Editor and Publisher,

Precious Newsletter.

Cirlin was not present due to business committments in U.S.A. and the following comments were passed on by Dr. Arem.

Coloured gemstones have a good track record as investments. In U.S.A, many billions of dollars are tied up in investment funds resulting from retirement and superannuation pay outs. These funds are increasing annually.

Investment companies have traditionally placed funds in fixed interest deposits, shares, stocks and real estate. There is a growing interest in investment gemstones which should be encouraged by the jewellery trade. If gemstones could capture even a small percentage of this investment capital, the money involved would be very significant.

The gemstone industry must therefore move quickly to establish grading and classification systems which are internationally recognised such that certification of coloured gemstones is standardised in a manner suitable for valuation.

The following two scientific papers were tabled at the Conference.

New synthetic rubies made by Prof. P.O. Knischka by E.J. Gubelin.
Elucidating the Optical Theory of Asterism by E.J. Gubelin, M. Weibel and A. Wuthrich.

DISCUSSION

The First International Coloured Gemstones Conference was well organised, highly successful in promoting Sri Lankan gemstones and moderately successful in attracting overseas participation in presenting papers and providing expertise on recent developments in the international coloured gemstones industry. Notable omissions were West Germany, United Kingdom and Brazil.

Nonetheless, the fact that Sri Lanka can organise and host such a conference is an indication of the healthy state of the gem industry in that country and the support the industry receives from a government keen to promote this important earner of foreign exchange.

In the past ten years since the formation of the State Gem Corporation, significant progress has been made, with a marked improvement in the international reputation of Sri Lankan gemstones.

The Corporation has had success in the following areas:-.

- . Continued development of a local gemstones processing industry. This is ensured by legislation restricting the export of rough gemstones. The introduction of modern lapidary techniques by the Corporation has encouraged private companies to improve the quality of cutting and polishing and provides a source of trained cutters for industry.

- . Improved international reputation of Sri Lankan gemstones. All gemstones exported are tested by trained gemmologists at the Corporation's laboratory. All synthetic or imitation stones are confiscated. A free testing service is available to any person purchasing stones in Sri Lanka and the Corporation will take action against unscrupulous merchants. These services are widely advertised and the knowledge that they exist increases the confidence of the purchaser.
- . Promotion of Sri Lankan gemstones. The Corporation has a wide range of gems for sale many of which are on display. Purchasers are able to view different qualities of gemstones, to compare prices and to obtain expert advice.
- . Increased foreign investment. Through Trade Free Zones and tax incentives, the government has succeeded in enticing foreign companies to invest in modern lapidaries and to establish a diamond lapidary in the country.

The Corporation plays an important role for foreign investors either as an influential point of contact with expertise in the gem industry or as a controlling body which negotiates conditions under which investment can proceed.

Foreign companies have been encouraged to mine for gemstones using mechanised mining methods.

- . Provision of a major research facility and information source. The gem testing laboratory with trained gemmologists and valuers enables research on gems to be pursued. Although there has been little activity on theoretical aspects to date, the research function of the

Corporation is to be increased. A significant amount of information is received and stored by the Corporation as part of its administrative role in the gem industry and to enable gemmologists to keep abreast of advances in gemstone identification.

This information provides a basis for research on gem minerals and gem occurrence, mining and marketing trends and gemstone classification.

Important issues related to the future of the coloured gemstones industry were raised at the Conference including:-

- ... The diamond industry is currently in difficulties due to potential oversupply and dissent between producer countries and the Central Selling Organisation.
- ... Primary source of supply of coloured gemstones is from underdeveloped countries where political and mining problems continue to restrict supply.
- ... Largest markets for coloured gemstones are Japan and U.S.A. In both countries, the jewellery market is depressed at present.
- ... Potential exists to develop an investment market in coloured gemstones provided an internationally recognised classification scheme can be devised. The basis for such a scheme already exists.
- ... Opinion is divided over whether or not heat treated gemstones are acceptable investment stones.
- ... Synthetic and imitation gemstones have undermined public confidence in the retail jeweller.

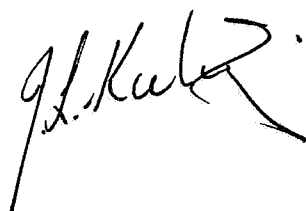
CONCLUSIONS

The First International Coloured Gemstones Conference was an opportunity to study the gemstone industry in Sri Lanka and to listen to a range of diverse opinion on the future of the industry.

Development of the industry in Sri Lanka is the result of a high level of local processing assured by legislation, and the State Gem Corporation which coordinates, controls and promotes the industry on an international level.

Restricting the export of rough gemstones or alternatively, encouraging a high level of local processing is essential to the development of a local gemstone and jewellery industry.

Australia, in particular South Australia, can benefit from closer contact with other major gemstone producers and by encouraging further processing and research in the Australian Gem Industry.



JLK/GU

J.L. KEELING
GEOLOGIST,
MINERAL RESOURCES SECTION

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APPENDIX A
STATE GEM CORPORATION ACT,
No. 13 of 1971
SRI LANKA

PARLIAMENT OF CEYLON

1st Session 1970-71



State Gem Corporation Act, No. 13 of 1971

Date of Assent : March 9, 1971

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Price : Rs. 1.10

Postage : 20 cents

State Gem Corporation Act, No. 13 of 1971

L. D.—O. 36/64.

AN ACT TO PROVIDE FOR THE ESTABLISHMENT OF A CORPORATION FOR THE DEVELOPMENT, REGULATION AND CONTROL OF THE GEM INDUSTRY, AND FOR MATTERS CONNECTED THEREWITH OR INCIDENTAL THERETO.

