



The Twelve Days of Christmas

Editor's note: With a gain of nearly 1,000% for *Sjaggerud Confidential* readers, Steve's recommendation of Seabridge Gold is the top-performing stock in the history of Stansberry Research. In his June issue of *Sjaggerud Confidential*, Steve pounded the table on a stock he called "The Next Seabridge." We believe this is one of the single-best newsletters we've ever published. For "The Next Seabridge," and our mining stock analyst Matt Badiali's research trip to visit the company, read on...

And the Next Seabridge Is...

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From: The True Wealth Gold Conference
Long Beach, California

"I just bought \$30,000 worth of his stock," someone whispered in my left ear as we sat listening to a speaker.

Actually, it wasn't just "someone" that whispered in my ear. It was the CEO of another gold company that I had invited to speak at our annual conference covering the best investments in gold.

This CEO knows gold deposits. And once he heard that speech, he had to get in immediately – he couldn't even wait until the speech was over.

Then, in my other ear, Matt Badiali said, *"The guy next to me already owns 35,000 shares of this stock... and he says he's buying more right now."*

For my True Wealth Gold Conference here in Long Beach, geologist Matt Badiali and I hand-selected the companies that we thought were the very best opportunities right now in gold and metals.

I thought there was a chance that one of these companies could make you many times your money in gold.

It turns out, we found such a company. I believe this company has the potential to be "the Next Seabridge" – the next company that could make us hundreds of percent gains in just two years...

HOW LUCKY CAN YOU BE?

Back in 2005, I recommended shares of a little-known gold company, Seabridge Gold

(AMEX: SA).

It was a risky recommendation... and I said as much. But I said that a \$50 increase in the price of gold should translate into a double in the share price.

We got lucky... The price of gold has risen by \$250 an ounce since I first wrote about Seabridge. And on schedule, **shares of Seabridge are up 500%**.

Great. But what about the Next Seabridge? Well, you won't believe what this company has in the ground...

Around 2000, the Next Seabridge bought eight properties at the bottom of the market. It paid next to nothing for them.

The properties were cheap because they were "discards" from gold mining companies. The mining companies knew the properties had some amount of gold, but thought they would never be profitable, so they didn't bother too much with them.

Of course, at the time, gold was selling for \$250 an ounce, and it might have cost \$300 or more per ounce to get the gold out of the ground.

The guys behind the Next Seabridge gambled that this was the bottom in gold. They acquired these properties, which would have been money-losers if they had tried to mine them at the time. They got lucky. Gold rose, and their gamble paid off...

Now, gold is nearing \$700 an ounce. As the price of gold rose, the Next Seabridge started drilling these properties to see what it had...

Consider a gold deposit we'll call "Spot X." The Next Seabridge bought Spot X from Newmont Canada for \$2.5 million back in 2002.

The Next Seabridge started drilling... and Spot X was a mother lode... it turned out to be **the largest undeveloped gold deposit in Canada, and one of the largest in the world.**

I bet Newmont is kicking itself today...

This project is worth more than a billion dollars in cash flow, after all the expenses of building and operating a mine. And that billion-dollar net cash flow is based on a conservative gold price of \$550, not the current price today close to \$700 (\$550 per ounce is the price major gold companies are using right now to evaluate future projects).

When this project was first announced in late 2005, shares of the Next Seabridge doubled from \$5 to \$10.

Yet the stock is still cheap. The Next Seabridge's stock market value is *less than half* the value of this one property alone.

The Next Seabridge was incredibly lucky with Spot X. The chances of a find like that in the CEO's lifetime were slim to none.

The Next Seabridge had acquired eight properties. So the big success at Spot X was like hitting a hole in one on one of only eight swings.

Then the Next Seabridge took another swing. It just recently started drilling at another property... we'll call it "Spot Y."

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~~Welfare kid from Utah lands on Forbes' 400 list~~

~~How did he do it? He didn't win the lottery. He didn't start a popular business.~~

~~Instead, he used an unusual investment most Americans have never heard of... which was made possible by a former U.S. Presidential Advisor and Governor of Pennsylvania.~~

~~The Los Angeles Times says to consider this investment if you are "looking for an investment that keeps growing, regardless of recessions or stock market turmoil."~~

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It hit another hole in one! Unbelievably, Spot Y has more gold than Spot X!

