

TNR Gold Corp

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TNR Gold has huge potential upside at the Shotgun gold project, plus significant potential cashflow from two sizeable royalties

Could it be that TNR Gold Corp (CVE:TNR) has happened on the perfect model for junior resources companies?

Some years ago TNR made two discoveries in Argentina that were significant enough to attract in major companies who are now moving them to development.

For its part, TNR retained a royalty on each of these projects, the Los Azules copper project and the Mariana lithium project, and now stands to make a tidy annual sum when these projects go into production.

They're not there yet, but one analyst reckons that the Los Azules royalty could generate around US\$3.5mln per year, while the Mariana lithium project could generate upwards of US\$1mln.

Recent updates from Mariana may add to that projection too, since the new resource estimate, compiled by Ganfeng, rings in at 4.41mln tonnes of lithium carbonate equivalent, an increase of 250% on the old number. A preliminary economic estimate completed last year gave the first indication of a potential value for the royalty.

Either way, it all adds up to the potential for a healthy income for the company to fall back on, given that it's still primarily an exploration company.

And, given the attractiveness of the third string to TNR's bow - the Shotgun Gold project in Alaska, the company is still very definitely an exploration company.

Indeed, according to Kirill Klip, the company's chief executive, the main focus of effort over the coming months is likely to be on moving Shotgun forward to the point where a major company moves in and begins to help with development work there.

So, is this the same model that proved so successful with Los Azules and Mariana?

Not quite. This time round, with two potentially cash generative royalties in its back pocket, TNR is in a slightly stronger position. Klip's aspiration this time round is for TNR to retain a much larger stake. The near-term goals are simple enough.

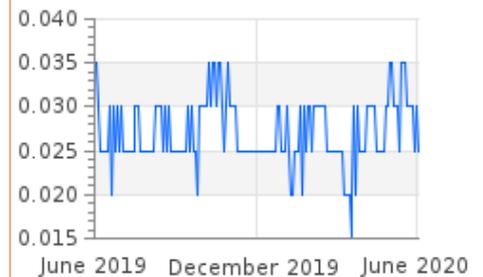
"We need to bring US\$10mln in to drill the project very strongly," says Klip.

"The first US\$5mln to take the project from the current 700,000 ounce resource up to the two million ounce mark, the rest to drill out five nearby targets. There's no reason to suppose that our ground cannot hold multiple mineralised systems."

Price: 0.025

Market Cap: \$4.17 m

1 Year Share Price Graph



Share Information

Code: TNR

Listing: TSX-V

52 week High Low
0.035 0.015

Sector: Gold & silver

Website: www.tnrgoldcorp.com

Company Synopsis:

TNR Gold Corp. (TSX-V: TNR) is working to become the green energy metals royalty and gold company. Shotgun Gold project in Alaska and Royalties on Mariana Lithium - Ganfeng Lithium JV and Los Azules Copper - McEwen Mining.

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At Shotgun the thinking is that there may be upwards of five million ounces of gold in the ground, and there is precedent. At this stage the geology shows remarkable similarity to the 39mIn ounce Donlin gold project in southern Alaska, which is owned jointly by Novagold Resources Inc (TSE:NG) and Barrick Gold (NYSE:GOLD).

"We are talking about a high tonnage bulk system," says Klip. "There are no nuggets, it's very uniform."

Among the notable intercepts the company has 242 metres grading 1.25 grams gold per tonne, 209 metres at 1.02 grams, and just under 47 metres at 1.14 grams.

What's more, the gold that's been identified thus far sits at the top of a ridge, meaning that the stripping ratio for any mine will be low, which in turn will keep costs down.

So far, so good. The company is now raising a modest amount of money, with Klip coming in for a substantial portion of that, and at a premium.

The next step is to refine the drill targets, and then to go out into the market and see what kind of deal can be cut.

As it stands, the market is taking a fairly dim view of the company's prospects, valuing the whole package, royalties and Shotgun at just under C\$5mIn.

Arguably, that's low for a company that holds a lithium royalty from Ganfeng, one of the biggest lithium names in the business, a copper royalty from McEwen Mining, also a major name, and which may also be sitting on a five million ounce gold project.

The upside is clear. Indeed, Novagold sees it well enough, since it retains a significant stake in TNR, and former Novagold director Greg Johnson now sits on the TNR board. How long it will take the rest of the market to wake up remains to be seen.

Nonetheless Klip is confident that this is a company that's going places.

"We are not dreamers," he says. "We did it with the copper. We did it with the lithium. I would like to make it even bigger with the gold. I would like to do better, to keep a 25% stake."

It's a vision for growth that makes a lot of sense. In tough markets, where capital is scarce, this kind of approach may well end up being a model that others choose to follow too.

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