[Date of Assent : March 9, 1971]

BE it enacted by the Queen's Most Excellent Majesty, by and with the advice and consent of the Senate and the House of Representatives of Ceylon in this present Parliament assembled, and by the authority of the same, as follows :—

1. This Act may be cited as the State Gem Corporation Act, No. 13 of 1971, and shall come into operation on such date as may be appointed by the Minister of Finance by Order published in the *Gazette*, hereinafter referred to as the "appointed date".

Short title
and date of
operation.

PART I

CONSTITUTION OF THE STATE GEM CORPORATION

2. (1) There shall be established a Corporation which shall be called the "State Gem Corporation", in this Act referred to as "the Corporation", and which shall consist of the persons who are for the time being members of the Corporation under section 3.

Establishment
of the
State Gem
Corporation.

(2) The Corporation shall by the name assigned to it by sub-section (1) be a body corporate, and shall have perpetual succession and a common seal and may sue and be sued in such name.

3. (1) The Corporation shall consist of—

- (a) five members appointed by the Minister of Finance ;
- (b) one member nominated by the Minister to whom the subject of trade is for the time being assigned from among the officers of his Ministry; and
- (c) one member nominated by the Minister to whom the subject of lands is for the time being assigned from among the officers of his Ministry.

Membership
of the
Corporation.

2 *State Gem Corporation Act, No. 13 of 1971*

The members shall be appointed or nominated from among persons who are qualified for membership of the Corporation.

(2) A person shall be disqualified for being appointed or continuing as a member of the Corporation—

(a) if he is a Senator or a Member of Parliament; or

(b) if he, directly or indirectly, by himself or by any other person on his behalf or for his use or benefit, holds or enjoys any right or benefit under any contract made by or on behalf of the Corporation, except as a shareholder (other than a director) in any incorporated company; or

(c) if he, directly or indirectly, by himself or by any other person on his behalf, has any interest or derives any benefit in or from any work being done for the Corporation, except as a shareholder (other than a director) in any incorporated company; or

(d) if he, directly or indirectly, by himself or by any other person on his behalf, is engaged in the gem industry.

(3) Where a member of the Corporation is a shareholder (other than a director) in any incorporated company which has entered into any contract with, or is doing any work for, the Corporation, he shall disclose to the Minister of Finance the nature and extent of the shares held by him in such company.

(4) The appropriate Minister may, without assigning any reason, remove a member of the Corporation from office. Such removal shall be final and conclusive, and shall not be called in question in any court.

(5) A member of the Corporation who has been removed from office shall not be entitled to compensation for any loss or damage suffered by him, directly or indirectly, by reason of such removal.

(6) A member of the Corporation may at any time resign his office by letter addressed to the appropriate Minister.

State Gem Corporation Act, No. 13 of 1971 3

(7) Where a member of the Corporation is temporarily unable to discharge or perform the functions or duties of his office by reason of illness or other infirmity or absence from Ceylon, or for any other cause, the appropriate Minister may appoint or nominate, as the case may be, some other person who is qualified to be a member of the Corporation to act in his place as such member.

(8) A member of the Corporation shall vacate his office by death, removal, resignation or effluxion of time.

(9) A member of the Corporation shall, unless he earlier vacates his office by death or removal or resignation, hold office for a period of five years:

Provided, however, that any such member appointed or nominated in place of a member of the Corporation who has vacated his office otherwise than by effluxion of time shall, unless he earlier vacates his office by death or removal or resignation, hold office only for the unexpired part of the term of office of the member whom he succeeds.

(10) No act or proceeding of the Corporation shall be invalid by reason only of the existence of a vacancy among its members, or any defect in the appointment or nomination of a member thereof.

(11) In this section, "appropriate Minister" in relation to a member of the Corporation, means the Minister by whom that member was appointed or nominated.

4. All or any of the members of the Corporation may be remunerated in such manner and at such rates, and shall be subject to such conditions of service, as may be determined by the Minister of Finance. Such remuneration shall be paid by the Corporation.

Remuneration
and conditions
of service of
members of the
Corporation.

5. (1) Subject to the provisions of sub-section (3), the Corporation may employ all such persons as may be necessary for carrying out the work of the Corporation.

Employees
of the
Corporation.

(2) The employees of the Corporation shall be remunerated in such manner and at such rates, and shall be subject to such conditions of service, as may be determined by the Corporation. Such remuneration shall be paid by the Corporation.

4 *State Gem Corporation Act, No. 13 of 1971*

(3) No person shall be employed, or continue to be employed, by the Corporation—

(a) if such person is not, or ceases to be, a citizen of Ceylon under the written law applicable in that behalf, except with the prior sanction of the Minister of Finance; or

(b) if he, directly or indirectly, by himself or by any other person on his behalf or for his use or benefit, holds or enjoys any right or benefit under any contract made by or on behalf of the Corporation, except as a shareholder (other than a director) in any incorporated company.

Delegation of powers, functions or duties of the Corporation.

6. (1) The Corporation may delegate to any member or employee of the Corporation any of its powers, functions or duties.

(2) Every delegate appointed under sub-section (1) shall exercise, discharge or perform the power, function or duty delegated to him subject to the general or special directions of the Corporation.

Chairman of the Corporation.

7. (1) The Minister of Finance shall appoint a Chairman of the Corporation from among the members of the Corporation.

(2) If the Chairman is by reason of illness or other infirmity or absence from Ceylon, or for any other cause whatsoever, unable to perform the duties of his office, the Minister of Finance may appoint one of the members of the Corporation to act in his place.

