

# TNR.CN

## TNR Gold Corp

C\$ 0.17

16 February 2011

Gold, Copper, Lithium, Rare Metals  
 Argentina, USA, Canada, Ireland  
 Early to Advanced Exploration  
 Exchanges: TSX.V:TNR

**TNR's near-term exploration program will focus on lithium brine projects at Mariana (ARG) and Clayton Valley (Nevada), as well as gold at Shotgun (Alaska). The proposed TSX spin-out of Li and REE assets as International Lithium Corp (ILC) could proceed in 2011.**

### Capital Profile

Share price (C\$)	0.17
52 week range (C\$/share)	0.15 to 0.31
Number of shares (m)	131
Options and warrants (m)	21
Convertible notes (m)	0
Fully diluted (m)	152
Market capitalisation (undiluted) (C\$m)	21.6
Debt (C\$m) - Dec 10F	0.0
Enterprise value (C\$m)	21.5
Major shareholders: Management and insiders (48.5%, incl K Klip 23.5%), Institutional holders (20%, incl Barrick Gold, Pinetree Capital)	
Avg monthly volume (m)	4
Cash (C\$m) - Dec 10F	0.1
Price/Cash (x)	183.6
Price/Book (x)	1.3
Listed company options:	No

### Production and Financial Forecasts

Year End: December	Sep-10a	Dec-10F	2009a	2010F*	2011F
Exploration and evaluation (C\$m)	0.29	0.10	1.12	1.24	2.67
Corporate (C\$m)	0.20	0.10	1.00	2.38	1.25
Exploration/Expl.+ Corporate (%)	60	50	53	34	68
Funding duration at current burn (years)			1.2	0.0	0.6
Shares on issue (pr end) (m shares)	131	131	107	131	161
Drilling - RAB (m)	500	0	0	1,000	2,000
Drilling - Other/Diamond (m)	500	500	0	1,300	1,500
Land holding ('000 ha)	34	34	30	34	34
Tenement costs (\$m per year)	na	na	na	na	na
Capital raisings (C\$m)	0.8	0.0	5.0	0.8	7.0
Funding from JV partners (C\$m)	na	na	na	na	na
Cash (C\$m)	0.5	0.1	2.6	0.1	2.5
Cash backing (C\$/share)	0.4	0.1	2.4	0.1	1.5
Net asset backing (C\$/share)	12.3	12.4	14.3	12.4	13.2

\*December 2010 actuals not yet released. Quarters stated on calendar year basis.

### Investment Points

Focused on exploration for precious and base metals with a strategic emphasis on high-demand rare and minor metals, e.g. rare earth elements and lithium.

Business model is "Lead Project Generator", acquiring early stage projects, and adding value by internal and JV development (diversify cost, risk) or corporate spin-off.

Lithium and REM asset spin off, as International Lithium Corp, planned for TSX.V in 2011, mkt cap C\$15m would make it undervalued compared to peers.

TNR holds early stage gold-copper (porphyry) projects in Argentina and Canada, including 100% of 920koz Au at Shotgun. Significant potential for large-scale discoveries

Tight capital structure: TNR management and insiders own 48%, institutions 20%.

Highly experienced management and technical teams.

### Company Comment

**Overview:** TNR Gold Corp has early to mid-stage exploration assets, with 18 active projects held as three groups: Argentina gold-copper; lithium and rare metal projects; and Alaskan gold. A TSX spin-out of the Li-REM projects, as International Lithium Corp, is in progress. The Alaskan projects could follow.

