



We're On the Verge of a Historic Period of 'Golden Paychecks'

On December 31, 2001 gold owners celebrated a historic year.

It was on that day that gold closed out the year at a higher price than where it started. Its closing price was \$276.80 per ounce.

And every year since then, gold has closed the year at a higher price than where it started. This year is a lock to make it 11 consecutive years.

It's the greatest, most consistent bull market anyone alive has ever seen. Still, gold is the target of one critical complaint... which I'll get to in a second.

If you're a regular reader, you know the two reasons gold is rising.

One, the governments of the United States and Western Europe have made – and continue to make – incredible, unrealistic promises to their citizens.

These promises come in the form of Social Security, Medicare, early retirements, pension plans, food stamps, and housing bailouts. And they cannot be paid back with real, honest money. They must be paid with devalued, debased paper currency units.

Reason two is the rise of Asia.

Forty years ago, most of Asia was mired in a collectivist hell. The economies of places like China and India were directed by corrupt communist bureaucrats... and they were pitiful.

But in the past few decades, these huge countries have freed up their economies. Their citizens are getting wealthier. And they have a deep cultural affinity for precious metals, like gold and silver. Their buying is putting big momentum behind gold.

This buying pressure took gold to an incredible bull market high of \$1,900 an ounce back in August.

At that high, gold was the biggest story in financial news. It was on the cover of magazines. People started to talk about it at cocktail parties.

Still, gold is the target of one critical complaint – gold pays you no income.

This complaint has been leveled at gold for centuries. Even some of the world's best investors won't buy gold for this reason.

But as I'll outline in this issue, we could be seeing a resolution to this dilemma. The exploding price of gold has brought us to the cusp of a boom in gold dividends and income. In this month's issue, I'll explain several unique ways we can start earning solid streams of gold dividends and income.

Inside This Issue

- Why These Two Great Investors Hate Gold
- How to Start Collecting Golden Paychecks
- Newmont Mining's Brilliant Dividend Strategy
- We're Going Back to a Favorite Way to Get Paid in Gold

Editor: Matt Badiali

Why Does Warren Buffett Hate Gold?

Your gold position isn't like a corporate bond or a share of dividend-payer Johnson & Johnson. It's just a lump of metal. It pays you no interest or dividends. This is why many folks say, "Why would I own gold and earn no income on my savings when I can place it in bonds and earn 5% or 10%?"

You see, gold is an extraordinary metal. It's been used as money for thousands of years because it is easily divisible, it is consistent around the world, it is portable, it doesn't corrode or rot, and it has intrinsic value. Gold has soared from \$277 an ounce to its current price of \$1,722 in the past 10 years because of these attributes.

But again, it's the target of many complaints... that it doesn't pay income like a bond or a stock.

Legendary investor Jeremy Grantham is a noted gold bear. Grantham serves as chairman of one of the world's largest global asset firms, GMO, with around \$100 billion in assets. In a famous 2002 interview with *Barron's*, Grantham said this about gold:

I can say with a clear conscience that I have never made a mistake in gold because I have never had an opinion on gold. I have completely and assiduously avoided it. I feel uncomfortable with gold. It has no yield.

The world's most successful stock investor, Warren Buffett, is also no fan of gold. He has pointed out its lack of income-producing ability in the past... and its lack of "real world" utility. Here's what he has to say about gold...

[Gold] gets dug out of the ground in Africa or someplace. Then we melt it down, dig another hole, bury it again and pay people to stand around guarding it. It has no utility. Anyone watching from Mars would be scratching their head.

I can understand Grantham and Buffett's criticism. Gold is not an income vehicle. It's more like "wealth insurance" that soars when paper currencies plummet (like it has been doing recently). And it's been very difficult to squeeze income from gold holdings over the past 10 years. Again, gold itself pays no interest, and gold mining is such a capital-intensive business, most gold miners haven't had enough cash flow pouring in to pass along to shareholders in the form of dividends. But several innovative miners are changing that...

