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TNR Gold Corp

C\$ 0.22

7 September 2010

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

TNR is focused on early stage exploration for gold, and rare and minor metals. A TSX spin-out of International Lithium Corp (ILC) in 3Q10 should add value to the Li and REE assets: priority Li targets include Mariana (ARG), where C\$1m drilling is planned from 4Q10.

Capital Profile

Share price (C\$)	0.22
52 week range (C\$/share)	0.18 to 0.38
Number of shares (m)	123
Options and warrants (m)	35
Convertible notes (m)	0
Fully diluted (m)	158
Market capitalisation (undiluted) (C\$m)	26.5
Debt (C\$m) - Sep 10F	0.0
Enterprise value (C\$m)	21.8
Major shareholders: Management and insiders (48.5%, incl K Klip 23.5%), Institutional holders (20%, incl Barrick Gold, Pnetree Capital)	
Avg monthly volume (m)	2
Cash (C\$m) - Sep 10F	4.7
Price/Cash (x)	5.6
Price/Book (x)	1.3
Listed company options:	No

Production and Financial Forecasts

Year End: December	Jun-10a	Sep-10F	2009a	2010F	2011F
Exploration and evaluation (C\$m)	0.54	0.67	1.12	2.18	2.67
Corporate (C\$m)	0.42	0.25	1.00	2.59	1.25
Exploration/(Expl.+ Corporate) (%)	56	73	53	46	68
Funding duration at current burn (years)			1.2	0.7	0.9
Shares on issue (pr end) (m shares)	123	133	107	133	144
Drilling - RAB (m)	0	500	0	1,000	2,000
Drilling - Other/Diamond (m)	300	500	0	1,300	1,500
Land holding ('000 ha)	30	34	30	34	34
Tenement costs (\$m per year)	na	na	na	na	na
Capital raisings (C\$m)	0.0	5.0	5.0	5.1	5.0
Funding from JV partners (C\$m)	na	na	na	na	na
Cash (C\$m)	0.3	4.7	2.6	3.2	3.6
Cash backing (C\$/share)	0.3	3.5	2.4	2.4	2.5
Net asset backing (C\$/share)	13.1	15.4	14.3	15.1	16.1

Quarters stated on calendar year basis. Years are financial.

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 3Q10, mkt cap C\$15m would make it undervalued compared to peers (see chart).

TNR holds early stage gold-copper (porphyry) projects in Argentina and Canada, including 50% 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 team.

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 ILC-REM projects, as International Lithium Corp, is planned for July 2010. 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 as International Lithium Corp** in 3Q10. 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 160km² among the Andean Salars (ARG). Brine samples range 250-650mg/L Li – current producers range from 150-1500mg/L of Li. A resource could follow drilling in 4Q10 (up to 20 holes to 100m depth). ILC will also advance brine projects in **Nevada** (5,285 hectares), in the area of Clayton Valley (producing Li since 1967). The pegmatite projects, prospective for lithium and the rare metals (e.g. tantalum, niobium and the REE) include **Moose (CAN)**, 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% Li₂O). The **Mavis Lake Project (CAN)** has channel samples including 5.3m @ 1.24% Li₂O.

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 11.2 billion lbs Cu grading 0.55%, with a high grade core of ~2.3blbs grading 1% Cu. 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 facility that can be drawn down to support Los Azules. Minera Andes rejected the back-in notice and the validity of the back-in notice is the subject of a legal dispute with Minera Andes. The project has a high conceptual NPV: with capex US\$2.7bn, opex US\$0.85/lb, and production 170ktpa (375mlbs) for 23.6 years, and applying no adjustment for risk, the NPV is US\$2.9bn, or US\$725m for 25% (LT Cu US\$2.50/lb, disc rate 10%).

Alaskan Projects (Au, Cu): TNR has 50% of **Shotgun**, 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), with which it has geological similarities.

