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True North Gems Heading To Production In Greenland

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True North Gems (TSX.V:TXG) is suffering from a good problem to have. In a world gone crazy over gold, a profitable ruby mine in Greenland is being overlooked by the mono-focused investment class du jour. For the risk-tolerant astute, the mere existence of that problem equates to an opportunity. Under the unwavering guidance of Nicholas Houghton, an accredited gemologist with almost 40 years of experience in the design, manufacture and marketing of premium jewelry, and Jeff Giesbrecht, VP of Corporate Development, former Legal VP of the team that developed the Penasquito mine, now Goldcorp's premiere asset, True North has developed a targeted and systematic business model to locate and acquire the best gemstone mines on the face of the earth.

The company's flagship ruby project is called the Aappaluttoq Ruby Project, and its in southwest Greenland, approximately 150 kilometres south of the capital Nuuk and 20 km southeast of the town of Qeqertarsuaat in the Fiskebøl mining district. According to Mr.Houghton, the goal is to be in production by the end of next year.

"The Aappaluttoq ruby project is economic with modest capital requirements in a secure and welcoming jurisdiction. We believe that rough ruby and pink sapphire valuations completed on 2006 surface bulk samples and outlined in news releases of January 16 and 17, 2008, will ultimately prove to be lower than prices attained in the current market once sales are initiated," commented President and CEO Nicholas Houghton. "We look forward to completing the necessary next steps towards developing this mine and showcasing Greenland rubies and pink sapphires. We have the opportunity to open a new chapter in the coloured gemstone and jewelry world."

"I believe that all people of Greenland will benefit from the project, whether from direct training and employment, through spin-off benefits of the activities, or from increased tourism that world marketing of Greenland rubies will bring. I look forward to a constructive process of maximizing the benefits we can provide and building an enduring relationship with the people of Greenland."

According to the company's 2011 Pre-feasibility report:

"The Aappaluttoq Ruby Project returns a positive pre-tax Net Present Value (NPV) of \$25.7 M at an 8% discount rate and an IRR of 19.1%. The after-tax NPV is \$17.5 M at 8% discount and the IRR is 16.5% with an after-tax payback period of 5½ years. Because of the positive economics and low technical risks, it is recommended that further work is completed in aim of establishing an operation at Aappaluttoq."

Company spokesman Ward Kondas pointed out, however,

"This NPV data was based on a 2008 raw material valuation during the vacuum of the economic downturn. Looking at the company's independent sensitivity study and taking into consideration value increases of Ruby and pink sapphires in the gem stone market, one could conclude the NPV projections are conservative if not unreflective of the current pricing metrics."

THE RUBY MARKET: READY TO EXPLODE

According to a story in *the Economist* on September 10th, 2011,

"Dealers say prices for high-quality rubies are up by 50% this year and have doubled in the past two years. Top-notch sapphires that in 2009 would have fetched \$65,000-80,000 per carat (a unit of mass equal to 200 milligrams) now change hands for \$150,000 or more, says Joe Menzie, a former head of the International Coloured Gemstone Association. In a recent auction to wholesalers, African emeralds sold for 63% more per carat than higher-quality stones fetched last December. Even stones of average quality are up by 20-25% this year, says one dealer. The boom has also boosted semi-precious stones, such as rubellite and red spinel, worn by those who can't quite stretch to a ruby. "Some semi-precious stones are now priced as if they were precious," says Guy Clutterbuck of CGM, which sells to retailers."

There are several forces driving the price rises. The strongest is surging demand from faster-growing economies, particularly

China and India. Both countries have a long-standing passion for coloured stones, some of which are seen as bringing good luck (yellow sapphires in Hinduism, for instance). Their new rich flaunt them as status symbols at dinner parties in Shanghai and Mumbai. One American dealer reports difficulty getting hold of tanzanite, a blue semi-precious stone. He can sell it for \$300 per carat and will thus pay up to \$280, but cannot compete with Chinese wholesalers willing to pay \$350 so they can sell to domestic clients for \$400. A contributing factor is the rise of the yuan against the dollar, the denominating currency for gemstone prices.

A second force is economic insecurity. Like gold, gemstones are seen by some as a tangible store of value in turbulent times. Dealers are increasingly being asked to put together collections for wealthy Americans who want to diversify away from paper investments. "Wall Street types are reading the auction results and picking up the phone," says Edward Boehm of RareSource, which buys stones from mines."

ABOUT RUBIES

The following is excerpted from gemstone.org:

Ruby is the red variety of the mineral corundum, one of the hardest minerals on Earth, of which the sapphire is also a variety. Pure corundum is colourless. Slight traces of elements such as chrome, iron, titanium or vanadium are responsible for the colour. These gemstones have excellent hardness. On the Mohs scale their score of 9 is second only to that of the diamond. Only red corundum is entitled to be called ruby, all other colours being classified as sapphires. The close relationship between the ruby and the sapphire has only been known since the beginning of the 19th century. Up to that time, red garnets or spinels were also thought to be rubies. (That, indeed, is why the 'Black Ruby' and the 'Timur Ruby', two of the British Crown Jewels, were so named, when they are not actually rubies at all, but spinels.)

Ruby, this magnificent red variety from the multi-coloured corundum family, consists of aluminium oxide and chrome as well as very fine traces of other elements - depending on which deposit it was from. In really fine colours and good clarity, however, this gemstone occurs only very rarely in the world's mines. Somewhat paradoxically, it is actually the colouring element chrome which is responsible for this scarcity. True enough, millions of years ago, when the gemstones were being created deep inside the core of the Earth, chrome was the element which gave the ruby its wonderful colour. But at the same time it was also responsible for causing a multitude of fissures and cracks inside the crystals. Thus only very few ruby crystals were given the good conditions in which they could grow undisturbed to considerable sizes and crystallise to form perfect gemstones. For this reason, rubies of more than 3 carats in size are very rare. So it is no wonder that rubies with hardly any inclusions are so valuable that in good colours and larger sizes they achieve top prices at auctions, surpassing even those paid for diamonds in the same category.

Colour is a ruby's most important feature. Its transparency is only of secondary importance. So inclusions do not impair the ruby quality of a ruby unless they decrease the transparency of the stone or are located right in the centre of its table. On the contrary: inclusions within a ruby could be said to be its 'fingerprint', a statement of its individuality and, at the same time, proof of its genuineness and natural origin. The cut is essential: only a perfect cut will underline the beauty of this valuable and precious stone in a way befitting the 'king of the gemstones'.

AT THE END OF THE DAY

Rubies are obviously increasing in demand, and unlike gold, where hundreds of thousands of ounces are added in production each year, rubies are already in a state of terminal decline in terms of top gem-stone quality production. One could argue that *peak ruby* happened decades ago, and so, also unlike gold, the price is unlikely to suffer any prolonged downturn. For investors, that adds up to a potential win. Especially at the attractive valuation True North Gems trades at now.

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