Collect Golden Paychecks While We Wait for the Big Gains

Thanks to record gold prices, gold mining companies are generating record income.

Take \$50 billion gold major Barrick Gold (NYSE: ABX). The company's quarterly earnings per share rose 54% since the fourth quarter of 2010. Big producer Yamana Gold Corp. (NYSE: AU) is another example. The company's third quarter revenue of C\$578.6 million is a 24% increase over last year.

That's what most of the giant miners are seeing today. Rising gold prices are driving record profits. Several mining companies see rising gold prices as an opportunity to reward shareholders with dividends.

As gold marches higher and higher, these yields will rise... and since the market LOVES income-producing securities, I believe their rising dividends will attract more and more people to the gold stock complex... which could create a virtuous circle of share price appreciation and rising dividend income.

This past April, gold mining giant Newmont Mining pioneered a new type of dividend. **The company decided to link its quarterly shareholder distribution to the price of gold bullion.**

When gold trades for more than \$1,700 per ounce, Newmont's current annual dividend of \$1.40 (2.05%) gets a boost to \$1.70 (2.5%). Those few percentage points may not seem like a big deal, but they are.

They represent the first step in a series of increases based on the price of gold.

It's a brilliant strategy. One major appeal of Newmont's plan is its simplicity. Investors' paychecks go up as the price of gold climbs. The company designed the system to allow the most upside for shareholders, while not penalizing them should the price of gold collapse.

The difference between Newmont and its peers may seem academic to many retail investors (and fund managers for that matter). But every investor out there understands this simple concept: *Newmont will pay me more money when the gold price goes up...*

Now, other precious-metal mining companies are taking notice of the system Newmont pioneered. International gold miner Eldorado Gold just instituted a dividend that increases based on the ounces of gold the company sells. "Dividend per ounce" is a cost-adjusted way for investors to benefit from both higher gold prices, and future increases in gold production.

However, both Eldorado and Newmont are profitable miners. There will be some gold miners that simply can't afford to pay dividends, let alone increase them with the gold price. This could become a simple litmus test for gold miners. Healthy companies will pay gold-backed dividends... and the others won't.

As we discussed in the November 2011 issue of the *SeA Resource Report*, last month's portfolio addition, silver miner **Hecla Mining** (NYSE: HL), announced plans to link its dividend to the price of silver beginning with its first distribution of 2012. Hecla's

management tied its quarterly dividend to the average realized silver price for the quarter. The initial dividend will be \$0.03 per share, or \$0.12 per year. That means we'll make at least 2% per year.

As the silver price rises, the company will increase the dividend. Here's a quick table showing how changes in the price of silver influence the dividend. (The percentage yield is based on the current \$6.30 share price.)

Silver Price	Dividend Increase	Annual Dividend	Annual Yield
\$30	\$0.01	\$0.16	2.5%
\$35	\$0.02	\$0.20	3.2%
\$40	\$0.03	\$0.24	3.8%
\$45	\$0.04	\$0.28	4.4%
\$50	\$0.05	\$0.32	5.1%
\$55	\$0.06	\$0.36	5.7%
\$60	\$0.07	\$0.40	6.3%

These new price-adjusted dividends are drawing the attention of investors and criticism from some who call the new the new linked-dividend policy a marketing ploy.

For example, Eldorado's plan raises its dividend by \$0.03 for every \$100 of gold price increase. That works out to about 0.1%. That's not exactly a material increase. It's more about image than substance.

However, as I mentioned before, some of these programs are incredibly valuable. We'll get paid as the company's profits and share price soar. Remember, the price of gold has risen every year since 2001.

Our government proved that it's unable (or politically unwilling) to do the right thing fiscally. Witness the recent failure of the congressional supercommittee to reach a deal on deficit reduction... These so-called "leaders" all but guaranteed that the value of our dollars would be worth less a year from today. They lacked the courage to do what was needed to cut the national debt. That means our only option for addressing mounting deficits and debt obligations is to create more dollars in an effort to "inflate" the debt away. Essentially, we print more dollars to make the debts worth less.