(3) The Minister of Finance may, without assigning any reason, terminate the appointment of the Chairman. The termination of the office of the Chairman shall be final and conclusive, and shall not be called in question in any court.

(4) The Chairman may resign the office of Chairman by letter addressed to the Minister of Finance.

(5) Subject to the provisions of sub-section (3) or sub-section (4), the term of office of the Chairman shall be the period of his membership of the Corporation.

Seal of the Corporation.

8. (1) The seal of the Corporation shall be in the custody of the Corporation.

(2) The seal of the Corporation may be altered in such manner as may be determined by the Corporation.

State Gem Corporation Act, No. 13 of 1971 5

(3) The seal of the Corporation shall not be affixed to any instrument or document except in the presence of two members of the Corporation both of whom shall sign the instrument or document in token of their presence.

9. The quorum for a meeting of the Corporation shall be three members of the Corporation.

Quorum for meeting of the Corporation.

10. Subject to the other provisions of this Act, the Corporation may regulate the procedure in regard to meetings of the Corporation and the transaction of business at such meetings.

Regulation of procedure.

PART II

FUNCTIONS, POWERS AND DUTIES OF THE CORPORATION

11. (1) The Minister of Finance may give the Corporation general or special directions in writing as to the exercise, discharge and performance of the powers, functions and duties of the Corporation, and the Corporation shall give effect to such directions.

Powers of the Minister of Finance in relation to the Corporation.

(2) The Minister of Finance may from time to time direct the Corporation to furnish to him in such form as he may require, returns, accounts and other information with respect to the property and business of the Corporation and the Corporation shall carry out every such direction.

(3) The Minister of Finance may from time to time order all or any of the activities of the Corporation to be investigated and reported on by such person or persons as he may specify, and upon such order being made the Corporation shall afford all such facilities and furnish all such information as may be necessary to carry out the order.

12. The Corporation may, subject to the provisions of this Act, exercise, discharge and perform its powers, functions and duties within the whole, or any part, of Ceylon, or outside Ceylon.

Scope of the authority of the Corporation.

13. (1) The Corporation shall have the following functions:—

Functions of the Corporation.

(a) the promotion and development of the gem industry;

(b) the promotion and development of research in gems and the gem industry;

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- (c) the advancement of the skill of persons employed or engaged in the gem industry;
 - (d) the initiation and implementation of schemes for the promotion and development of the gem industry;
 - (e) the exploitation of the market for gems, whether in or outside Ceylon;
 - (f) to carry on the gem industry, whether in or outside Ceylon;
 - (g) the regulation, supervision and control of the gem industry;
 - (h) the regulation and control of the terms and conditions of employment of persons who work in the gem industry, and in particular, the safety measures to be taken to protect such person from danger to life and limb;
 - (i) the prevention of the unlawful removal of gems from Ceylon;
 - (j) to be the sole authority responsible for the alienation of the right to mine for gems in or over Crown land, or in or over land disposed of by the Crown where the mining or gemming rights remain with the Crown, whether by reason of any reservation or otherwise; and
 - (k) the administration of any scheduled written law in so far only—
 - (i) as it is applicable in the case of gems or the gem industry; or
 - (ii) as it may be necessary so to do for the purpose of enabling the Corporation to exercise, discharge and perform its powers, functions, and duties.
- (2) The Corporation shall in accordance with by-laws made in that behalf under this Act, be the sole authority responsible for the issue of licences to carry on the gem industry, whether such industry is or is not carried on in or over any Crown or private land. The preceding provisions of this sub-section shall have effect notwithstanding anything to the contrary in any other written law.
- (3) Every licence issued under the Gemming Ordinance, No. 5 of 1890, and in force on the day immediately preceding the appointed date, shall be

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deemed for all purposes to be a licence issued by the Corporation and the Corporation may amend or modify the terms and conditions of such licence or may, in addition to the terms and conditions of the licence, add further terms and conditions.

(4) Every lease under the Crown Lands Ordinance of the right to mine or gem in any Crown land or in any land which has been disposed of by the Crown with a reservation of mining rights in favour of the Crown shall, if such lease is in force on the day immediately preceding the appointed date, be deemed for all purposes to be a lease granted by the Corporation and the Corporation may vary the terms and conditions subject to which the lease was granted or may, in addition to the terms and conditions of such lease, add further terms and conditions.

14. (1) Every person who mines for gems on Crown land, whether under the authority of a licence issued or deemed to have been issued by the Corporation or under the authority of a lease granted or deemed to have been granted by the Corporation, shall deliver to the Corporation any gems obtained by him from such Crown land.

Provisions
relating to
gems obtained
from Crown
lands.

(2) Where any gem is delivered to the Corporation under sub-section (1), the Corporation may—

- (a) purchase such gem at a price fixed by the Corporation; or
- (b) make arrangements to sell such gem to any other person or persons with the consent of the owner or owners of the gem; or
- (c) decline either to purchase, or to make arrangements to sell, such gem.

(3) Where any gem delivered to the Corporation under sub-section (1) is purchased by the Corporation or is sold to any other person as a result of arrangements made by the Corporation, the Corporation shall retain as its ground share a prescribed proportion of the proceeds of the sale of such gem.

(4) Where the Corporation declines to purchase, and to make arrangements to sell, any gem delivered to the Corporation under sub-section (1), the Corporation shall return such gem to the person who delivered it to the Corporation together with a document stating that the Corporation has declined to purchase, and to make arrangements for the sale of, such gem.

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(5) No person shall purchase from any other person any gem obtained by such other person by mining on Crown land whether under the authority of a licence issued or deemed to have been issued by the Corporation or under the authority of a lease granted or deemed to have been granted by the Corporation unless the Corporation has declined to purchase such gem and to make arrangements for its sale.

