

## **MANAGEMENT'S DISCUSSION & ANALYSIS**

The following discussion and analysis is management's assessment of the results and financial condition of Almaden Minerals Ltd. (the "Company" or "Almaden") and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2005 and related notes contained in the annual report. The date of this management's discussion and analysis is April 26, 2006. Additional information on the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.almadenminerals.com](http://www.almadenminerals.com).

### **Business of Almaden**

Almaden is an exploration stage company engaged in the acquisition, exploration and development of mineral properties of merit in Canada, the United States and Mexico with the aim of developing them to a stage where they can be exploited at a profit or to arrange joint ventures whereby other companies provide funding for development and exploitation.

### **Forward looking statements**

Certain information included in this discussion may constitute forward-looking statements. Forward-looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different than those expressed or implied. The Company disclaims any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

### **Trends**

The mineral exploration industry has been through a very difficult period with low prices for both precious and base metals. Lack of interest lead to low market capitalizations and major mining companies found it was easier to grow by purchasing companies or mines rather than explore for them. This, in turn, lead to downsizing of major mining company exploration staffs and many professionals took early retirement or left the industry to pursue other careers. As a result of these trends, there are few good gold-silver projects in the pipeline and a shortage of experienced explorationists. With improving metal prices and increasing demand, especially from Asia, supply difficulties may occur in the future and there is a discernible need for good exploration projects based on sound geological work. At the same time, environmental groups have successfully lobbied for more wilderness areas and parks where exploration and mining activities are not allowed. Native groups are actively pursuing land claims and there is a rise of militant national and religious groups in many parts of the world. These issues tend to restrict the areas where mineral exploration and development of new mines can occur. This should make areas permissive to exploration more attractive. As junior companies (many of which are staffed by former large company geologists) find it easier to raise funds, they are seeking properties of merit to explore.

### **Risks and uncertainties**

The Company is subject to a number of risks and uncertainties, the more significant of which are discussed below. Additional risks and uncertainties not presently known to the Company may impact the Company's financial results in the future.

### **Industry**

Almaden is engaged in the exploration of mineral properties, an inherently risky business. There is no assurance that a mineral deposit will ever be discovered and economically produced. Most exploration projects do not result in the discovery of commercially mineable ore deposits.

### **Reserve and mineralization estimates**

The estimation of reserves and mineralization is a subjective process and the accuracy of any such estimates is a function of the quality of available data and of engineering and geological interpretation and judgment. No assurances can be given that the volume and grade of reserves recovered and rates of production will not be less than anticipated.

**Gold and metal prices**

The price of gold is affected by numerous factors beyond the control of the Company including central bank sales, producer hedging activities, the relative exchange rate of the U.S. dollar with other major currencies, demand, political, economic conditions and production levels. In addition, the price of gold has been volatile over short periods of time due to speculative activities. The price of other metals and mineral products that the Company may explore all have the same or similar price risk factors.

**Cash flows and additional funding requirements**

Almaden currently has no revenues from operations. If any of the Company's exploration programs are successful and optionees of properties complete their earn-in, the Company would have to provide its share of ongoing exploration and development costs in order to maintain its interest in the projects, or be reduced to a royalty interest. Additional capital would be required to put a property into commercial production. The sources of funds currently available to the Company are the sale of its inventory of gold, sale of marketable securities, sale of equity capital or the offering of an interest in its projects to another party. Although the Company presently has sufficient financial resources to undertake all of its currently planned exploration programs, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be advantageous to the Company.

**Exchange rate fluctuations**

Fluctuations in currency exchange rates, principally the Canadian/U.S. dollar exchange rate, can significantly impact cash flows. The exchange rate has varied substantially over time. Most of the Company's exploration expenses in Mexico are denominated in U.S. dollars. Fluctuations in exchange rates may give rise to foreign currency exposure, either favourable or unfavourable, which may impact financial results. The Company does not engage in currency hedging to offset any risk of exchange rate fluctuation.

**Environmental**

Almaden's exploration and development activities are subject to extensive laws and regulations governing environment protection. The Company is also subject to various reclamation-related conditions. Although the Company closely follows and believes it is operating in compliance with all applicable environmental regulations, there can be no assurance that all future requirements will be obtainable on reasonable terms. Failure to comply may result in enforcement actions causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures.

