

# ALMADEN MINERALS LTD.

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**Report to Shareholder's – Second Quarter ended June 30, 2002**

August 19, 2002

Dear Shareholders:

During this quarter, we had significant work programs on several properties.

Drilling on our ATW diamond joint venture in the Northwest Territories did not find a kimberlite source for the diamond indicator mineral train on the property. Nevertheless, analysis of this train by experts indicates a source that should be "at least moderately diamondiferous" remains to be found. A winter program for early in 2003 is currently under consideration.

A trenching program on the Tropico copper-platinum-palladium-gold project near Mazatlan, Mexico commenced. This work is part of a US\$880,000 work budget for 2002 funded by Sumitomo Metal Mining. We anticipate drilling to commence mid summer.

On our San Carlos copper-gold property in Tamaulipas, Mexico, Aurcana Minerals Ltd. reopened old underground workings and sampled these with significant results. They have completed a financing for a work program to commence this fall. This program is anticipated to include Induced Polarization surveys, further geochemical soil sampling, and drilling.

During the quarter we signed a joint venture agreement with BHP Billiton to explore for copper-gold deposits in a selected part of Mexico. The initial phases of this work are jointly funded, with development and production financing for any discovery to be provided by BHP Billiton such that Almaden would be carried into production for twenty percent. We are managers for the initial program, and data, including remote sensing analysis, is currently being assembled for a fall field program.

The Yago gold property in Sinaloa, Mexico was farmed out during the quarter to Ascot Resources Ltd. who have committed to a US\$400,000 work program in the first year. A work program on the property was started shortly after the quarter ended.

Ross River Gold Ltd. completed an I.P.O. and we expect they will be actively exploring your company's Ram gold prospect, Yukon Territory during the next quarter.

In British Columbia, an agreement was reached with Wheaton River Minerals Ltd. whereby that company can earn a 10% interest in our Siwash gold project east of Merritt by funding a \$350,000 drill program on the property. Your company can buy this interest back after earning for \$350,000 in shares, priced at \$0.90 per share. A drill program to test for extensions to known resources commenced in July. Company staff will also be conducting geochemical soil surveys on our PV gold prospect, west of Merritt.

## **Financial Results**

For the six months ended June 30, 2002, the Company incurred a loss of \$293,596 (\$0.02 per share) compared to a loss of \$148,280 (\$0.01 per share) for the six months ended June 30, 2001. The results for the current period reflect the activity of the newly amalgamated company whereas the results for the comparative period reflect the activity of Almaden Resources Corporation.

Expenses were \$781,802 during the six months ended June 30, 2002 compared to \$171,175 during the six months ended June 30, 2001. The larger loss in the current period is mostly in general and administrative expenses, the cost of completing the amalgamation and administrative changes in Mexico. General exploration was more active and as a result increased during the current quarter. Also in the current quarter is the cost of gold sold of \$172,020 for proceeds of \$493,360.

Revenue increased to \$519,016 during the six months ended June 30, 2002 as compared to \$19,791 during the six months ended June 30, 2001. The large increase is due to gold sales during the period. The Company also had proceeds from mineral properties over its deferred costs. Lower cash balances available for investment and lower interest rates were the contributing factors for the reduction in investment income.

The Company incurred a loss on securities of \$32,845 and a gain on the sale of fixed assets of \$12,924 during the current period.

### **Financial Position and Liquidity**

#### **Operating Cash Flow**

Cash flow used in operations, after allowing for the effects of changes in non-cash working capital components, was \$58,440 in the six months ended June 30, 2002 compared to \$119,445 in the six months ended June 30, 2001.

#### **Financing Activities**

Cash of \$1,050,775 was provided pursuant to two private placement financings and \$29,337 on the exercise of share purchase warrants during the current period.

#### **Investing Activities**

Cash used in the six months ended June 30, 2002 for investing activities totaled \$372,726 compared to \$62,335 during the six months ended June 30, 2001. During the current quarter, expenditures of \$226,842 were incurred on mineral properties, an increase over the comparative period. Most of the expenditures in the current period were on the ATW and Elk properties and the staking of the El Pulpo and Candela properties in Mexico. Cash was provided during the current period by the proceeds from the sale of fixed assets.