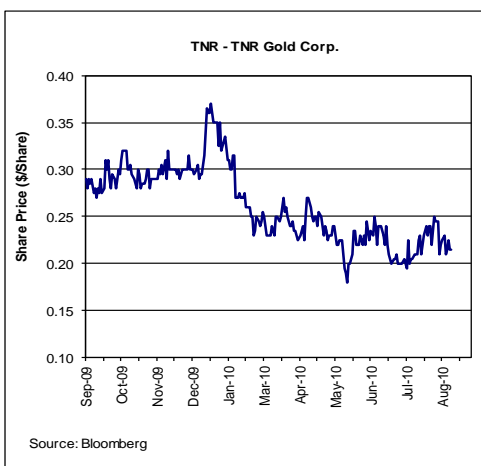
Investment Comment: TNR has built its exploration portfolio to the point where discrete groups of projects can be spun off as separate listed entities. This is a well tested strategy for unlocking the value of mineral assets. If listed on the TSX with a starting market cap of C\$15m, ILC should be seen as significantly undervalued in comparison to its immediate peers (capitalised at C\$15-C\$150m). Further value should be added to both TNR and ILC by ongoing exploration and resource definition, e.g. at Mariana, which bears early comparison to the nearby Hombre Muerto (Fenix) mine of FMC, currently providing 14% of global lithium supply. For TNR, a positive decision over the Los Azules back-in would be a boost but is not vital – other share price catalysts would be exploration success at El Salto and El Tapau.

Reserves and Resources/Mineralised Material

Code for reporting mineral resources - Canadian: (NI43-101)