That also makes our dollars worth less and drives up the price of gold. That means we should see higher returns from our gold-backed dividends. And that's why **Newmont Mining Corp.** (NYSE: NEM) belongs in our portfolio...

Newmont Becomes a Cash-Generating Machine

Newmont Mining is a \$34 billion international gold exploration and production company. Based in Denver, Colorado, it

is the third-largest publicly traded gold mining company in the world. The company has 93.5 million ounces of gold and 9.4 billion pounds of copper reserves.

Let's look at Newmont's fundamentals...

As you can see from the table below, the company's revenue growth has been explosive over the last five years. It nearly doubled its revenue and more than doubled its earnings over the period. It currently holds over \$4 billion in cash, which nearly offsets its \$4.2 billion in debt.

Newmont Mining Balance Sheet (\$ in millions)					
	2006	2007	2008	2009	2010
Revenue	\$4,882	\$5,526	\$6,124	\$7,705	\$9,540
Earnings*	\$2,475	\$2,548	\$2,831	\$4,510	\$5,183
Cash	\$1,166	\$1,231	\$435	\$3,215	\$4,056
Debt	\$1,752	\$2,683	\$3,072	\$4,652	\$4,182

** Earnings are before interest, tax, depreciation, and amortization. Data from Bloomberg*

Newmont produced 3.9 million ounces of gold in the first three quarters of this year. Forty-two percent of its production (1.6 million ounces) came from mines in Australia and New Zealand. Operations in Nevada produced 29% (1.4 million ounces). The company's mine in Peru contributed 20% (958,000 ounces) and African operations brought in the remaining 9%, with 478,000 ounces of gold production.

The company should meet its 2011-planned production of 5.1 million ounces.

Newmont continues to grow production, too. The company achieved a major milestone this year when it secured funding for exploration and development projects in Ghana, Peru, and Australia. The progression of these projects into mines will increase Newmont's annual gold production to approximately 7 million ounces.

Newmont grew its sales by 6% last quarter. It earned a record \$2.75 billion and issued \$338 million in paychecks to shareholders. That brings shareholder distributions to \$617 million through the third quarter of 2011.

The reason we're excited about this company is its new gold-backed dividend policy.

As the gold price goes up, Newmont's dividend goes up as well. On the following page is a table showing how the dividend rises alongside the price of gold. (Again, the annual yield is based on the current \$68 share price.)

The benefit kicks in at \$1,700 per ounce. When gold trades for less than that, Newmont's dividend calculation reverts to net

income divided by shares outstanding. Once gold crosses the \$1,700-an-ounce threshold, the annual dividend rises roughly \$0.30 for every \$100 in the price of gold.

Gold Price	Quarterly Dividend	Annual Dividend	Annual Yield
\$1,600	\$0.35	\$1.40	2.05%
\$1,700	\$0.43	\$1.70	2.50%
\$1,800	\$0.50	\$2.00	2.90%
\$1,900	\$0.58	\$2.30	3.40%
\$2,000	\$0.68	\$2.70	4.00%
\$2,100	\$0.78	\$3.10	4.60%
\$2,200	\$0.88	\$3.50	5.10%
\$2,300	\$0.98	\$3.90	5.70%
\$2,400	\$1.08	\$4.30	6.30%
\$2,500	\$1.18	\$4.70	6.90%

And as the yield rises, more investors will rush to buy shares, which means we'll enjoy accelerated capital gains...

Remember two things about yield: First, the company's stated dividend yield is a function of both the nominal dollar value of the dividend and the stock's current price. (So a \$1.40 annual dividend divided by a \$68 share price equals a 2.05% yield.) As the share price rises, the current yield falls, unless the company increases its dividend.

But also realize... *your* dividend yield is based on your initial cost... So subsequent changes in share price do not alter your yield. And as the company increases its payouts, your yield rises regardless of the share's market value.