#### **Cash Resources and Liquidity**

As at June 30, 2002, cash and cash equivalents amounted to \$923,046 compared to \$274,100 at December 31, 2001, the Company's most recent financial year-end. At June 30, 2002, the Company had working capital of \$1,426,815 compared to \$860,192 at December 31, 2001. Included in working capital is the Company's inventory of gold recorded at the cost of production not market value. Also, the Company is appealing the additional mineral tax assessed Fairfield Minerals Ltd. The Company has no long-term debt. The Company's current working capital position is sufficient for its 2002 requirements.

Thank you for your support. We look forward with you to the potential for profit from discovery.

Almaden Minerals Ltd. is listed on The Toronto Stock Exchange – symbol AMM.

On behalf of the Board,

“Duane Poliquin”

Duane Poliquin, President

# ALMADEN MINERALS LTD.

## Consolidated Interim Balance Sheets

June 30, 2002 and December 31, 2001

	June 30, 2002 (unaudited)	December 31, 2001 (audited)
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 923,046	\$ 274,100
Accounts receivable	116,198	121,019
Marketable securities	591,067	476,473
Inventory	274,768	446,788
	1,905,079	1,318,380
<b>FIXED ASSETS</b>	112,725	116,660
<b>RECLAMATION DEPOSIT</b>	76,500	76,500
<b>MINERAL PROPERTIES (Note 3)</b>	5,009,381	4,785,553
<b>TOTAL ASSETS</b>	\$ 7,103,685	\$ 6,297,093
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 61,284	\$ 127,866
Mineral taxes payable	416,980	330,322
<b>TOTAL CURRENT ASSETS</b>	478,264	458,188
<b>SHAREHOLDERS' EQUITY</b>		
Share capital		
Authorized		
100,000,000 common shares without par value		
Issued (Note 4)		
19,630,006 shares – June 30, 2002		
17,123,006 shares – December 31, 2001	16,090,888	15,010,776
Deficit	(9,465,467)	(9,171,871)
<b>TOTAL SHAREHOLDER'S EQUITY</b>	6,625,421	5,838,905
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	\$ 7,103,685	\$ 6,297,093

APPROVED BY THE BOARD:

“Duane Poliquin”

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“James E. McInnes”

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**ALMADEN MINERALS LTD.**

## Consolidated Interim Statements of Loss and Deficit

Six month periods ended June 30, 2002 and 2001  
(unaudited)

	Three Months Ended June 30, 2002	Six Months Ended June 30, 2002	Three Months Ended June 30, 2001	Six Months Ended June 30, 2001
<b>REVENUE</b>				
Gold sales	\$ 493,360	\$ 493,360	\$ -	\$ -
Mineral properties	20,814	20,814	-	-
Interest income	1,724	3,342	8,552	19,791
Other income	-	1,500	-	-
	<u>515,898</u>	<u>519,016</u>	<u>8,552</u>	<u>19,791</u>
<b>EXPENSES</b>				
Cost of gold sold	172,020	172,020	-	-
General and administrative expenses	251,866	479,469	85,861	139,867
General exploration expenses	77,726	127,299	12,049	29,441
Write-down of interests in mineral properties	(733)	3,014	-	1,867
	<u>500,879</u>	<u>781,802</u>	<u>97,910</u>	<u>171,175</u>
<b>GAIN (LOSS) FROM OPERATIONS</b>	15,019	(262,786)	(89,358)	(151,384)
<b>(LOSS) ON SECURITIES</b>	(10,345)	(32,845)	-	-
<b>GAIN ON FIXED ASSETS</b>	-	12,924	-	-
<b>FOREIGN EXCHANGE (LOSS) GAIN</b>	(13,741)	(10,889)	375	3,104
<b>NET LOSS</b>	(9,067)	(293,596)	(88,983)	(148,280)
<b>DEFICIT, BEGINNING OF PERIOD</b>	(9,456,400)	(9,171,871)	(8,581,073)	(8,521,776)
<b>DEFICIT, END OF PERIOD</b>	\$ (9,465,467)	\$ (9,465,467)	\$ (8,670,056)	\$ (8,670,056)
<b>NET LOSS PER SHARE</b>	\$ (0.00)	\$ (0.02)	\$ (0.01)	\$ (0.01)
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>				
	19,558,940	18,347,702	13,280,617	13,280,617

# ALMADEN MINERALS LTD.

## Consolidated Interim Statements of Cash Flows

Six month periods ended June 30, 2002 and 2001  
(unaudited)