Gold	Classification	Project Equity	Ore Mt	Au g/t	c/off g/t	Au t	Au koz	Eqty koz
Reserves						0.0	0.0	0.0
Resources *						0.0	0.0	0.0
Mineralised Material (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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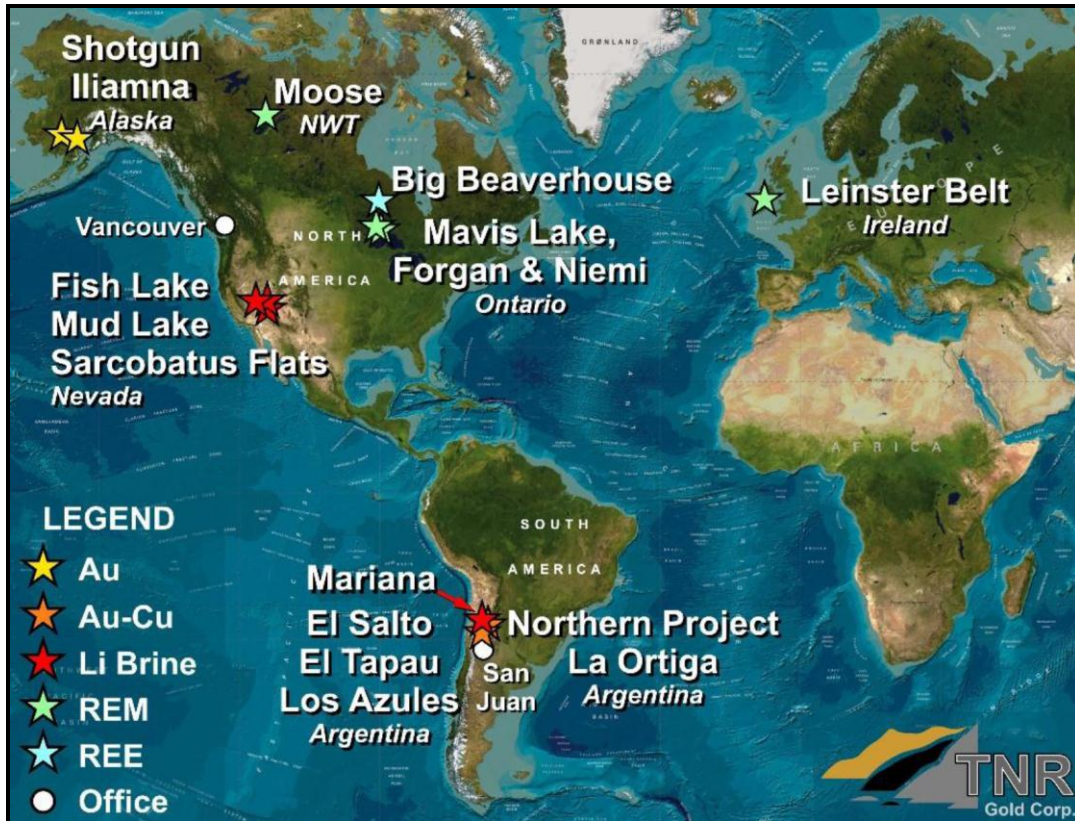
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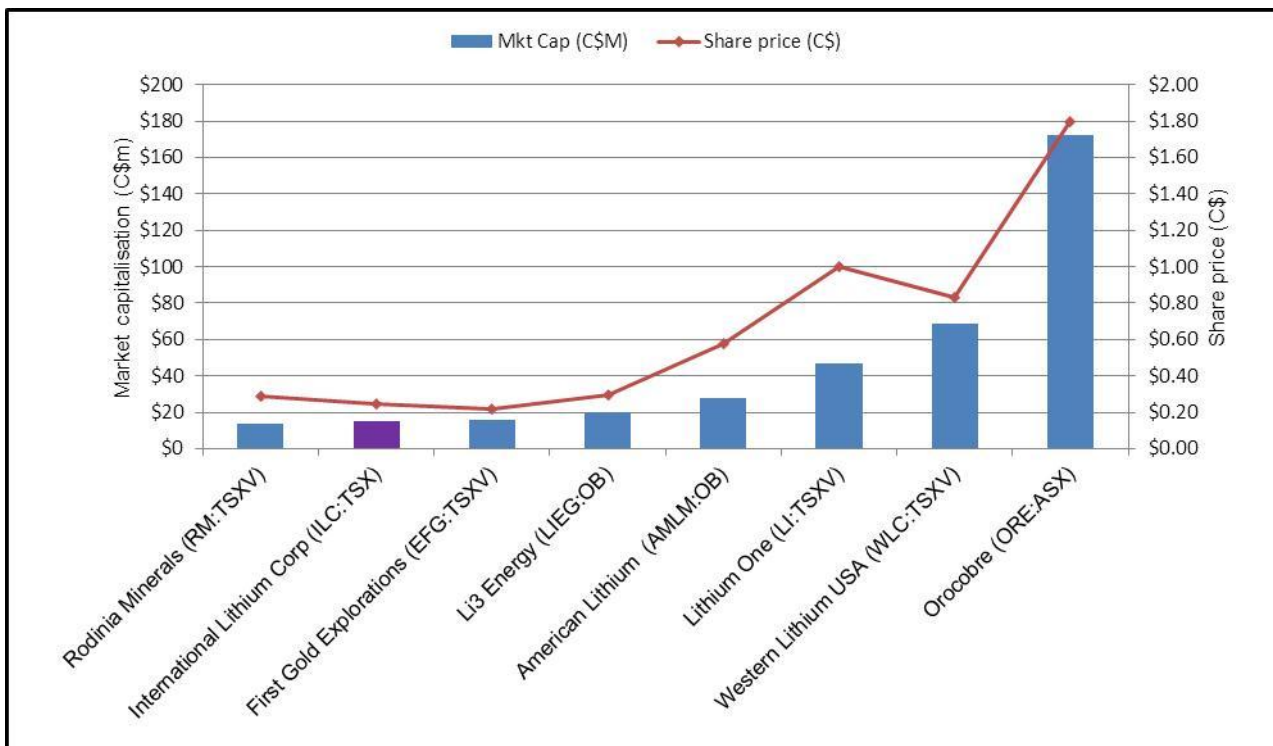
Key Projects

Project	Ownership/Option	Metal	JV Partner	Target Type	Process Route	Project Status	Location
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	50%	Au	na	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 2H10, as International Lithium Corp, ILC:TSX. This chart shows that ILC, with 60m shares at C\$0.25 and early stage projects, could be viewed as good value relative to some comparable, if more advanced, lithium-focused companies (data at August 24).



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