**Laws and regulations**

Almaden's exploration activities are subject to extensive federal, provincial, state and local laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health and safety, mine safety and other matters in all the jurisdictions it operates in. Such laws and regulations are subject to change, can become more stringent and compliance can therefore become more costly. The Company applies the expertise of its management, its advisors, its employees and contractors to ensure compliance with current laws and relies on its land man in Mexico and legal council in both Mexico and the United States.

**Title to mineral properties**

While the Company has investigated title to its mineral properties, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. Unresolved native land claim issues in Canada may affect the Company's properties in this jurisdiction in the future.

**Possible Dilution to Present and Prospective Shareholders**

The Company's plan of operation, in part, contemplates the financing of the conduct of its business by the issuance of cash, securities of the Company, or a combination of the two, and possibly, incurring debt. Any transaction involving the issuance of previously authorized but unissued shares of common stock, or securities convertible into common stock, would result in dilution, possibly substantial, to present and prospective holders of common stock. The Company usually seeks joint venture partners to fund in whole or in part exploration projects. This dilutes the Company's interest in properties it has acquired. This dilution of interest in properties is done to spread or minimize the risk and to expose the Company to more exploration plays but means that any profit that might result from a possible discovery would be shared with the joint venture partner. There is no guarantee that the Company can find a joint venture partner for any property.

**Material Risk of Dilution Presented by Large Number of Outstanding Share Purchase Options and Warrants**

As of April 25, 2006 there were share purchase options outstanding allowing the holders of these options to purchase 2,902,483 shares of common stock and share purchase warrants outstanding allowing the holders to purchase 3,509,750 shares of common stock. Directors and officers of the Company hold 2,517,483 of these share purchase options. An additional 385,000 share purchase options are held by employees and consultants of the Company. None of the share purchase warrants are held by Directors. Given the fact that as of April 25, 2006 there were 39,274,602 shares of common stock outstanding, the exercise of all of the existing share purchase options and warrants would result in further dilution to the existing shareholders and could depress the price of the Company's shares.

These shares may be issued and could depress the price of the Company's shares.

**Trading Volume**

The relatively low trading volume of the Company's shares reduces the liquidity of an investment in the Company's shares.

**Volatility of Share Price**

Market prices for shares of early stage companies are often volatile. Factors such as announcements of mineral discoveries, financial results, and other factors could have a significant effect on the price of the Company's shares.

**Competition**

There is competition from other mining exploration companies with operations similar to those of the Company's. Many of the mining companies with which the Company competes have operations and financial strength greater than that of the Company.

**Dependence on management**

The Company strongly depends on the business and technical expertise of its management and there is little possibility that this dependence will decrease in the near term.

**Conflict of Interest**

Some of the Company's directors and officers are directors and officers of other natural resource or mining-related companies. These associations may give rise from time to time to conflicts of interest. As a result of which, the Company may miss the opportunity to participate in certain transactions and may have a material, adverse effect on its financial position.

## **Exploration projects - Canada**

### **Siwash Gold Deposit**

The Company's program for its wholly owned Siwash gold mine in B.C. for 2006 includes pre-feasibility studies, mine planning and diamond drilling at a budgeted cost of \$800,000. The program is expected to begin in June.

### **ATW Diamond Project, NWT**

Almaden has a net 37.5% interest in this project where work over the past several field seasons has identified the source area of the diamond indicator mineral train. A sonic drill program was cancelled due to poor ice conditions and the premature closing of the ice road two to three weeks ahead of schedule due to extremely warm temperatures.

### **PV Gold-Silver Project**

The PV, which includes the NIC property, was discovered, staked and is held 100% by Almaden. The properties were optioned to Consolidated Spire Ventures Ltd. ("Spire") on terms whereby Spire can earn a 60% interest by spending \$1.3 million on exploration by December 31, 2007 and issuing 600,000 shares to Almaden by January 10, 2007. Spire has announced a summer exploration program.

### **Skoonka Creek Gold-Silver Project**

The Skoonka Creek property was discovered in 2003, staked and is held 100% by Almaden. The property was optioned to Strongbow Exploration Inc. ("Strongbow") on terms whereby Strongbow can earn a 60% interest by spending \$4 million on exploration and issuing 1,000,000 shares to Almaden by December 31, 2010. Strongbow are currently drilling on the property.