	Three Months Ended June 30, 2002	Six Months Ended June 30, 2002	Three Months Ended June 30, 2001	Six Months Ended June 30, 2001
<b>OPERATING ACTIVITIES</b>				
Net loss	\$ (9,067)	\$ (293,596)	\$ (88,983)	\$ (148,280)
Items not affecting cash				
Write-down of interests in mineral properties	(733)	3,014	-	1,867
Depreciation	7,826	15,304	6,256	14,115
Loss on securities	10,345	32,845	-	-
Gain on sale of fixed assets	-	(12,924)	-	-
	8,371	(255,357)	(82,727)	(132,298)
Change in non-cash working capital components				
Accounts receivable and prepaid expenses	46,598	4,821	922	77,530
Inventory	172,020	172,020	-	-
Accounts payable and accrued liabilities	(48,676)	(66,582)	(16,286)	(64,677)
Mineral taxes payable	87,327	86,658	-	-
Liability to issue shares	(860,000)	-	-	-
	(594,360)	(58,440)	(98,091)	(119,445)
<b>FINANCING ACTIVITIES</b>				
Issuance of shares - net of expenses	1,080,112	1,080,112	-	-
<b>INVESTING ACTIVITIES</b>				
(Increase) decrease in marketable securities	(458,262)	(147,439)	140,092	132,729
Fixed assets purchases	(12,155)	(17,032)	(2,336)	(40,919)
Fixed assets proceeds	-	18,587	-	-
Mineral properties costs	(149,289)	(226,842)	(55,385)	(154,145)
	(619,706)	(372,726)	82,371	(62,335)
NET CASH (OUTFLOW) INFLOW	(133,954)	648,946	(15,720)	(181,780)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,057,000	274,100	121,539	287,599
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 923,046	\$ 923,046	\$ 105,819	\$ 105,819

# ALMADEN MINERALS LTD.

## Note to Consolidated Interim Financial Statements

June 30, 2002  
(unaudited)

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### 1. BASIS OF PRESENTATION

These interim unaudited consolidated financial statements do not include all the disclosure required by Canadian generally accepted accounting principles for annual statements and should be read in conjunction with the annual audited financial statements for the year ended December 31, 2001, specifically Note 1 on the Nature of Operations, Note 2 on Amalgamation and Note 3 on the Significant Accounting Policies. These statements are prepared in accordance with recommendations for interim financial statements in conformity with Canadian generally accepted accounting principles. They have been prepared using the same accounting policies and methods as those used in the December 31, 2001 accounts.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### *Stock-based compensation*

The Company has adopted the recommendations of the new CICA Handbook section 3870, *Stock-Based Compensation and Other Stock-Based Payments*, effective January 1, 2002. This section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. The standard requires that all stock-based awards made to non-employees be measured and recognized using a fair value based method. The standard encourages the use of a fair-value based method for direct awards of stock, stock appreciation rights, and awards that call for settlement in cash or other assets. Awards that a company has the ability to settle in stock are recorded as equity, whereas awards that the entity is required to or has a practice of settling in cash are recorded as liabilities. For stock options granted to employees, the Company has adopted the disclosure only provisions of the new standard whereby pro-forma net income and pro forma earnings per share are disclosed in the notes to the financial statements, as if the fair value based method of accounting had been used. This disclosure is provided for stock option grants after January 1, 2002, but not for any grants prior to that date.

# ALMADEN MINERALS LTD.

## Note to Consolidated Interim Financial Statements

June 30, 2002  
(unaudited)

### 3. MINERAL PROPERTIES

	June 30, 2002	December 31, 2001
Caballo Blanco		
Option to purchase 100% interest in mineral claims in Veracruz, Mexico	\$ 2,476,307	\$ 2,468,848
ATW		
Net 27% interest in mineral claims near Lac De Gras, Northwest Territories, Canada	109,454	46,451
Prospector Mountain, 75% interest in mineral claims in the Yukon Territory, Canada	23,855	23,855
Yago / La Sarda 100% interest in mineral claims in Nayarit State, Mexico	752,547	738,438
Elk 100% interest in mineral claims in British Columbia, Canada	904,625	864,864
Cabin Lake 100% interest in mineral claims in the Yukon Territory, Canada	128,954	128,954
Caribou Creek 100% interest in mineral claims in the Yukon Territory, Canada	73,534	73,534
MOR 100% interest in mineral claims in the Yukon Territory, Canada	61,724	59,542
San Carlos / San Jose 100% interest in the San Carlos mineral claim and 90% interest in the San Jose mineral claims in Tamaulipas State, Mexico	274,670	274,604
Tropico 40% interest in minerals claims in Western Mexico	33,962	41,313
Interests in various other mineral claims	169,749	65,150
	\$ 5,009,381	\$ 4,785,553