So now, Spot Y is the largest undeveloped gold deposit in Canada. Spot X drops to second place. More amazingly, the cost of production at Spot Y will be next to nothing... literally!

You see, Spot Y holds billions of pounds of copper. The Next Seabridge can use the income from the copper to offset the cost of producing gold, so its cost of gold production falls to about \$0 per ounce.

It's not bad when you can sell something for \$700 that costs \$0 to produce! Even better, Spot Y is new... and the Next Seabridge can't find the limits of it yet. Heck, *it drills to the south, and the results get better, not worse... It drills deeper, and it still can't find the bottom of this thing.*

How lucky can you be?

The Next Seabridge now owns 100% of the two largest undeveloped gold deposits in Canada – which are also two of the largest deposits in the world!

How We Could Make Four Times Our Money Here

Someone is going to take out the Next Seabridge...

The company will simply be irresistible to a major gold or commodities company.

Think of the Next Seabridge's properties as strips of raw bacon, set on a big dog's nose. How long can he hold off before he has to gobble them up?

The big dogs in the mining world are constantly in need of big gold deposits. These big dogs don't want to waste their time on tiny deals. And the big dogs would rather deal in North America, as opposed to Venezuela or Russia, where the governments pose a risk.

So at what price could a major take them out?

On the high end, Agnico-Eagle took out Cumberland Resources early this year for *\$175 per ounce* of gold in the ground. And Cumberland's deposit was similar to Spot X in terms of tons and grade.

For a comparable number on the low end, NovaGold shareholders rejected Barrick's hostile takeover bid at roughly *\$50 per ounce* of gold in the ground.

The Next Seabridge has larger deposits than those at stake in these billion-dollar-plus deals. Yet **the Next Seabridge is only priced at roughly \$12 per ounce of gold in the ground!**

Even using the bid that NovaGold rejected as our buyout price, **if the Next Seabridge was taken out at \$50 per ounce of gold in the ground, that'd be more than a fourfold gain!**

And the company is still busy drilling. The more it drills, the bigger its deposits appear.

The size of Spot Y is still being discovered... Once more drilling results are completed and reported from Spot Y through the end of 2007, it's likely that the Next Seabridge will have about 45 million ounces of gold resources in the ground in Canada. That's about \$30 billion worth of gold!

Yet the market value of the stock is about \$550 million. Again, at that market value, assuming the drilling at Spot Y goes as planned, we're able to buy gold in the ground for just \$12 an ounce!

Okay, So What's the Name of this thing?

When I first recommended the original Seabridge, the stock was extremely risky... none of its gold could be profitably mined. And the drilling work hadn't been done to know what the company really had.

It turns out, **the Next Seabridge is, in fact, Seabridge itself!** The company just happens to look quite different today – with the two largest undeveloped gold projects in Canada – versus the company two years ago, which was simply a speculation on gold.

After hearing the presentation from Rudi Fronk – Seabridge's CEO – I am confident that **our upside is extraordinary here... and our downside is very limited.**

I believe that this could be my very best recommendation over the next 12 months.

Investors simply haven't caught on to these incredible assets. The CEO tells me that my conference is the only conference he appears at. So the story is not out there yet.

But it will be... I expect that Seabridge will get taken out in the next two or three years. And the takeout price will be substantially higher than the current price – it could be as much as four times higher than the current share price.

In the meantime, Seabridge will keep on drilling. Remember, the company can't seem to find the end of the deposit at Spot Y (which is called the Mitchell Deposit). Every time it drills these days, it adds value... adding to the price at which the company will eventually get taken out.

Buy shares of Seabridge (AMEX: SA) today , with the hope of making triple-digit profits in the next two years on our way to getting taken out by a major gold producer.

If you already own shares, add to them. Like I said, this could turn out to be my very best recommendation over the next 12 months.

The Old Seabridge was a gold stock that made us hundreds of percent in a couple years. Thanks to some very good luck in two of its eight projects, the New Seabridge has the potential to do the same.