Think about this: Newmont's median yield over the past five years is 0.9%. (I used the median value, rather than the average, because it represents the historical midpoint of the values better than the average does.) For Newmont's yield to recede to its historical midpoint, *the share price would have to double*.

That's one indicator shares are cheap. Here's another...

The stock currently trades at 15.3 times earnings. For the stock to return to its five-year median value of 22 times earnings, shares would have to rise 45%.

Either way, I see big capital gains coming our way, even if the gold price remains flat. If the gold price rises, we're going to make a whole lot more money.

Let's imagine gold trades for more than \$2,500 per ounce. That would put our dividend at \$4.70 per year... a 6.9% yield. That's phenomenal income from a gold company... But the market won't let share prices remain static. If Newmont hikes up its dividend, investors will pile into its shares. Should they

The Secret to Compounding Your Investment

The secret to growing your wealth using dividends is reinvesting dividends. That is, taking the cash a company sends you and buying more shares with it...

S&A Editor in Chief Brian Hunt describes so-called "compounding dividends" as "the greatest stock market system ever discovered." In this essay he wrote for our free e-letter *Daily Wealth*, Brian describes it like this...

I am buying them to collect safe dividend streams that I will direct towards buying more shares... which will allow me to collect more dividends... which will allow me to buy more shares... which will allow me to collect more dividends.

Here's how the math works... Let's say you invest \$1,000 in a stock paying 4% per year. We'll assume it cost \$10 per share and the share price never changes. That'll keep the math simple for us.

If you simply hold the shares and collect the dividends for 15 years, you earned \$40 per year. Your total return is \$600 or 4% per year.

But if you reinvest the dividends back into the company... at the end of each year, you increase the number of shares you own, which increases the amount of dividends you receive. At the end of the 15 years, you'll own 173 shares worth \$1,730. That means your total return is \$730, or 7%

That's a significant difference in returns. It's the power of compounding, and it's why I'm so excited to about this month's opportunity.

push the yield back to the current level of 2%... the share price would climb to \$235 – a 246% gain from today.

Action to take: Buy Newmont Mining (NYSE: NEM) up to \$70 per share, reinvest your dividends, and use a 33% trailing stop. Remember, the lower you buy Newmont's shares, the higher your initial dividend yield will be. That's why it's crucial not to chase shares up above our buy-up-to price.

Investing in Newmont carries one big risk – mining. Even though Newmont is the world's second-largest gold producer, with mines all over the globe, we still have risk. However, if mines shut down because of engineering problems, workers' strikes, or disaster, it will hurt Newmont's profits. If the trouble is pervasive or long-term, the company could cut its dividend payments. While I don't think that will happen, it is a possibility. Also, as with any gold investment, we face some commodity risk. A sharp correction in the price of the metal could sour investors on gold

Using Covered Calls to Create Our Own 'Golden Paychecks'

For experienced investors and traders, another "income from gold" idea to consider is selling covered calls on large-cap gold miners.

When you sell a "covered call," you enter a contract with another party to sell your stock at a higher price at a predetermined point in the future. For example, let's say you buy 100 shares of gold stock ABC for \$20 per share (an initial outlay of \$2,000). You could sell another party the right to buy your shares from you for \$22 per share in three months. In return for promising to sell your shares for \$22, you would receive a payment (called a "premium") of \$100. This is a 5% yield on your initial outlay of \$2,000. If your shares DON'T reach \$22 in three months, you simply pocket that premium and look to repeat the transaction several times per year.

Selling covered calls caps your upside gains, in return for getting a guaranteed upfront payment. Many folks use this strategy to generate huge amounts of income on their gold stocks. In some cases, you can generate annual income streams of 15%-25%.

Again, selling covered calls is for more experienced investors. It requires a bit more work than some folks are used to. And it's outside the scope of this advisory. But if you're familiar with this strategy, now is an excellent time to use it. Gold stocks in general are cheap, and the premiums people will pay you are relatively high.