Modification,
&c., of any
scheduled
written law.

15. Where it is necessary so to do for the purpose only of enabling the Corporation to exercise, discharge or perform any of its powers, functions or duties, regulations may be made under this Act providing that any such scheduled written law as shall be specified in such regulations shall, in its application in the case of gems or the gem industry, have effect subject to such exceptions, modifications or amendments as shall be specified therein; and accordingly so long as such regulations are in force the provisions of that law shall, notwithstanding anything to the contrary in that law, so apply subject to such exception, modifications or amendments.

Exclusive right
to import or
export gems
vested in the
Corporation.

16. (1) Subject to the provisions of sub-section (3), the right to carry on business as an importer or exporter of gems into or from Ceylon is hereby vested exclusively in the Corporation, and accordingly—

(a) no person, other than the Corporation, shall carry on business as an importer or exporter of gems into or from Ceylon; and

(b) any licence authorizing such import or export issued to any other person by any authority under any written law prior to the appointed date shall be deemed to be invalid and of no effect.

(2) In the exercise of the exclusive right conferred on it by sub-section (1), the Corporation may import or export gems into or from Ceylon not merely on its own behalf, but also for or on behalf of any other person.

(3) The import or export of gems into or from Ceylon by any person, other than the Corporation, shall be deemed not to be a contravention of the provisions of sub-section (1), if, but only if, such import or export is under the authority, and in accordance with

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the terms or conditions, of any Order which the Minister of Finance is hereby authorized, from time to time, to make and publish in the *Gazette*.

(4) No person shall be entitled to compensation for any loss incurred by him, whether directly or indirectly, or by way of business or otherwise, by reason of his licence authorizing him to import or export gems becoming invalid and of no effect by virtue of the operation of the preceding provisions of this section.

(5) Any person who, even on one occasion only, imports or exports any gem into or from Ceylon shall, for the purposes of this Act, be deemed to carry on the business of an importer or exporter, as the case may be, of gems into or from Ceylon.

(6) The import or export of gems into or from Ceylon by any person through the Corporation shall be deemed not to be a contravention of the provisions of sub-section (1).

17. (1) The Minister of Finance may, subject to the provisions of sub-section (2), by Order published in the *Gazette* transfer to the Corporation any immovable property of the Crown required for the purposes of the Corporation.

Transfer of
Crown property
to the
Corporation.

(2) No immovable property of the Crown shall be transferred to the Corporation under sub-section (1) without the prior concurrence of the Minister to whom the subject of Crown lands is for the time being assigned.

(3) Upon the publication of an Order under sub-section (1) in the *Gazette*, the properties specified in the Order shall vest in and be the properties of the Corporation.

18. The Minister of Finance may, by Order published in the *Gazette*, approve of the proposed acquisition of any land, other than Crown land, for the purposes of the Corporation, and where such an Order is so published, the land specified in the Order shall be deemed to be required for a public purpose and may be acquired under the Land Acquisition Act, and, when so acquired, shall be transferred to the Corporation under that Act.

Compulsory
acquisition of
any land for the
Corporation.

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General powers
of the
Corporation.

19. For the purpose of the discharge of its functions under this Act, the Corporation may—

- (a) acquire and hold any movable or immovable property, and dispose of any movable or immovable property acquired or held by it so, however, that no such immovable property shall be so disposed of without the prior approval of the Minister of Finance;
- (b) establish its own departments or agencies, or make contracts or other arrangements with Government Departments, local authorities or any other person; and
- (c) do all such other acts or things whatsoever as may be necessary for that purpose.

Power of
Corporation to
make rules.

20. (1) The Corporation may make rules in respect of all or any of the following matters:—

- (a) the establishment of a provident fund for its employees, the contributions to be made to such fund both by the Corporation and such employees, and the compulsory deduction of such contributions from the salaries of such employees; and
- (b) the meetings of the Corporation, and the procedure to be followed at such meetings.

(2) No rule made under sub-section (1) shall have effect until it has been approved by the Minister of Finance.

Power of
Corporation
to make
by-laws.

21. (1) The Corporation may, with the concurrence of the Minister of Finance, make by-laws for or in respect of all or any of the following matters:—

- (a) all matters for which by-laws are necessary to enable the Corporation to effectively exercise, discharge and perform its powers, duties and functions under this Act;
- (b) all matters for which by-laws are necessary for the purpose of carrying out the principles and provisions of this Act; and
- (c) all matters required to be prescribed under this Act, or for which by-laws are authorized to be made under this Act.

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(2) Without prejudice to the generality of the powers conferred by sub-section (1), the Corporation may, with the concurrence of the Minister of Finance, make by-laws for or in respect of all or any of the following matters:—

- (a) the prohibition of the carrying on of the gem industry, (other than the importing of gems into, or the exporting of gems from, Ceylon) except under the authority, or otherwise than in accordance with the terms or conditions, of any licence issued by the Corporation;
- (b) the making of applications for such licences, and the procedure to be followed for the making and disposal of such applications;
- (c) the imposition and recovery of fees for the issue of such licences and the renewal of such licences and the levy and recovery of charges in respect of services rendered by the Corporation in the exercise, discharge or performance of its powers, functions or duties under this Act;
- (d) the circumstances in which applications for such licences may be granted or refused by the Corporation;
- (e) the terms and conditions subject to which such licences may be issued, and the period of validity of such licences;
- (f) the circumstances in which such licences may be cancelled or suspended by the Corporation;
- (g) appeals to the Minister of Finance against such refusal, cancellation or suspension;
- (h) the procedure to be followed for the making and disposal of such appeals;
- (i) the purchase, and the arrangements to be made for the sale, of gems delivered to the Corporation under the Act;
- (j) the making of declarations, from time to time, by persons other than the Corporation, carrying on the gem industry of the total value of gems belonging to such persons and the members of their families, if such value exceeds such amount as shall be specified in the by-law; and
- (k) all other matters connected with or incidental to the matters aforesaid.