Buy Seabridge Gold now with a good chunk of your *speculative* money (this stock will continue to be very volatile). Use a 50% trailing stop.

A Visit to the Next Big Thing

Originally published in the September 8 edition of *DailyWealth*

The flight was as close to skydiving as I'd like to get.

I just took a trip to see Seabridge Gold's Kerr-Sulphurets-Mitchell (KSM) properties in a remote corner of British Columbia.

After my visit, I'm convinced that, despite its recent share price runup, Seabridge Gold remains undervalued by the market. I'll explain in a minute, but first let me tell you about the property...

The site is remote. To be specific, you can only reach this outpost by taking a harrowing helicopter ride from the mining town of Stewart, British Columbia (pop. 700).

From the front seat of the helicopter, I watched the mountains soar above me, while glaciers, striped like pulled toffee, stretched out below. We'd be 100 feet above snow, often with a ragged ridge of rock on either side. Then suddenly, the ground would drop thousands of feet down to the valley.

The barren cliffs are like a geological textbook, open to the chapter on giant copper-gold porphyry systems. Whole mountainsides stand out, orange and stained. Standing on the Kerr deposit, across the valley from Sulphurets, you can trace the outline of the deposits by their colors. In fact, from the helicopter, the minerals looked like a giant ribbon of orange sherbet swirled through the mountains.

That bright orange color does not always mean that you can mine profitably. In fact, iron pyrite, or "Fool's Gold," causes much of the stain. The orange color is rust, as oxygen replaces the sulfur in the mineral.

There is no question that metals other than iron exist here. The helicopter also flew past several streams stained bright blue from copper leaching out of the rock. That's the kind of staining you see on copper building facades. I've never seen anything like that coming from rocks before.

Seabridge has completed a few drilling campaigns at the Kerr-Sulphurets-Mitchell properties, and the big picture there is clearing up. **Still, the more Seabridge drills, the more it needs to drill...**

The stock market does not understand just how big these deposits are, nor how large

they are likely to become. But the Seabridge geologists know. They walk around with huge grins on their faces. It's a once-in-a-lifetime discovery, and they turn down offers from other companies at twice their current salaries to stay here and work.

Seabridge's problem, at least in terms of its market value, is what is known as "inferred resource."

The problem with inferred resources is that they are built around very few drill holes. That's why I'm usually very cautious about inferred resource estimates. In fact, I often discount the inferred resource completely when valuing gold companies.

But sometimes, the estimate is solid enough to bank on. The giant gold producer Barrick bought out Arequipa before it could even calculate a resource. The Barrick geologists visited the site and saw the size of the system and the assays from the first few holes. They knew the story right away, without any resource estimates. Arequipa's stock went from 35 cents to \$30 in just 18 months with Barrick paying \$1 billion to buy it.

In this case, I think the size of KSM will grow as Seabridge's drilling continues. The consistency of the assay results is among the reasons I believe this. The geologists at the site laugh about the core that comes from the new holes. It has little variation. In fact, it's so consistent that the geologists call the new locations adjacent and in between last year's holes "FBs" – as in "fish in a barrel," because the targets are so easy to hit.

And that's why the inferred resources at KSM are believable. Hole after hole has the same looking material. The assays come back, one after another, with only the smallest variations, something these geologists have never seen before.

Some simple, back-of-the-envelope calculations tell me that Seabridge could add hundreds of millions of tons of economic rock this year. That equates to several million ounces of gold and hundreds of millions of pounds of copper.

The initial knock on these deposits is their grade. However, the sheer magnitude of these deposits trumps their grade. In fact, only about 20% of all the gold produced last year came from mines with grades higher than the KSM project.

This is still an undervalued company. The market places a huge discount on the company's assets. I'd be willing to pay a premium for this combination of management, skilled geologists, and world-class deposits.

Sure, Steve's readers are already up tenfold on their Seabridge Gold. But after this trip, I believe more profits lie ahead here...

Regards,

Matt Badiali

Editor's note: As of December 22, Seabridge Gold is up 80% since Steve's recommendation in July.