Why You Should Consider Agnico Eagle Mines Ltd and Goldcorp Inc. for Your Portfolio

Description

Agnico Eagle Mines Ltd (TSX: AEM)(NYSE: AEM) and **Goldcorp Inc.** (TSX: G)(NYSE: GG) can be profitable gold mining additions to your income portfolio and here's why.

Agnico Eagle Mines Ltd

I believe Agnico Eagle Mines is worthy of investment consideration because of its recent production. In 2013, the company achieved record annual gold production of 1,099,335 ounces due primarily to strong operating results from all of its mines.

Another reason to consider Agnico is because of its efforts to contain costs. In 2013, it targeted total cash costs of $700 to $750 per ounce. However, its total cash cost for the year came in at $672 per ounce.

Agnico President and CEO Sean Boyd noted in this week's conference call concerning Q2 2014 results, that, "if we look at the second quarter and the first half we saw record production… and if you look at the quarterly cost per tonne at our mines essentially all the mines are operating at a cost per tonne level that's below budget."

Furthermore, if I'm going to consider a gold stock I'm also going to make sure that the company's a dividend payer, which Agnico is. Its yield is a modest one at 0.80%. Its five-year average dividend yield is 1.40% and its annual payout is $0.32. Not magnificent, but it does represent some income to be earned from a volatile industry. In addition, Agnico Eagle Mines had Q2 2014 profit of $0.20 per share from a loss of $0.14. The driver for this was stronger revenue.

Finally, in Q2, Agnico Eagle and **Yamana Gold Inc.** (TSX: YRI)(NYSE: AUY) each acquired 50% of **Osisko Mining Corp**. (TSX: OSK). The two companies established a joint committee to operate the Canadian Malartic mine, Canada's largest gold mine. In Q1 2014, the mine set a new quarterly production record of 140,029 ounces of gold.

2. Goldcorp Inc

Goldcorp is a mining company that I believe is worthy of consideration because of its commitment to cost containment as well. It is attaining cost improvements by way of its Operating for Excellence (O4E) efficiency program. This program has resulted in major efficiency and productivity gains.

Goldcorp was proactive last year in the face of depressed gold prices. The company amended mine plans and purged higher cost production. In Q2 2014, costs dropped significantly at its Penasquito mine (Mexico). All-in sustaining costs fell to $362 an ounce from $1,484 a year prior. Penasquito is Goldcorp's largest producing mine and the expectation is that full-year 2014 gold production will be between 530,000 to 560,000 ounces there.

Across the company's operations, Q2 costs bettered to $852 an ounce from $1,227 an ounce. For 2014, Goldcorp expects costs for the full year to be near the low end of its guidance range (between $950 an ounce and $1,000 per gold ounce).

I also like Goldcorp because of the geographic diversity of its operations. It has four mines in Canada and the United States, three mines in Mexico, and three in Central and South America, essentially in safe jurisdictions. One of its Canadian mines, the Red Lake project in Red Lake, Ontario, produced 493,000 ounces last year. Q2 2014 production was only 89,500 ounces. However, Goldcorp expects production to increase in the second half of this year as more stopes (ore
mining from steeply inclined or vertical veins) become available.

Goldcorp also pays a dividend, so it's an industry stock that's on my radar. Its current dividend yield is a respectable 2.13% and its five-year average dividend yield is 1.30%. Its annual payout is $0.60.

Consider Agnico Eagle Mines and Goldcorp for your portfolio. As **S&P/TSX 60** best dividend-yielding stocks, and with both companies looking at reining in costs, you owe it to yourself to consider them as investment options.

CATEGORY

1. Investing

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1. NYSE:AEM (Agnico Eagle Mines Limited)
2. TSX:AEM (Agnico Eagle Mines Limited)
3. TSX:OSK (Osisko Mining)
4. TSX:YRI (Yamana Gold)

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