### 4. SHARE CAPITAL

A. <i>Authorized</i> 100,000,000 common shares without par value		
<i>Issued</i>		
	Number	Amount
Balance, December 31, 2001	17,123,006	\$ 15,010,776
For cash pursuant to private placement	2,050,000	841,775
For cash pursuant to private placement	380,000	209,000
For cash on exercise of share purchase warrants	77,000	29,337
Balance, June 30, 2002	19,630,006	16,090,888

## ALMADEN MINERALS LTD.

### Note to Consolidated Interim Financial Statements

June 30, 2002  
(unaudited)

#### 4. SHARE CAPITAL (Continued)

##### B. *Stock-based Compensation*

The Company has a formal written stock option plan under which incentive stock options for up to 1,000,000 shares of common stock are reserved for issuance and may be granted from time to time to directors, officers, employees and contractors. During the period ended June 30, 2002, 975,000 options were granted. Stock options previously granted by the Company and its predecessor, which by the terms of the amalgamation, become options granted by the Company, are not options granted under the Company's formal stock option plan.

Stock option activity with respect to all of the Company's stock options is represented below:

	Number of Shares	Exercise Price Range per Share	Weighted Average Exercise Price
Outstanding at December 31, 2001	1,759,533	\$ 0.27 – 0.49	\$0.37
Granted	975,000	\$ 0.55	\$0.55
Outstanding at June 30, 2002	<u>2,734,533</u>	<u>\$ 0.27 – 0.55</u>	<u>\$0.44</u>

Additional information relating to stock options outstanding as of June 30, 2002 is presented below:

Options Outstanding				Options Exercisable	
Exercise Price	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Number of Shares	Weighted Average Exercise Price
\$0.27	91,092	\$0.27	4.1	91,092	\$0.27
\$0.30	735,000	\$0.30	3.6	735,000	\$0.30
\$0.39	3,850	\$0.39	2.4	3,850	\$0.39
\$0.39	154,000	\$0.39	7.4	154,000	\$0.39
\$0.45	53,900	\$0.45	1.4	53,900	\$0.45
\$0.45	644,691	\$0.45	6.4	644,691	\$0.45
\$0.49	77,000	\$0.49	2.8	77,000	\$0.49
\$0.55	975,000	\$0.55	4.6	975,000	\$0.55
	2,734,533			2,734,533	

When stock-based compensation awards are granted to employees, no compensation cost is recognized when their exercise price exceeds or equals the fair value of the Company's common shares at the date of grant. Accordingly, no compensation cost has been recognized for options granted. Had compensation cost for the Company's stock-based compensation plan been determined based on the fair market value at the grant dates for awards under those plans consistent with the fair value based method of accounting for stock-based

## ALMADEN MINERALS LTD.

### Note to Consolidated Interim Financial Statements

June 30, 2002

(unaudited)

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#### 4. SHARE CAPITAL (Continued)

compensation, the Company's net income and earnings per share would have reduced to the pro forma amounts indicated below:

	Six months ended June 30, 2002
Net loss	
As reported	\$(293,596)
Pro forma	\$(664,096)
Basic loss per share	
As reported	\$(0.02)
Pro forma	\$(0.04)
Diluted loss per share	
As reported	\$(0.01)
Pro forma	\$(0.03)

The fair value of each option grant is estimated on the date of grant to be \$0.38 per share using the Black-Scholes option pricing model with the following weighted average assumptions for grants in the six month period ended June 30, 2002: no dividends are to be paid, expected volatility of 86%; risk-free interest rate of 3.75%; and expected lives of five years.

#### 5. RELATED PARTY TRANSACTIONS

A company controlled by the President of the Company was paid \$51,000 for geological services during the six months ended June 30, 2002.

A company controlled by a Director of the Company was paid \$35,750 for geological services during the six months ended June 30, 2002.