5 Companies Mining for Growth

Description

The following companies depend on a robust economy, with its inherent demand, for sustained growth and profits. Implementing strategies that capitalize on demand while containing costs are twin prongs of a successful business approach. What are these five companies doing to advance these aims?

Detour Gold

Detour Gold (TSX: DGC) has 15.5 million ounces of gold in proven and probable reserves. It foresees approximately 600,000 ounces/year average annual gold production over the next 10 years. Its main asset is the Detour Lake mine in Ontario.

Detour's 2014 focus is to increase production and decrease costs. The Detour Lake mine achieved commercial production on August 12, 2013. Gold production was 232,287 ounces for the first year of operation. For the full 2014 calendar year Detour Gold expects to produce between 450,000 and 500,000 gold ounces. Regarding cost containment, it procured a long-term power contract for an estimated savings of CDN $20 million a year for six years.

Dominion Diamond

Dominion Diamond (TSX: DDC) (NYSE: DDC) has a controlling interest in the Ekati Diamond Mine (80% ownership and a 58.8% ownership in the surrounding areas), and 40% ownership interest in the Diavik Diamond Mine. Both mines are in the Northwest Territories.

Dominion has instituted a series of initiatives to optimize operations at the Ekati mine. It recently reported that work on the Jay Pipe within the Buffer Zone at the Ekati mine is going ahead on schedule. The Jay Pipe exploration is needed for its future development. Dominion Diamond expects to spend $11 million for the Jay Pipe exploration during fiscal year 2014.

Dominion Diamond has integrated the Ekati and Diavik sales and sorting processes and resources. This has resulted in efficiencies and cost savings.

Silver Standard Resources

Silver Standard Resources (TSX: SSO) projects include the wholly owned Pirquitas mine in Argentina. Pirquitas produced 8.2 million ounces of silver in 2013. The expectation is that it will produce more than 8.2 million ounces of silver this year.

This month, Silver Standard completed the acquisition of the Marigold gold mine in Nevada. Marigold adds operating cash flow and reserves to the company. Mr. John Smith, President and CEO, said “This acquisition expands both our capacity and capability, positioning Silver Standard as a multi-mine producer with the ability to fund continued growth.”

Regarding the Pirquitas mine, Silver Standard lowered cash costs there in 2013 by 24% to $12.87 per ounce.

Imperial Metals

Imperial Metals (TSX: III) operates the Mount Polley copper/gold mine in B.C. and the Sterling gold mine in Nevada. It has a 50% interest in the Huckleberry copper/molybdenum mine and a 50% interest in the Ruddock Creek lead/zinc property in B.C.

Imperial is developing its wholly owned Red Chris copper/gold property in B.C. The Red Chris mine is on schedule for commissioning to begin this June. Full operations are scheduled to begin in the fourth quarter of this year. The Red Chris mine has an initial 28-year mine life. The mine will initially double Imperial Metals’ gold production. It will increase its copper production by approximately 170%.

Mount Polley provided Imperial efficient operating performance. Due to this, Imperial maintained stable income from operations in 2013 despite falling copper and gold prices.

Pan American Silver

Pan American Silver (TSX: PAA) (NASDAQ: PAAS) has seven operating mines in Mexico, Peru, Argentina, and Bolivia and owns several development projects in the U.S., Mexico, Peru and Argentina. In Mexico, its focus is attaining significant unit cost reduction through improving mine and plant efficiencies. In Peru, it is working on improving mine performance. In Argentina, its emphasis is on extending the Manantial Espejo (silver-gold) mine life via exploration programs. In Bolivia, Pan American is working to optimize mine operations.

For 2013, Pan American had record gold and silver production (149,800 ounces and 26 million ounces respectively). It had consolidated cash costs of $10.81 per silver ounce, net of by-product credits. This was down 10% from the prior year. For Q4 2013, it had consolidated cash costs of $9.56 per silver ounce, net of by-product credits. This represents a decrease of 19% from Q4 2012.

Foolish bottom line

Aggressiveness regarding exploration and operational efficiency is what positions mining companies for growth. However, the precarious state of the global economy and the tense geo-political climate can derail best laid plans. Nevertheless, practical management focusing on sound business fundamentals make these companies ripe for investors’ due diligence.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:PAAS (Pan American Silver)

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