



True North Gems Secures US\$4 million in Financing for the Aappaluttoq Ruby Project in SW Greenland

Vancouver – August 26, 2015 – True North Gems Inc. (TGX: TSX-V) (“True North”, “TNG” or the “Company”) is pleased to announce that it has signed a share purchase and option agreement (the “Share Purchase Agreement”) with Greenland Venture A/S (“Greenland Venture”) under which Greenland Venture will purchase 5,722,940 issued A-shares (the “Purchased Shares”) of the Company’s operating subsidiary in Greenland, True North Gems (Greenland) A/S (“TNGG”), from True North for a purchase price of US\$4,000,000 (approximately CDN \$5,300,000). The Purchased Shares represent 7% of the issued and outstanding shares of TNGG. Following completion of the sale of the Purchased Shares, True North will own 85.39% of the issued and outstanding shares of TNGG, which interest remains subject to a 20% earn-in right by True North’s joint venture partner, LNS Greenland A/S and LNS Denmark ApS (collectively, “LNSG”), as previously disclosed.

“This transaction will provide True North the resources for transition into the production phase of the Aappaluttoq Ruby Project, and once again endorses the importance of having a Greenlandic partner in Greenland Venture,” said Nicholas Houghton, President and CEO of True North. *“The combined financing package will allow the Company to restructure its share of operating expenses, reducing our immediate requirements and in particular, minimizing dilution to current shareholders. With this funding arrangement, the Company will be able to deliver on its vision of becoming one of the world’s leading coloured gemstone production and exploration companies.”*

True North has the option under the Share Purchase Agreement to repurchase 2,861,470 of the Purchased Shares, representing 3.5% of the issued and outstanding shares of TNGG, from Greenland Venture for three years from the closing of the share purchase. The repurchase price under the option is: US\$2,000,000; plus a premium of (1) US\$1,000,000 if True North exercises the repurchase option on or before the first anniversary of the closing of the share purchase; (2) US\$2,500,000 if True North exercises the repurchase option after the first anniversary but before or on the second anniversary of the closing of the share purchase; or (3) US\$4,750,000 if True North exercises the repurchase option after the second anniversary of the closing of the share purchase. Should the Company exercise the repurchase option in the first year, it will have the right to reacquire all 2,861,470 of the Purchased Shares. If True North exercises the repurchase option in the second or third year, then LNSG will have the pro rata right to participate in the repurchase option. The repurchase option gives True North the ability to retain up to 70% of the Aappaluttoq project and its subsequent earnings, notwithstanding the 20% earn-in right held by LNSG.

The Company intends to use the net proceeds of the transaction to finalize the delivery and installation of the processing system developed for the Aappaluttoq project whilst working with LNSG to complete construction as scheduled.

In connection with and as a condition precedent to the Share Purchase and Option Agreement, TNGG and Greenland Venture have also entered into a loan agreement (consolidation and replacement) (the “Loan Agreement”) under which current loans and accrued interest in an aggregate amount of DKK 7,909,254.77 (approximately US\$1,170,000) owing by TNGG to Greenland Venture, with True North as guarantor, have been consolidated. Under the Loan Agreement, the consolidated loan will have a maturity date of July 31, 2017, and will bear interest at a fixed rate of 2% per month.



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