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(3) In particular, but without prejudice to the generality of the powers conferred by sub-section (1) or sub-section (2), by-laws made in respect of the issue of licences may prohibit the issue of such licences until the prospective licensee has, if called upon so to do by the Corporation, furnished to the Corporation, cash security of such an amount, not exceeding the maximum amount prescribed by by-law, as may be determined by the Corporation to be necessary for the purpose of ensuring his compliance with the terms and conditions of his prospective licence, and the provisions of this Act and the by-laws made thereunder. Different amounts of cash security may be demanded by the Corporation from prospective licensees of different classes or descriptions so, however, that the amount so demanded shall not exceed the maximum amount hereinbefore referred to.

(4) By-laws made under this Act in respect of the issue of licences may *inter alia*, provide—

(a) for the issue by the Corporation of receipts for cash paid as security for the issue of such licences; and

(b) for the circumstances in which—

(i) the cash security so paid shall be forfeited in whole or in part to the Corporation; or

(ii) the cash security so paid may be refunded in whole or in part to the person entitled thereto.

(5) By-laws made under this Act in respect of the issue of licences may, *inter alia*, provide for the issue of special licences to carry on only any such trade or business constituting such industry as shall be specified in the licence.

(6) By-laws made under this Act in respect of fees for licences may provide for the imposition of such fees at different rates in the case of licences of different classes or descriptions.

(7) Every by-law made by the Corporation, with the concurrence of the Minister of Finance, shall be published in the *Gazette* and shall come into operation on the date of such publication, or on such later date as may be specified therein.

(8) Every by-law made by the Corporation with the concurrence of the Minister of Finance shall, as soon as convenient after its publication in the *Gazette*, be

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brought before the Senate and the House of Representatives for approval. Any by-law which is not so approved shall be deemed to be rescinded as from the date of disapproval, but without prejudice to the validity of anything previously done thereunder.

PART III

FINANCE AND ACCOUNTS

22. (1) The initial capital of the Corporation shall be fifty million rupees and such capital shall consist of grants or loans given or made available by the Government on such terms and conditions as may be determined by the Minister of Finance.

Capital of the Corporation.

(2) The amount of the initial Capital of the Corporation shall be paid to the Corporation in such instalments as may be determined by the Minister of Finance.

(3) The capital of the Corporation may be increased from time to time by such amount as may be authorized by any Appropriation Act or by resolution of the House of Representatives and that amount shall be paid or made available to the Corporation by the Government by way of grant or loan on such terms and conditions as may be determined by the Minister of Finance.

(4) The capital of the Corporation contributed by the Government by way of grants shall not be reduced except in such manner as may be determined by resolution of the House of Representatives.

23. The Corporation may, with the consent of the Minister of Finance or in accordance with the terms of any general authority given by him, borrow, by way of overdraft or otherwise, or negotiate and obtain on credit terms such sums as the Corporation may require for meeting the obligations of the Corporation, or exercising, discharging or performing its powers, functions or duties under this Act:

Borrowing powers of the Corporation.

Provided, however, that the aggregate of the amounts outstanding in respect of any loans raised by the Corporation under this section shall not at any time exceed such amount as may be determined by the Minister of Finance.

24. All moneys of the Corporation which are not immediately required for the purposes of the business of the Corporation may be invested by the Corporation in such manner as the Corporation may determine with the approval of the Minister of Finance.

Investment of moneys of the Corporation.

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Application of
the revenue
of the
Corporation.

25. The revenue of the Corporation in any year consisting of moneys received in the exercise or the performance of its powers, duties or functions, including income from the sale of capital assets, shall be applied in defraying the following charges:—

- (a) the working and establishment expenses of the Corporation in connection with the exercise and performance of its powers, duties and functions, properly chargeable to revenue account;
- (b) allocations to cover the depreciation of the movable and immovable property of the Corporation;
- (c) the interest on any loans raised by the Corporation under the provisions of this Act;
- (d) any losses incurred in the sale of capital assets;
- (e) income tax.

Appropriation
of net surplus
revenue of the
Corporation.

26. (1) The net surplus revenue for any year, if any, out of the revenue of the Corporation after defraying the charges mentioned in section 25, may be appropriated by the Corporation for any or all of the following purposes with the approval of the Minister of Finance:—

- (a) writing off the preliminary expenses incurred in the formation of the Corporation;
- (b) writing off any accumulated losses brought forward;
- (c) writing off any unproductive expenditure not properly chargeable to revenue account;
- (d) transfers to the assets replacement reserve which the Corporation is hereby authorized to establish and maintain;
- (e) transfers to the loan redemption reserve which the Corporation is hereby authorized to establish and maintain;
- (f) transfers to the development reserve which the Corporation is hereby authorized to establish and maintain.

(2) No debits against or transfers out of the reserves mentioned in sub-section (1) shall be made by the Corporation except with the approval of the Minister of Finance.

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(3) All sums remaining out of the net surplus revenue of the Corporation in any year after the appropriations mentioned in sub-section (1) have been satisfied shall be paid to the Deputy Secretary to the Treasury to be credited to the Consolidated Fund.