If you'd like to learn more about the basics of selling covered calls, my colleague David Eifrig, who writes the *Retirement Millionaire* and *Retirement Trader* advisories, has allowed me to make available a short basics guide to this strategy that he put together for his readers. You can find it at http://www.stansberryresearch.com/pub/reports/PSI_REMIssue201110.html I highly recommend learning this valuable skill. It's an interesting and sophisticated way you can solve the "gold pays no income" problem.

investments of all type and undercut Newmont shares.

Another Way to Collect Gold Income... Sort of

Collecting dividends from large-cap gold producers isn't the only way we can pick up "golden paychecks." Regular readers are familiar with another method of getting paid in gold... royalty companies.

Over the past few years, we've made spectacular gains with royalty companies. We've banked a 345% gain in silver royalty firm **Silver Wheaton (NYSE: SLW)**... and a 77% gain with gold royalty firm **Royal Gold (Nasdaq: RGLD)**. Keep in mind, royalty companies mine no gold of their own. They act as financiers to many different prospective mining projects. When mines start producing, royalty firms get a cut of the revenue in return for making the original investment. This makes royalty firms a diversified way to profit from the production of many different mines. Royal Gold, for instance, earns income from 22 different royalties.

When it comes to collecting "hold in your hand" cash dividends, royalty firms aren't big payers. Royal Gold, for example, yields just 0.8%. The company prefers to invest its golden paychecks into more projects. It feels this is a better way to deliver value to shareholders.

But owning a great royalty company is still a way to build wealth with gold (or silver) paychecks. You just collect your income in one lump sum when you cash out (as we did with our past 345% winner, Silver Wheaton). That's why I recommend you take a position in another elite royalty company, **Franco-Nevada (NYSE: FNV)**.

Franco-Nevada is a \$5.2 billion mining royalty company. It is one of the original gold royalty companies. Legendary gold analyst and investor Pierre Lassonde, along with his business partner Seymour Schulich, founded the company in 1983 as an exploration company. Two years later, the company bought its first royalty, a \$2 million stake in a Western States mine. At the time, royalties were commonplace in the energy sector, but widely used among gold miners. A decade later, the company abandoned exploration to focus entirely on building its royalty portfolio...

Like I said, companies like Franco-Nevada don't own and operate mines... They invest money in mining projects. A simple down payment gives these companies a portion of the mine's production, often for the life of the mine. But they have zero exposure to the capital, operating, and environmental costs inherent in running a mine. And when gold prices are rising year after year, it's a fantastic business.

Franco-Nevada's gold royalties grew from \$3.28 million in 2007 (when the company went public) to \$159.4 million in 2010. The company expects to grow that by 70% in 2011. That's meteoric growth.

The company posted \$97.2 million in earnings before interest, taxes, depreciation, and amortization (EBITDA) in the third quarter of 2011... up from just \$36.4 million in the same quarter of 2010.

In addition, Franco-Nevada has \$372 million in cash and zero debt.

We've often discussed royalties in these pages because of the low-risk nature of the business. Franco-Nevada is quite similar to

Royal Gold and Silver Wheaton.

Franco-Nevada owns royalties on 41 producing assets. It also has royalties on 23 projects that should come on line in the next five years. And it holds royalties on 145 exploration stage projects.

This is a company with exceptional growth opportunity over the next few years. Its earnings (EBITDA) grew dramatically over the last few years.

And unlike some peers, **Franco-Nevada passes some of those earnings on to shareholders.** In September, it started paying a dividend of \$0.47 per share, which equates to an annual yield of about 1.1%.

It's a fantastic way to receive income from some of the best gold mines in the world. It's a super-safe dividend because Franco-Nevada is in the royalties business.

I expect its growth to fund a further increase in its dividends per share. That's an enormous boost to us, because we'll be paid to watch this company grow.

Franco-Nevada Fair Value Table

I like to figure out just what the market considers a fair value for a royalty company's gold reserves. That way I can tell when a company is cheap or expensive. Franco-Nevada's price to its gold reserves is consistent, which let me determine its fair value easily.

