

# True North Gems: Uncovering the World's Next Ruby Source

By Katherine Young

Focused on its Fiskenaasset ruby project on the southwest coast of Greenland, True North Gems (TSX.V: TGX) is finding some of the most precious gems in the world. True North is the only publicly traded company in North America and one of only a handful in the world trading in coloured gemstones. If there are few ruby companies in the world, it is largely because there are few rubies. Rubies are said to be 300 times rarer than diamonds.

More than just rarity, True North benefits from several strengths unique to the ruby trade. Its supply of rubies could be certifiably sourced far from the political quagmire that is Burma. It uses innovative methods of exploration and extraction. And True North sees potential high profit margins stemming from low capital costs and a high carat per tonne yield.

Coming from Greenland, in Denmark, a country with an excellent human rights record, True North believes it can guarantee both a predictable supply and an ethical source of rubies. This predictable supply, secure and conflict free source have the potential to have a big impact on the international ruby trade.

In the diamond trade, the Kimberly Process is a worldwide agreement that certifies the source of rough diamonds, and has dramatically reduced the trade in 'blood' or conflict diamonds. Trade is now concentrated around certified diamonds. [Diamondexchange.ca](http://Diamondexchange.ca) defines blood diamonds as "rough diamonds used by rebel movements or their allies to finance armed conflict aimed at undermining legitimate governments." Thus far, according to Greg Fekete, President of True North Gems, there are few if any reliable, certifiably-sourced rubies available anywhere.

Fekete explains, "Right now in the global ruby trade most of the trading is done by intermediaries who buy from smugglers or directly from small mom and pop mining operations who flip the material to buyers and wholesalers who then flip it to retailers." With so many parties involved in the supply chain, it becomes almost impossible to prove if a ruby is a conflict free.

True North can provide a secure certification of the source of its rubies because it is the producer, Fekete says. "That way, we can certify where it has come from. We can certify conflict-free rubies."

Another boon for True North is that it expects to produce rubies cheaply. By way of comparison, when in production, True North Gems' profit margins could be higher than most Canadian diamond companies for two reasons. Firstly, to date, True North's average yield on its ruby project is in excess of 2000 carats/tonne.

"The diamond guys are trying to get something like 1-1.5 carats/tonne," Fekete says. "So they have to sort a heck of a lot more rock than we do to get their product out. It costs a lot of money to move rock and to crush it and clean it up. We don't have to have the same volume, and consequently we have a dramatically lower extraction cost, leading to higher profit per tonne."

Another plus for True North is that it won't have to build ice roads or use extensive air support to transport equipment, like Canadian diamond miners. True North can ship equipment by boat to its property on the southwestern coast of Greenland, which is ice-free virtually all year.

Like any pioneer, True North is by necessity an innovator. Because mining for rubies in Greenland is a relatively new undertaking, and requires a different approach than in southeast Asia, or other coloured gemstone locales, True North has had to meet challenges with creative thinking. The company has borrowed various extraction techniques from diamond exploration, hard rock and alluvial mining and is using optical sorting for processing – a technology new to both coloured gemstones and diamonds alike.

Fekete says, "It doesn't create headaches, just problems that need to be solved." The need to solve problems, which True North has accomplished thus far, is offset by the significant strategic advantages of having a product that virtually no one else has.

On the financial side, True North will offer a product both unique and unprecedented. The uniqueness makes it valuable; the cutting edge breeds invention. In order to create a context for evaluating the worth of its Greenland ruby project, True North commissioned a study of the ruby market by MVI Marketing Ltd. The study showed that the ruby wholesale market is valued at approximately US \$2.1 billion.

Also of note, ruby production is stable or in slight decline and ruby demand is expanding due to growing jewelry demand in burgeoning economies in Central Asia and Eastern Europe. Of the entire market including rubies, sapphires and emeralds, Fekete says, "the entire coloured gemstone trade is

probably over US\$5 billion.”

Having created a context for investors and financiers to understand the value of its project, True North will be firing out press releases about its progress this winter as it processes bulk samples and drill cores from its summer exploration season. Simultaneously it will cut and value its gems and communicate the results to investors.

True North Gems is now ready to move toward production on its Fiskenaasset project. Plans include completing pre-feasibility study by next winter. If all goes well, a feasibility study will follow in the summer of 2009, it will be filed with the regulatory authorities, and True North will open a mine as early as 2011.

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