### **Nicoamen River Gold-Silver Project**

The Nicoamen River property was discovered and staked in 2004 and is held 100% by Almaden. Subsequent to March 31, 2006, the property was optioned to Tanqueray Resources Ltd. ("Tanqueray") on terms whereby Tanqueray can earn a 60% interest in the property by spending \$4 million on exploration and issuing 1,000,000 shares to Almaden by December 31, 2012. During the term of the option agreement, Tanqueray may, at its sole discretion, elect to make cash payments of \$150,000 in lieu of each 100,000 share allotment.

### **Merit Gold-Silver Project**

The Merit property was discovered and staked in 2004 and is held 100% by Almaden. An exploration program of geochem, geophysics and trenching is planned for the summer and discussions are underway with a potential partner.

## **Exploration projects - Mexico**

### **Fuego Gold-Silver Property**

Almaden acquired this property by staking in 2003. The property was optioned to Horseshoe Gold Mining Inc. ("Horseshoe") under terms whereby Horseshoe has an option to earn a 60% interest by spending US\$3 million on exploration and issuing 1,000,000 shares to Almaden by December 31, 2008. Upon Horseshoe earning a 60% interest, Almaden would have 120 days to sell its remaining 40% interest to Horseshoe in return for a 40% interest in the then issued capital of Horseshoe. In late March 2006, Horseshoe completed a diamond drill program consisting of 15 holes totaling 2,500 meters which confirmed vein and mineralization continuity along roughly 700 meters of strike length.

### **Caballo Blanco Gold-Silver Project**

The Caballo Blanco property is optioned to Comaplex Minerals Ltd. ("Comaplex") who can earn a 60% interest by spending US\$2 million on exploration by January 16, 2007. In late March 2006, Comaplex commenced a diamond drill program on the property.

### **San Carlos Copper-Gold Project**

The San Carlos property is optioned to Hawkeye Gold and Diamond Inc. (“Hawkeye”) who can earn a 60% interest by spending US\$4 million on exploration and issuing a total of 1,850,000 shares to Almaden by April 2011. Hawkeye has informed that it commenced a drill program in December 2005 that was not completed before Christmas. Almaden has received no information or results to date from Hawkeye on the progress of this program. Hawkeye announced on January 30, 2006 that the drilling program had resumed. This program is reported to be completed but no results have yet been received.

### **Japan Oil, Gas and Metals National Corporation (“JOGMEC”) Joint Venture**

During 2005, the Company entered into a joint venture agreement with JOGMEC. The regional joint venture program is to consist of grassroots exploration for base metal deposits over a selected area in Mexico. JOGMEC will contribute US\$700,000 to this program to be spent by March 31, 2007. JOGMEC can acquire a 60% interest in any mineral property acquired during the course of the exploration program (“designated property”) by incurring an additional US\$500,000 of exploration expenditures for each designated property. Any property identified by the program, but not selected as a designated property, shall be 100% owned by the Company. An initial program of helicopter supported stream silt sampling was conducted in the first quarter of 2006.

In addition to the exploration joint venture, JOGMEC may earn a 60% interest in the Company’s Santa Isabela property by spending US\$1.8 million on exploration by September 30, 2008. A diamond drill program initiated in late 2005 was delayed due to timing constraints and drilling difficulties. The one hole was drilled to a depth of 363 meters and encountered two broad zones of anomalous lead, zinc, silver and arsenic values within zones of bleached, brecciated and calcite veined limestone. The hole was designed to test one of the areas of elevated silver, lead and zinc values in soil. Roughly 400 meters away from the location of this drill hole, IP geophysics identified an area of highly elevated chargeability responses thought to represent massive sulphide style mineralization at depth. Budget and time constraints did not allow for drill testing this anomaly. The soil geochemistry alteration and mineralization observed in the hole drilled, are interpreted to be typical of that associated with areas peripheral to zones of massive sulphide mineralization. Drilling is anticipated later in 2006.

### **Selected quarterly financial information**

The following selected financial information is derived from the unaudited consolidated interim financial statements of the Company prepared in accordance with Canadian generally accepted accounting principles (“GAAP”).