**Lithium-REM projects and corporate spin-off:** TNR has nine early stage lithium brine and hard-rock lithium / rare metal projects, commodities that are used in high-tech applications (e.g. batteries and magnets), and have a growing market in the automotive industry as it moves towards the production of electric vehicles. TNR plans that these assets will be spun off on the TSX.V as **International Lithium Corp (ILC)**, now anticipated in 2011. The parent company and shareholders should retain ~87% of ILC, and there will be a C\$2.5m IPO. Year 1 exploration budget is expected to be C\$1m-\$1.5m. The initial focus is on **Mariana (ARG)**, which covers 160km<sup>2</sup> among the Andean Salars (ARG). Brine samples range 250-650mg/L Li (average 440mg/L) – current producers range from 150-1500mg/L of Li – as well as average 12,700mg/L K. A resource could follow drilling in 1Q11 (up to 20 holes to 100m depth). ILC will also drill in 1H11 at brine projects in **Nevada** (5,285 hectares), in the area of Clayton Valley (producing Li since 1967). The Canadian pegmatite projects, prospective for lithium and the **rare metals** (e.g. tantalum, niobium and the REE) include **Moose**, which lies 12km from Thor Lake (TSX:AVL) and is a past high-grade producer of Li and Ta (samples include 6.7m @ 2.07% Li<sub>2</sub>O), yet untested below 25m depth. The **Mavis Lake** Project has channel samples including 5.3m @ 1.24% Li<sub>2</sub>O. Mid stage exploration of the **Forgan Lake** Project is operated by a JV partner (TSX:CKC).

**Argentina projects (Au-Cu-Ag):** Among 5 active projects in San Juan Province, the primary focus is on **El Salto** (13,300 hectares) and **El Tapau**, which are both early stage and have potential for bulk tonnage Au-Cu-(Mo) porphyry discoveries. El Salto has a 6 x 1.5km chargeability anomaly and limited drilling (incl 55m @ 0.21% Cu and 0.012% Mo). El Tapau has three target areas; exploration includes grab sampling averaging 2.2g/t Au over 4.5km strike, and limited drilling (incl 82m @ 0.49% Cu). Both projects will be the target of geophysics and follow up drilling. TNR retains a 25 per-cent back-in right to certain of the properties at the **Los Azules** Cu-Au-Ag deposit, which contains 12.5 billion lbs Cu, with 2.3moz Au and 57moz Ag. The back-in terms are the subject of a legal dispute with Xstrata, which assigned its interest to Minera Andes Inc. TNR served a back-in notice in April 2010 and has a C\$5m loan that can be drawn down to support Los Azules. Minera Andes rejected the notice, the validity of which is the subject of a legal dispute with Minera Andes. The matter is scheduled for court in June-July 2011. The project has a high conceptual value: with capex US\$2.8bn and production 159ktpa Cu at US\$3/lb, NPV<sub>8</sub> is \$4bn with IRR 24% (Minera Andes figures, Dec '10).

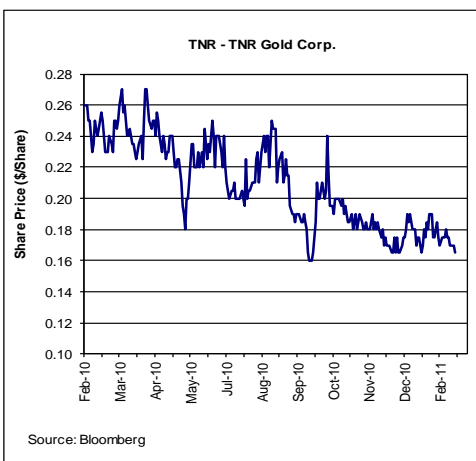
**Alaskan Projects (Au, Cu):** TNR has **Shotgun** (controlled by subsidiary Ameri Gold Corp), a breccia-hosted Au target with a non compliant resource of 980koz Au grading 0.93g/t and drill ready gold targets. The **Iliamna** Project is < 80km from the giant porphyry-hosted Pebble Deposit (18.8blbs Cu and 31.3moz Au).

**Investment Comment:** TNR's plan to spin off some of its Li and REE exploration portfolio (as ILC) is a well-tested strategy for unlocking the value of mineral assets. The ILC listing was slated for 2010, but lengthy negotiations with potential cornerstone investors mean the listing is now planned for 1H11. If listed on the TSX with a starting market cap of C\$15m, ILC should be seen as significantly undervalued in comparison to its Li-focused peers (capitalised at C\$4-C\$240m in 4Q10). Further value should be added to both TNR and ILC by ongoing exploration and resource definition in 2011, e.g. at Mariana, which bears early comparison to the nearby Hombre Muerto (Fenix) mine of FMC, providing 14% of global lithium supply. Other share price catalysts could be a positive decision over the Los Azules back-in, and exploration at El Salto and El Tapau.