Here's a table that gives a good gauge of the fair value of Franco-Nevada shares depending on the gold price....

Gold Price	Fair Value	Gold Price	Fair Value
\$2,500	\$67.15	\$1,750	\$43.14
\$2,250	\$59.15	\$1,700	\$41.54
\$2,000	\$51.14	\$1,650	\$39.94
\$1,950	\$49.54	\$1,600	\$38.34
\$1,900	\$47.94	\$1,550	\$36.74
\$1,850	\$46.34	\$1,500	\$35.14
\$1,800	\$44.74	\$1,450	\$33.54

Right now, the gold price is around \$1,722 per ounce. That means we want to buy shares of Franco-Nevada for less than \$41 per share. Right now, the company is trading for \$41.50... right in our sweet spot.

Action to take: Buy Franco-Nevada (NYSE: FNV) up to \$41 per share and use a 33% trailing stop.

Unlike Newmont, our risks with Franco-Nevada are much lower. Our largest risk here is commodity price. If the price of gold sags, shares will fall.

Franco-Nevada (and Newmont, too) is subject to the risks of economic troubles. When the market declines, these companies' shares will fall as well. Giant funds own shares of both companies, so when those funds liquidate, we see the share price fall.

We can't know the future. What we can do is find great companies with low intrinsic risks, then use a trailing stop to limit our downside, just in case something unforeseen happens.

Golden Paychecks... Good for the Industry, Great for Investors

Mining stocks haven't had a great year in 2011. The Market Vectors' Gold Miners Fund (NYSE: GDX), which tracks the major gold producers, began the year at \$60.77. It's now trading around \$58 per share.

That doesn't make a lot of sense considering the price of gold is up 23% this year. However, I believe that this introduction of the gold-backed dividend will be great for the companies that can do it.

Paying a dividend will become a measuring stick. Companies that can afford to do it, will because if they don't the market won't buy their shares. Meanwhile, I believe companies that do tie dividends to the price of gold and silver will benefit in market share.

That means investors who get in now will be the ultimate beneficiaries. We should see some major gains, especially if the gold price goes back on a big bull run.

Portfolio Review

It was another tough month for resource stocks... But our portfolio continues to hold its own.

The prices of natural resources and those companies that produce them are being pushed and pulled by macro-economic forces outside the market.

For example, the huge glut of natural gas remains is keeping a lid on prices here in the U.S.

Meanwhile, the threat of economic disaster in Europe is weighing down industrial commodities, like copper and base metals. The same force is pushing up on the gold price, as nations look at printing more money to inflate away enormous debts. The creation of new paper money simply makes gold and silver that much more valuable.

Emerging conflict in Iran, over the country's attempts to create nuclear weapons, has roiled the oil markets in turmoil. Plummeting demand for oil in the U.S. should push prices down. However, fears of an armed conflict in the third-largest oil ex-

porter in the world are pushing them up. So far, fear won out over fundamentals, as oil prices breached \$100 per barrel recently.

In general, the market continued to sell off resource stocks. The market decline caused us to stop out of giant natural gas producer **Chesapeake Energy** (NYSE: CHK). We bought Chesapeake in May 2011. We exited the trade at \$22.97 for an 18% loss. Frankly, I'm shocked to see Chesapeake's shares fall this far. This company is one of the best in the industry. We'll put it back on our watch list. I expect to jump back into Chesapeake when the natural gas market turns back around.

Despite the slow and steady decline in the overall resource market, we had some bright spots in our portfolio.

Our royalty stocks fared well... And we're still collecting steady income. We recommended shares of oil and gas royalty trusts in the special report "President Clinton's Massive Income Secret." Several of these trusts are focused on beaten-down natural gas. Despite the depressed natural gas price, these companies are still able to pay us fat distributions...

