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HD **Value stories hiding in our naked gold sector**

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Chuck Jeannes, the head of Vancouver-based major Goldcorp, propounds the theory of “peak gold” supply, even though the 1970s peak oil advocates are hiding under a rock somewhere.

“I don’t think we will ever produce as many ounces of gold next year as we do (now),’’ Jeannes told a Melbourne Mining Club nosebag yesterday.

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Jeannes at least offers an array of graphs to back his thesis of diminishing supply and resilient demand, backed by the notion that most of the easy stuff has been exploited. “It’s time for the industry to stop beating itself up and focus on the things we are doing right.’’ Indeed, the Aussie miners have even more reason to cease their self-flagellation: in Aussie dollar terms, the gold price has been steady since the start of last month, whereas in US terms it’s down 4 per cent.

Even during the bullion’s boom run, listed gold miners proved a miserable investment globally, resulting in more marginal output and poor mergers and acquisitions Next time it will be different.

On the demand side, Jeannes is buoyed by the “Shanghai premium”, the margin over the spot price Chinese buyers are willing to pay for physical metal.

At present, it’s about $US50 an ounce and blips whenever the spot price challenges the $US1200 an ounce floor.

So what can local gold bugs bite? Northern Star (NST, $1.24) shares nudged the $2 level in August and have been sold off more on sentiment than company-specific problems.

The acquisitive not-so-junior WA producer is on track to produce 550,000-600,000 ounces this year at an all-in cost of about $1000 an ounce.

Unity Mining (UML, 0.9c) is enjoying a purple patch at its Tassie Henty mine and we’re expecting more upbeat tidings in next week’s September quarter report.

Further afield, Beadell Resources (BDR, 38c) revealed fresh high-grade drill results at the Duckhead deposit (no, it wasn’t named by a Kiwi) within its Tucano mine in Brazil, of up to 140 grams a tonne.

At an all-in cost of close to $1200 an ounce, Millennium Minerals (MOY, 7c) and its Nullagine project in WA look unattractive. Millennium, however, is protected by hedged sales of close to $1500 an ounce. The company reported quarterly output of 18,127 ounces, with a full-year target of 76,000 ounces.

Broker Hartleys forecasts calendar 2014 earnings of $7.5 million, which, if requited, puts Millennium shares on an earnings multiple of a mere 1.4 times.

The aforementioned are speculative buys. There are many mores stories of hidden value in our naked gold sector and these are just a few of them.

Bank of Queensland (BoQ) $12.10 BACK in 2004, the sun-dappled regional turned its back on the mortgage brokers, arguing there was no reason to line the pockets of such intermediaries while the bank had a perfectly good branch network.

A decade later, management sings the praises of brokers amid problems with its franchised branch model.

The new zeal is understandable given its housing lending rose an anaemic 1 per cent (to $26 **billion**) in the year to September. As stand-in CEO Jon Sutton notes, the lending book is skewed to Queensland, which has a “miner” problem with falling **coal** prices.

But don’t get us wrong. With a 20 per cent cash earnings surge, BoQ’s produced an encouraging entree to the real thing (Westpac’s, ANZ’s and National Australia Bank’s results).

Criterion last rated BoQ an avoid at $9.45 in April last year. Given strategy U-turns in banking are all the norm, we’re excused for reverting to a hold call.

National Australia Bank (NAB) $32.47 NEW CEO Andrew “action man” Thorburn has wasted no time cleansing the decks with a $1.3bn purge of lingering liabilities and suspect carrying values.

With $964m relating to the British business, the burning question is whether the clean-out finally readies the Clydesdale business for a trade **sale**. NAB has provisioned a further $605m to deal with the industry-wide British problem of the mis-selling of ineffective income protection insurance.

The bank already earmarked £75m ($138m) in August to tackle the fallout, but needed to top this amount up partly because the level of new complaints was higher than expected.

Thorburn wouldn’t be drawn on whether the provisions were the final line in the sand on the British issues. “We have made a provision for what we know is appropriate now,’’ he said.

Interestingly, the items will come off the bank’s “real” cash profit, which is now forecast to be $5.1bn-$5.2bn, 13 per cent lower.

Criterion had NAB as a spec buy at $33.18 on September 18, after the bank dodged a flying haggis with the Scottish “no” vote.

We tweak to long-term buy.The Australian accepts no responsibility for stock recommendations. Readers should contact a licensed financial adviser. The author holds NAB and Northern Star shares.

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