

True North Gems Seeks Alternative to Myanmar “Blood” Rubies

By Andrew K. Burger

Socially responsible investing has evolved and gradually worked its way to higher prominence in the financial industry during recent years, as has corporate social responsibility in the commercial and industrial sectors of the economy. That has certainly been the case when it comes to mining companies and developing mineral resources, most notably in the case of conflict, a.k.a. “blood” diamonds.

The role mineral resource development plays in financing repressive, authoritarian regimes is coming up again in light of recent protests by Buddhist monks and others in Myanmar and their violent suppression by the country’s military government. Myanmar produces more than 90% of the world’s rubies—a trade estimated to be worth US\$2.1 billion wholesale according to MVI Marketing Ltd. research—and it has also long been the world’s largest miner and exporter of jade, primarily to China.

Mining companies like Vancouver’s True North Gems (TSX:TXG), which is working to develop a ruby and sapphire resource in Greenland, can play a role in breaking the dominance of governments such as Myanmar’s, the world’s largest supplier of rubies and sapphires, as well as jade.

Myanmar’s military government has made a concerted effort to gain control of the country’s lucrative gem trade during the past two decades, jeweler, Fair Trade and human rights advocate Ben Leber of Leber Jeweler Inc. told ResourceX.

“At present, gemstones are the regime’s third largest export, netting close to US \$300 million, although the unofficial number is no doubt higher. At present, the military government controls a majority share of every gem mine, controls distribution of licensing and permits, as well as runs the gem auctions in Rangoon. While there are ‘partners’ in the mines, these are most often government officials or close allies of the regime.”

Campaigning for Fair Trade

Prominent jewelers, such as Tiffany’s in 2005, have come out, instituted policies stating that they will not purchase rubies and other gemstones produced in Myanmar and have joined campaigns against them. Jewelers such as Leber have joined organizations like the US Campaign for Burma, the American Gem Society and the Council for Responsible Jewelry Practices.

While the US has instituted a trade embargo on Myanmar, the EU has not. Recently, some of Britain’s leading jewelers have been accused of helping keep the military dictatorship in power by trading in the country’s “blood” rubies.

According to one news report, Asprey, Cartier, Levee and Harrods are selling Myanmar’s rubies and gems in their central London stores, with some items priced as high £500,000. British Foreign Office sources indicated shortly after news reports broke that Gordon Brown was pressing the European Union to introduce tougher sanctions against Myanmar that would prohibit sales of its gems in Britain.

“A gift of a ruby is meant to symbolize love, but if it comes from Burma the true price is paid in blood and oppression,” said Mark Farmaner, acting director of Burma Campaign UK. “Any rubies on sale in the UK will have been purchased at some point from the military and so will be helping to fund that regime.”

An Alternative Emerging in Greenland

If development plans work out, alternative sources for rubies and sapphires—both varieties of corundum—will emerge in the next few years, offering gemstone buyers and the jewelry industry an alternative source of rubies without the moral stain Myanmar gems carry.

Vancouver’s True North Gems on Oct. 9 announced that it had successfully collected its third, 27.8 tonne bulk sample from Greenland’s Aappaluttoq ruby and pink sapphire resource from the company’s Fiskenaesset Ruby Project, thereby completing its 2007 field sampling program.

Fiskenaesset has thus far yielded individual rubies and pink sapphires weighing more than 80 grams, or 400 carats. Rarer than diamonds, rubies and pink sapphires are valuable gem materials. Although prices vary greatly depending on quality, independent valuations have put a wholesale value of US\$3,220 per carat on a 0.69 carat ruby from Aappaluttoq and a US\$460 per carat value on a 0.96 carat pink sapphire from Aappaluttoq.

“Our primary focus as a company is now to get a bankable report done on our main occurrence, and the work this summer was the first major step on that route - our past work has shown we have something worthy of advancement, and the feasibility will tell us the economics,” said True North president Greg Fekete.

The company during the past two field seasons has amassed 120 tonnes of mineralized surface material from Aappaluttoq. A total 3.6 tonnes of samples have been sent to Fiskenaesset for processing True North's gravity concentration plant. Management expects to issue a report shortly.

Blasted out of a bedrock Host Zone from within tightly folded zones of phlogopite and pargasite-enriched alteration using focused, low-intensity blasting to control grade and width, the latest bulk sample will yield an analysis of gemological criteria and gemstone conditions that would occur under typical mining conditions, according to company information. The data collected will also enable comparison with grade and stone distribution gathered from the earlier 2006 and 2007 of the bulk samples that were collected using chain saws and chisels.

"The only assessment that can be made about the value of the stones, our current inventory or any eventual production at this point is that the sheer quantities of gem grade material recovered from bulk samples indicates the potential exists for a commercial operation that would be defined by high operating margins, low capital costs and high internal rates of return," True North co-founder, chairman and CEO Andrew Lee Smith, told ResourceX.

"The actual magnitude of the project value is dependent on a series of variables such as stone size, yield on cutting, and aspects of statistical distribution and quality—known as the 'stone curve'—that are being defined through manufacturing experiments that are ongoing."

Developing Fiskenaesset

True North worked up a CAD 3 million budget for the 2007 field season at Fiskenaesset, the objective being to deliver a Preliminary Assessment of the Aappaluttoq ruby and pink sapphire occurrence. This includes a 5,000-meter diamond drilling program, as well as additional bulk sampling and geological mapping.

"We are currently in the process of preparing a Preliminary Assessment (scoping study) that will be authored by Wardrop engineering who have provided the independent oversight of the exploration program and will complete the report by end of the first quarter of 2008," Lee Smith elaborated.

Compiling technical, valuation and marketing information True North has been preparing with companies including MVI Marketing and Wardrop Engineering, the report will be a first assessment of the project's economic parameters, according to Lee Smith.

Accomplishing this will demonstrate that the risks associated with marketing, manufacturing and technical aspects of the projects are manageable and leave financing and project/permitting, political risk as the main areas to be addressed," he explained.

Assuming a positive Preliminary Assessment, management is working up a 2008 feasibility program with an estimated cost between US\$10-15 million. If all these pieces fall into place, True North anticipates moving the project into pre-production in 2009 and starting full-scale production by 2012.

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