We're currently holding **San Juan Basin Trust** (NYSE: SJT), **Hugoton Royalty Trust** (NYSE: HGT), **Mesa Royalty Trust** (NYSE: MTR), **Permian Basin Trust** (NYSE: PBT), **Sabine Royalty Trust** (NYSE: SBR), **Cross Timbers Royalty Trust** (NYSE: CRT), and **Dorchester Minerals** (Nasdaq: DMLP) to profit from this idea.

Mesa Royalty Trust fell 1% for the month. However, we remain up 7% on our trade so far, thanks to the \$4.22 in dividends. San Juan and Hugoton both ended up even, but we continue to receive paychecks that more than offset current price action.

Dorchester Minerals took a more direct hit and finished the month down 9% on no news. The company released a healthy third-quarter earnings report. Third-quarter sales and earnings increased by 11% and 21%, respectively. Earnings per share climbed 20%. Dorchester's chief financial officer even invested \$12,000 of his own money to buy more shares.

With its 19% overall return in 16 months, Hugoton remains our best-performing trust to date. We have earned \$1.85 in dividends since we entered the position. Close behind was gas-focused San Juan Basin Trust. We have collected \$2.51 per share in dividends from San Juan Basin Trust so far. We are up 21% since we opened the position in April 2010.

We added Permian Basin, Sabine, and Cross Timbers Royalty Trusts to our portfolio just two weeks ago. We are currently even in our trades.

Continue to hold these stocks... and collect reliable energy income.

The gold stocks from our special report "The Only Gold

Stocks You Need to BUY Right Now," trended with the overall market. We're down 13% in our **Kinross Gold** (NYSE: KGC) position. And we're down 7% on our position in **IAMGOLD Gold** (NYSE: IAG).

The brightest spot in the portfolio was **Pretium Resources** (TSX: PVG). This is the new owner of giant gold project Snowfields, which is the other half of Seabridge Gold's KSM deposit in the mountains of northern British Columbia.

We bought Pretium in January as part of the updated Golden Triangle special report. The company announced a significant increase in the gold resource at its Brucejack project. It owns 5 million ounces of high-grade gold (averaging a rich half ounce of gold per ton). Those rocks also hold about 31.6 million ounces of silver.

There is about 8.5 million ounces of gold in the "bulk tonnage" category. This rock contains about 0.11 ounces per ton of gold. These rocks hold about 80 million ounces of silver, too.

It owns another 12.9 million ounces of gold in the low-grade category (less than 0.001 ounces per ton of gold). These rocks contain about 131 million ounces of silver.

These three discrete zones represent two different potential mines. The high-grade deposit will almost certainly become a mine. The development for that mine will drive down the cost to mine the other two deposits.

The market loved the news and sent shares soaring 21% in a single day. We're now up 96% on our position.

If you are looking to put new money to work, we have five Best Buys this month. Three of these are from our energy trusts grouping, including **San Juan Trust**, **Hugoton Royalty Trust**, and **Permian Basin Trust**. Our two newest recommendations, **Newmont Mining** and **Franco-Nevada**, are also included.

Finally, we recently completed new research on the silver market, which is available to all S&A Resource Report subscribers. The report covers two companies... Hecla Mining, which was also the focus of our November issue and the \$1 billion North American silver miner Endeavour Silver (NYSE: EXX). Endeavour has not traded for less than our buy-up-to price, and it remains on our watch list. If you have not yet read our new silver report, "Critical Silver Investments You Need to Make Right Now," I urge you to do so now. It is posted on the Special Reports area of the *S&A Resource Report* web page.