27. (1) The Corporation shall cause proper accounts of the income and expenditure and of all the other transactions of the Corporation to be kept, and shall prepare an annual statement of accounts and statistics relating to the business of the Corporation in such form and containing such particulars as the Minister of Finance may from time to time specify. The financial year of the Corporation shall be the period of twelve months commencing on the first day of January.

Accounts.

(2) The books and the accounts of the Corporation shall be kept at the head office of the Corporation.

28. (1) The accounts of the Corporation for each financial year shall be submitted to the Auditor-General for audit within four months of the close of the financial year. For the purpose of assisting him in the audit of such accounts, the Auditor-General may employ the services of any qualified auditor or auditors who shall act under his direction and control.

Audit of
accounts.

(2) For the purpose of meeting the expenses incurred by him in the audit of the accounts of the Corporation, the Auditor-General shall be paid by the Corporation such remuneration as the Minister of Finance may determine. Any remuneration received from the Corporation by the Auditor-General shall, after deducting any sums paid by him to any qualified auditor or auditors employed by him for the purposes of such audit, be credited to the Consolidated Fund.

(3) The Auditor-General and any person assisting the Auditor-General in the audit of the accounts of the Corporation shall have access to all such books, deeds, contracts, accounts, vouchers and other documents of the Corporation as the Auditor-General may consider necessary for the purposes of the audit, and shall be furnished by the Corporation and officers of the Corporation with such information within their knowledge as may be required for such purposes.

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(4) The Auditor-General shall examine the accounts of the Corporation and furnish a report—

- (a) stating whether he has or has not obtained all the information and explanations required by him;
- (b) stating whether the accounts referred to in the report are properly drawn up so as to exhibit a true and fair view of the affairs of the Corporation; and
- (c) drawing attention to any item in the accounts which in his opinion may be of interest to the Senate and the House of Representatives in any examination of the activities and accounts of the Corporation.

(5) The Auditor-General shall transmit his report to the Corporation within four months of the receipt of the accounts of the Corporation.

(6) For the purposes of this section, the expression "qualified auditor" means—

- (a) an individual who, being a member of the Institute of Chartered Accountants of Ceylon, possesses a certificate to practise as an Accountant issued by the Council of that Institute; or
- (b) a firm of Chartered Accountants each of the partners of which, being a member of that Institute, possesses a certificate to practise as an Accountant issued by the Council of that Institute.

Report of the Corporation and copies of Auditor-General's report and statement of accounts and statistics to be sent to the Minister and laid before the Senate and the House of Representatives, and copies of such reports and statistics to be made available for purchase by the public.

29. (1) The Corporation shall, as soon as possible after the end of each financial year of the Corporation, prepare a report on the exercise, discharge and performance by the Corporation of its powers, functions and duties during that year and on its policy and programme. Such report for any year shall set out any direction given by the Minister of Finance to the Corporation during that year.

(2) The Corporation shall, on receipt of the Auditor-General's report in respect of any year, cause a copy of each of the following documents relating to that year to be transmitted to the Minister of Finance:—

- (a) the Auditor-General's report;
- (b) the balance sheet;

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- (c) the operating and profit and loss accounts;
- (d) the statement of accounts and statistics prepared under section 27; and
- (e) the report of the Corporation giving an account of the work of the Corporation.

(3) The Minister of Finance shall lay copies of the documents transmitted to him under sub-section (2) before the Senate and the House of Representatives before the end of the year next following the year to which such report and accounts relate.

(4) The Corporation shall cause copies of the report of the Corporation and of the Auditor-General's report and statement of accounts and statistics referred to in sub-section (2) to be printed at the expense of the Corporation and to be made available for purchase by the public at such price as shall be determined by the Corporation.

PART IV

GENERAL

30. (1) There shall be a fund which shall be called the Gem Reward Fund (in this Act referred to as "the reward fund"). Reward fund.

(2) The Corporation shall be responsible for the administration of the reward fund.

(3) There shall be credited to the reward fund all fines and penalties paid or recovered under this Act, the proceeds of the sale of all articles which are forfeited to Her Majesty under this Act, and all donations made to such fund.

(4) The Corporation may, from time to time, pay out of the reward fund a reward—

- (a) to any employee of the Corporation; or
- (b) to any public officer; or
- (c) to any informer.

of such sum of money as it may deem fit and necessary so to do, so however that such sum shall not, except with the prior concurrence of the Minister of Finance exceed the sum fixed as the maximum limit of rewards by by-laws which are hereby authorized to be made for that purpose under this Act.

(5) Such amounts, out of the balance moneys remaining in the reward fund after the payments referred to in sub-section (4) have been made, as may be

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determined from time to time by the Minister of Finance, may be transferred by the Corporation from that fund to the funds of the Corporation.

(6) The accounts of the reward fund shall be audited annually by the Auditor-General.

Power of
inspection and
search.

31. Any authorized officer of the Corporation may—

(a) enter and inspect any place in which the gem industry is being carried on under the authority of a licence issued under this Act, or in which he has reason to believe such industry is being carried on without the authority of such licence; or

(b) stop, enter and inspect any vehicle or vessel in which he has reason to believe any gems are being transported or imported or exported in contravention of the provisions of this Act or any by-laws made thereunder;

(c) search for gems in such place, vehicle or vessel;

(d) examine any records maintained under this Act and take copies of such records; and

(e) search for any books, registers, records or other documents which in his opinion will be necessary or useful for the prosecution of any person for an offence under this Act, to examine and place marks of identification on such books, registers, records or other documents and to make extracts or copies therefrom.

Power to seize
articles.