### Reserves and Resources/Mineralised Material

Code for reporting mineral resources - Canadian: (NI43-101)								
Gold	Classification	Project	Ore	Au	c/off	Au	Au	Eqty
		Equity	Mt	g/t	g/t	t	koz	koz
<b>Reserves</b>						0.0	0.0	0.0
<b>Resources *</b>						0.0	0.0	0.0
<b>Mineralised Material</b> (historic, non NI43-101 compliant)								
Shotgun	Inferred	50%	33	0.93	0.50	30.5	980	490

\* Los Azules Project has 922mt grading 0.551% copper for 5.08mt (11.2 billion lbs) metal; TNR claims a 25% back-in right



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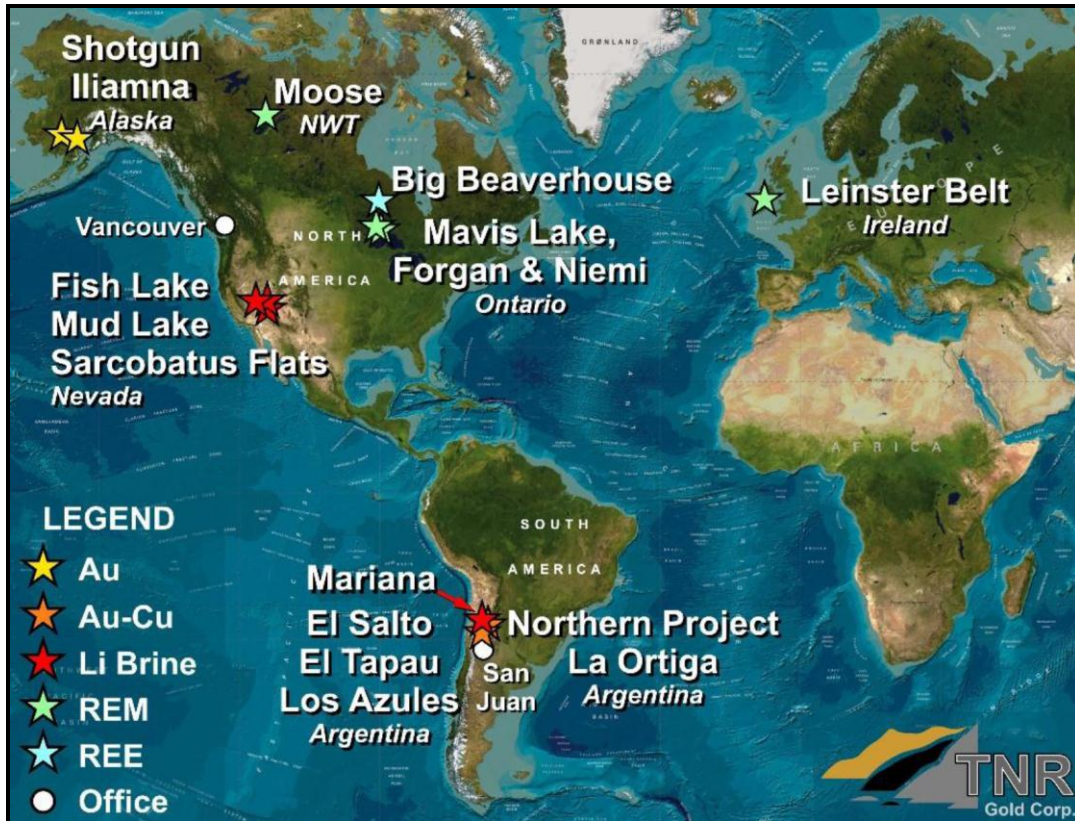
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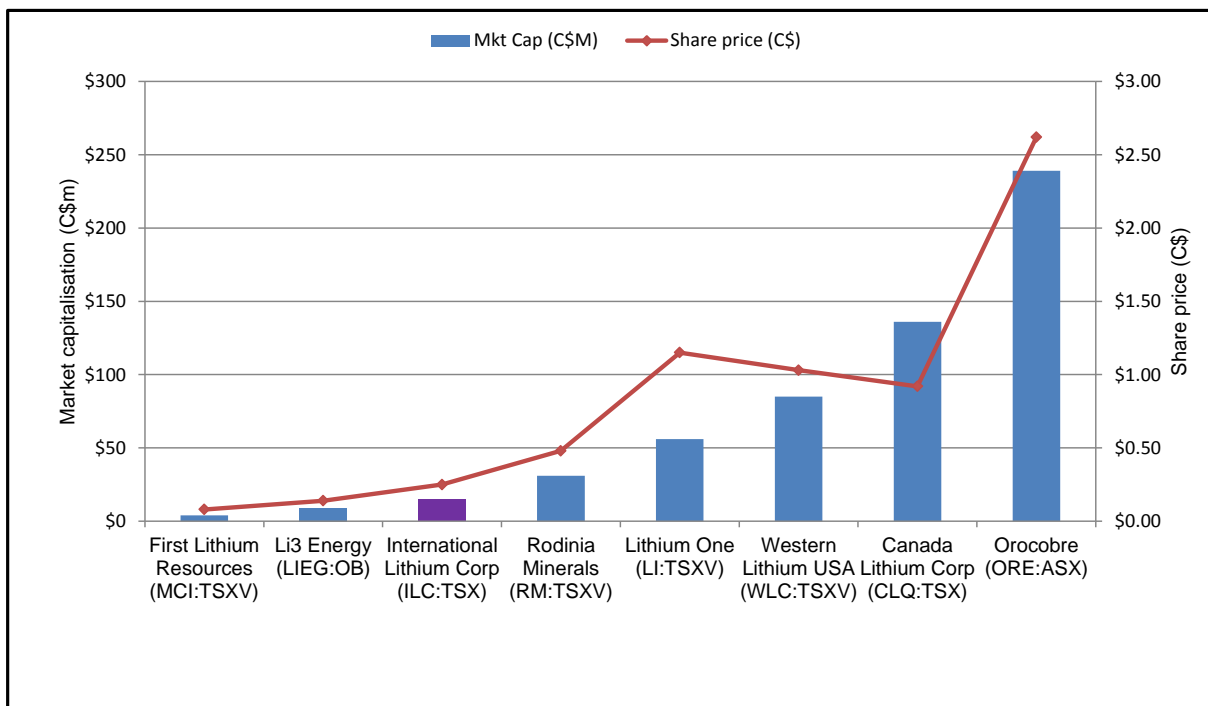
### Key Projects