Good investing,



Matt Badiali
December 7, 2011

S&A Resource Report Model Portfolio

Prices as of December 6, 2011

Company	Symbol	Ref. Price	Ref. Date	Recent Price	Total Return*	Recommendation	Description
Best Buys							
Newmont Mining	NEM	\$67.15	12/6/2011	New	New	Buy up to \$70	Gold Backed Dividends
Franco Nevada	FNV	\$41.14	12/6/2011	New	New	Buy up to \$42	Gold Backed Dividends
San Juan Basin Trust	SJT	\$21.96	4/5/2010	\$24.02	21%	Buy up to \$26	Natural Gas Play
Hugoton Royalty Trust	HGT	\$19.00	8/26/2010	\$20.84	19%	Buy up to \$22.50	Royalty Trusts
Permian Basin Trust	PBT	\$19.76	11/23/2011	\$20.23	2%	Buy up to \$21	Royalty Trusts
Hold							
Chesapeake Energy**	CHK	\$28.17	6/17/2011	\$22.97	-18%	SOLD	Unconventional Oil & Gas
Sabine Royalty Trust	SBR	\$65.33	11/23/2011	\$66.14	1%	Buy up to \$63	Royalty Trusts
Hecla Mining	HL	\$6.06	11/1/2011	\$6.53	8%	Buy up to \$8	Cheap Silver
KeeganResources	KGN	\$4.79	10/4/2011	\$4.26	(11%)	Buy up to \$5.25	West African Gold
Halliburton	HAL	\$40.87	9/6/2011	\$35.57	(13%)	Buy up to \$50	Oil Services Champion
Cameco	CCJ	\$23.31	9/2/2011	\$18.76	(19%)	Buy up to \$25	Trophy Assets
Contango Oil and Gas	MCF	\$60.45	8/2/2011	\$63.48	5%	Buy up to \$67	Natural Gas Recovery
Sprott Resource Corp	SCPTO	\$4.60	7/6/2011	\$4.02	(13%)	Buy up to \$5.25	Trophy Assets
Natural Resource Partners	NRP	\$33.56	7/5/2011	\$27.83	(14%)	Buy up to \$36	Coal Paychecks
Coeur d'Alene	CDE	\$25.33	6/3/2011	\$28.87	14%	Buy up to \$30	Cheap Silver
IAMGOLD	IAG	\$20.54	6/3/2011	\$18.97	(7%)	Buy up to \$21.50	Fed Gold
Kinross Gold Corp	KGC	\$15.90	6/3/2011	\$13.84	(13%)	Buy up to \$16.50	Fed Gold
Pretium Resources	PVG.TO	\$6.23	1/4/2011	\$12.21	96%	Buy up to \$6.50	Golden Triangle
Kaminak Gold Corp	KAM.V	\$3.24	10/4/2010	\$2.51	(23%)	Buy up to \$3.50	Yukon Gold
Dorchester Minerals	DMLP	\$24.00	8/26/2010	\$22.26	2%	Buy up to \$28	Royalty Trusts
Mesa Royalty Trust	MTR	\$44.48	8/26/2010	\$43.25	7%	Buy up to \$58	Royalty Trusts
Enterprise Products Partners	EPD	\$37.72	8/2/2010	\$46.07	30%	Buy up to \$46	New AOP
Penn Virginia Resource Partners	PVR	\$23.73	8/2/2010	\$24.93	17%	Buy up to \$29	New AOP
ExxonMobil	XOM	\$65.40	3/2/2010	\$80.82	28%	Buy up to \$70	Oil Insurance
Calpine	CPN	\$13.03	8/3/2009	\$15.25	17%	Buy up to \$15	Power Generator
ConocoPhillips	COP	\$45.73	2/3/2009	\$72.54	83%	Buy up to \$52	Energy Hedge Fund
* Total return includes dividends. ** Recent price reflects closing price on the day we stopped out of position. This portfolio is not intended to represent the exact prices at which you could get in or out of a stock, rather, it represents the value of our insights at the time our material is published. How to use a trailing stop: A stop loss is a predetermined price at which you will sell a stock in case it declines. A "trailing stop" is a stop loss that "trails" a stock as it rises. For example, let's say you set a 25% trailing stop on a stock you purchase for \$10. If the stock rises to \$20, you would move your trailing stop to \$15 (\$5 is 25% of \$20, \$20 - \$5 is \$15). Only use closing prices, and never enter your stop into the market. For more information, see our frequently asked questions at www.stansberryresearch.com/secure/faq.asp.COP							

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