32. (1) Any authorized officer of the Corporation may, if he has reason to believe that any offence under this Act has been or is committed, seize and detain—

(a) any article in connection with which the offence is believed to have been or to be committed or which is believed to have been or to be used in or in connection with the commission of the offence; and

(b) any book, register, record or other document which in his opinion will be necessary or useful for the prosecution of any person for an offence under this Act.

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(2) Where any authorized officer of the Corporation seizes any article under sub-section (1), such article shall be kept in the custody and control of the Corporation pending its disposal as hereinafter provided.

(3) Any person aggrieved by the seizure of any article by any authorized officer of the Corporation under sub-section (1) may, within a period of thirty days after the date of such seizure, make an application in writing against such seizure to any District Court within the local limits of whose jurisdiction such seizure was effected.

(4) Where—

(a) no application against the seizure of any article by any authorized officer of the Corporation under sub-section (1) is made to any District Court under sub-section (3) within the period specified in that sub-section, such article shall be forfeited to Her Majesty on the expiration of that period; or

(b) any application so made is dismissed by a determination of the District Court, such article shall be forfeited to Her Majesty as from the date of such determination.

33. An application which a person may make to a District Court under section 32 shall be in writing and in the form of a plaint in a civil suit. In the application such person shall be described as the plaintiff and the authorized officer of the Corporation as the defendant. The application shall contain—

Form of
applications
to a District
Court.

(a) the name of the District Court and the date of the making of the application to the Court;

(b) the name and address of the authorized officer of the Corporation;

(c) a plain and concise statement of the matter which has to be determined by the Court, namely, that the seizure of the article, which is the subject-matter of the application, by such officer under sub-section (1) of section 32 was unlawful as there was no ground for such seizure under that sub-section, and accordingly that the Court shall determine—

(i) that such seizure was unlawful;

(ii) that such article shall be forthwith returned to the plaintiff.

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Burden of
proof.

34. In any proceedings in any District Court on any application made to it under section 32 in respect of the seizure of any article under sub-section (1) of that section, the burden of proving that such seizure under that sub-section was unlawful shall lie on the plaintiff.

Proceedings in
Court on an
application.

35. (1) The proceedings in any District Court on any application made to it under section 32 shall be subject to the procedure provided by the Civil Procedure Code for civil suits.

(2) No stamp duty shall be required for any proceedings referred to in sub-section (1).

(3) All such proceedings in any District Court as are referred to in sub-section (1) shall be taken up before any other business of that Court unless special circumstances of urgency in such other business render it impossible to do so.

(4) In making any determination allowing an application under section 32 in respect of any article a District Court shall direct the Corporation to forthwith return such article to the plaintiff, and it shall be the duty of the Corporation to comply with that direction.

(5) The determination of a District Court on any application made to it under section 32 shall be final.

Costs of
proceedings
in a District
Court on an
application.

36. (1) The District Court to which an application is made under section 32 may award to any part to the application an amount determined by that Court as the costs of the proceedings relating to that application.

(2) All such costs awarded to any authorized officer of the Corporation under sub-section (1) may be recovered in like manner as if they were costs incurred in a civil suit.

Prohibition
of the
obstruction,
&c., of
employees of the
Corporation.

37. No person shall obstruct or resist, or attempt to obstruct or resist,—

(a) any authorized officer of the Corporation in the exercise of his power of entry, inspection, search or seizure conferred on him by this Act; or

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- (b) any employee of the Corporation in the exercise, discharge or performance of any power, function or duty conferred or imposed on him by this Act or any by-law or regulation made thereunder.

38. (1) The Minister of Finance may make regulations for or in respect of any matter for which regulations are authorized to be made.

Regulations.

(2) Every regulation made by the Minister of Finance shall be published in the *Gazette* and shall come into operation on the date of such publication or on such later date as may be specified in the regulation.

(3) Every regulation made by the Minister of Finance shall, as soon as convenient after its publication in the *Gazette*, be brought before the Senate and the House of Representatives for approval. Any regulation which is not so approved shall be deemed to be rescinded as from the date of disapproval, but without prejudice to the validity of anything previously done thereunder.

39. (1) Any offence under this Act committed by any person may be compounded by the Corporation upon the payment by such person of a penalty not exceeding such amount as may be determined by the Corporation, being an amount not exceeding five times and not less than twice the maximum fine which may be imposed for that offence.

Compounding
of offences

(2) Where an offence under this Act committed by any person is compounded by the Corporation under sub-section (1), no prosecution for that offence shall be instituted or maintained against that person.

40. (1) Any person who contravenes the provisions of this Act or any by-law or regulation made thereunder shall be guilty of an offence under this Act and, if no other punishment is expressly provided by or under this Act for such offence, shall, on conviction after summary trial before a Magistrate, be liable to imprisonment of either description for a period of not less than one month or to a fine not less than five hundred rupees, or to both such imprisonment and fine.

Offences

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(2) By-laws may be made under this Act prescribing the punishments, other than the punishments referred to in sub-section (1), which may be imposed in respect of offences under this Act committed by reason of a contravention of any of the provisions of any by-law.

Forfeiture of articles.

41. A Magistrate's Court may, on the conviction of any person for an offence under this Act, make order that any article in connection with which the offence was committed or which was used in or in connection with the commission of the offence shall be forfeited to Her Majesty.

Disposal of articles forfeited to Her Majesty.

42. Any article forfeited to Her Majesty under this Act or under any by-law or regulation made thereunder shall,—

(a) if such article is not a gem, whether uncut or cut or unmounted or mounted, be sold by the Fiscal by public auction in accordance with such directions as may be issued by the Minister of Finance; or

(b) if such article is any such gem, be delivered to the Corporation.

Power of Corporation to compound claims.