Project	Ownership/		JV Partner	Target Type	Process Route	Project Status	Location
	Option	Metal					
El Salto	0%/100%	Au-Cu-Mo	-	Porphyry	na	Mid Expl	S. Juan (ARG)
El Tapau	0%/70% of 75%	Au-Cu	Petra	Porphyry	na	Mid Expl	S. Juan (ARG)
Mariana	0%/100%	Li	-	Brine	Pump	Mid Expl	Salta (ARG)
Nevada	100%	Li	-	Brine	Pump	Early Expl	NV (USA)
Moose	100%	Li-Ta	-	Pegmatite	na	Mid Expl	NT (CAN)
Mavis Lake	100%	Li-REM	-	Pegmatite	na	Mid Expl	ON (CAN)
Shotgun	100%	Au	-	Breccia	na	Adv Expl	AK (USA)

TNR has 18 active projects worldwide, which can be divided into three broad groups: Argentinian gold-copper; lithium and rare metals (REM); and Alaskan gold. TNR's projects are in the exploration phase, providing an opportunity for investors to benefit as value is added by further development.



The TNR lithium/REM assets could be spun out in 2011, as International Lithium Corp, ILC:TSX. This chart (dated Nov '10) shows that ILC, with 60m shares at C\$0.25 and early stage projects, is good value relative to some comparable, if more advanced, lithium-focused companies.



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