43. The Corporation may compound any claim or demand made against the Corporation by any person for such sum or other compensation as it may deem sufficient.

Liability of directors and certain officers of a body corporate for offence committed by that body.

44. Where an offence under this Act is committed by a body corporate, every person who at the time of the commission of the offence was a director, general manager, secretary or other similar officer of the body corporate shall be deemed to be guilty of that offence unless he proves that that offence was committed without his consent or connivance and that he exercised all such diligence to prevent the commission of that offence as he ought to have exercised having regard to the nature of his functions and in all the circumstances.

Certificate by Chairman or authorized member or officer.

45. (1) In any proceedings under this Act in respect of any article purporting to be a gem of any particular class or description, a document purporting to be a certificate issued under the hand of the Chairman of the Corporation, or any other member or officer of the Corporation authorized in that behalf by such Chairman, to the effect that such article is a

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gem of that class or description and that such proceedings are in respect of such article may be used as evidence in such proceedings, and shall be *prima facie* evidence of the fact stated therein until the contrary is proved.

(2) A court may presume that the signature of the document referred to in sub-section (1) is genuine and that the person signing it held the office he professed to hold at the time of signing it, and accordingly such person need not be called as a witness to prove such document.

46. Any company or other body of persons may, notwithstanding anything to the contrary in any written law or instrument relating to its functions, enter into and perform all such contracts with the Corporation as may be necessary for the discharge of the functions, the performance of the duties, and the exercise of the powers, of the Corporation.

Power of
companies, &c.,
to enter into
contracts
with the
Corporation.

47. (1) No suit or prosecution shall lie—

(a) against the Corporation for any act which in good faith is done or purports to be done by the Corporation under this Act; or

(b) against any member, officer, servant or agent of the Corporation for any act which in good faith is done or purports to be done by him under this Act or on the direction of the Corporation.

Protection for
action taken
under this Act
or on the
direction of the
Corporation.

(2) Any expenses incurred by the Corporation in any suit or prosecution brought by or against the Corporation before any court shall be paid out of the moneys of the Corporation, and any costs paid to, or recovered by, the Corporation in any such suit or prosecution shall form part of the moneys of the Corporation.

(3) Any expenses incurred by any such person as is referred to in paragraph (b) of sub-section (1) in any suit or prosecution brought against him before any court in respect of any act which is done or purports to be done by him under this Act or on the direction of the Corporation shall be paid out of the moneys of the Corporation, unless such expenses are recovered by him in such suit or prosecution.

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No writ to
issue against
person or
property of a
member of the
Corporation.

48. No writ against person or property shall be issued against a member of the Corporation in any action brought against the Corporation.

The Corporation
deemed to be a
scheduled
institution
within the
meaning of the
Bribery Act.

49. The Corporation shall be deemed to be a scheduled institution within the meaning of the Bribery Act, and the provisions of that Act shall be construed accordingly.

Amendment of
Schedule.

50. The Schedule to this Act may be amended, from time to time, by the Minister of Finance by Order published in the *Gazette*. Every such Order shall come into force on the date of such publication or on such later date as may be specified therein.

Interpretation.

51. (1) In this Act, unless the context otherwise requires—

“Chairman” means the Chairman of the Corporation;

“company” has the same meaning as in the Companies Ordinance;

“gem” includes a precious stone or a semi-precious stone, and a product of any gem or any such stone;

“gem industry” means any trade or business of all or any of the following classes or descriptions:—

(a) mining for gems or gemming;

(b) importing gems into, or exporting gems from Ceylon;

(c) selling, purchasing or supplying gems;

(d) cutting, polishing, engraving or carving gems;

(e) valuing gems;

“local authorities” means Municipal Councils, Urban Councils, Town Councils or Village Councils;

“public officer” means any person holding a paid office under the Crown in respect of the Government of Ceylon;

“scheduled written law” means the provisions of written law for the time being specified in the Schedule to this Act.

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(2) For the purposes of this Act, a person shall be deemed to carry on the gem industry if he carries on all or any of the trades or business of the classes or descriptions which constitute that industry within the meaning of this Act.

(3) For the purposes of this Act, the expression "officer authorized by the Corporation", in relation to either or both sections 31 and 32 or any context connected therewith or incidental thereto, means any officer of the Corporation authorized by the Corporation to act under either or both such sections, as the case may be.

SCHEDULE

Provisions of Written law

Section 2 (6), 8, 17, 18, 20, 77 (1), 78, 87, 88 and 89 of the Crown Lands Ordinance (Chapter 454).

Gemming Ordinance, No. 5 of 1890, as subsequently amended from time to time.

Sections 2, 3, 7, 8, 9, 10, 11, 12, 15, 16, 17 (2), 18, 19, 39, 41, 42 and 43 of the Mines, Quarries, and Miners Ordinance (Chapter 210).



PLATE 1. Conference party inspecting gem mining at Ratnapura. Shaft at right is being dewatered using a petrol driven pump, February, 1982. Trans. 22994



PLATE 2. Heavily timbered shaft sunk to exploit gem bearing gravel, Ratnapura gem mining district, February, 1982. Trans. 22995



PLATE 3. Gem gravel stockpile centre foreground.
Rice paddy in the background. Trans. 22996



PLATE 4. Washing gem gravel in woven basket to remove
clay and silt. Trans. 22997



PLATE 5. Dressing and shaping rough gemstones using an abrasive wheel rotated by a bow string. Trans. 22998



PLATE 6. Facetting and polishing gemstones on a copper lap. The gem is mounted in the brass dop centre left. The lap is rotated at the required speed by the assistant on the right. Trans. 22999