	For the quarters ended (unaudited)							
	Mar 31 2006	Dec 31 2005	Sep 30 2005	Jun 30 2005	Mar 31 2005	Dec 31 2004	Sept 30 2004	Jun 30 2004
Total revenues	\$122,928	\$75,830	\$75,729	\$66,155	\$28,727	\$33,117	\$39,557	\$23,379
Net loss (gain)	426,568	742,860	(288,235)	477,691	162,899	1,757,487	725,410	258,688
Net loss (gain) per share	0.01	0.02	(0.01)	0.02	0.00	0.07	0.02	0.01
Income on mineral property								
Options	36,548	106,323	689,423	3,527	113,522	(6,700)	959	89,902
Write-down of interests in mineral properties	104,823	543,454	2,485	10,647	11,072	582,260	306,773	1,322
Stock option compensation	-	-	-	213,600	-	1,205,820	-	-
Working capital	12,159,086	9,374,074	4,279,551	3,608,454	4,273,829	4,659,617	5,325,508	5,136,067
Total assets	19,464,360	16,366,755	11,797,329	10,050,122	10,212,087	10,215,275	11,238,229	10,695,340

### **Results of operations**

Almaden’s operations during the quarter ended March 31, 2006 produced a net loss of \$426,568 or \$0.01 per share (2005 – \$162,899 or \$0.00 per share). The fluctuation in net loss is primarily due to an increase in general and administrative expenses and increases in the write-down of marketable securities and mineral properties. The increases were offset by increased revenue and gain on sale of securities during the quarter ended March 31, 2006.

The Company has no revenue from mining operations. Revenue includes interest income which increased during the quarter ended March 31, 2006 compared to March 31, 2005 and proceeds from drill programs undertaken on behalf of third parties.

General and administrative costs were \$305,417 in the quarter ended March 31, 2006 (2005 - \$183,412). The increase was primarily due to an increase travel and promotion and in the non-cash expense of depreciation. Travel and promotion increased due to the Company's participation in the Vancouver Resource Investment Conference, the Prospectors and Developers Association Conference in Toronto and the Precious and Base Metals Investor Conference in New York. A trip was undertaken by the President to meet with various fund managers in France. The Company engaged Roth Investor Relations Inc. of New Jersey who organized a presentation to various fund managers and stock brokers in San Francisco. The Company also paid Casey Research for a sponsored profile on the Kitco Casey website during the quarter. Depreciation expense increased due to an increase in property, plant and equipment in the past year.

General exploration costs were \$139,436 in the quarter ended March 31, 2006 (2005 - \$135,598). Overall general exploration activity remained consistent in both quarters.

Income on mineral property options consists of equity securities received pursuant to mineral property option agreements and reflect the excess of the market value at the time of receipt over the carrying value of the property.

Significant non-cash items include the write-down of interests in mineral properties and marketable securities. Write-down of interests in mineral properties during the three months ended March 31, 2006 increased to \$104,823 (2005 - \$11,072). This write-down is based on managements evaluation of the carrying value of each mineral property interest held. Write-down of marketable securities increased to \$162,000 during the three months ended March 31, 2006 (2005 - \$63,396). This write-down ensures the investment in marketable securities is recorded at the lower of costs and quoted market value in accordance with GAAP.

#### **Liquidity and capital resources**

At March 31, 2006, the Company had working capital of \$12,159,086 and cash and cash equivalents of \$10,836,695 compared to working capital of \$9,374,074 and cash and cash equivalents of \$7,961,050 at December 31, 2005, the Company's most recent year end. The increase in cash is due to the exercise of share purchase warrants and stock options. In addition, the market value of the Company's inventory of gold bullion (1,597 ounces) at March 31, 2006 was \$1,087,748 - \$812,980 above book value and the market value of equity securities at March 31, 2006 was \$2,006,239 - \$914,076 above book value. These market values differ from the GAAP-based carrying value on the balance sheet which is at the lower of cost or market. Also, included in working capital is a liability arising from the contingent obligation in the event the Company is unsuccessful in its appeal of assessed additional mineral tax for prior years. On June 22, 2005, a petition was filed on behalf of the Company in the Supreme Court and the Company is still waiting the Attorney General's response. The Company expects its level of cash resources to be sufficient to meet its working capital and mineral exploration requirements for at least the next year. The Company has no long-term debt.

Cash used for operating activities during the three months ended March 31, 2006 was \$285,788 (2005 - \$218,853), after adjusting for non-cash activities. Significant non-cash expenses are discussed above.

Cash flows from financing activities during the quarter ended March 31, 2006 were \$3,367,765 (2005 - \$21,250). The source of cash is from the exercise of share purchase warrants (\$2,653,987), the exercise of stock options (\$682,278) and a subscription for shares which were issued subsequent to March 31, 2006 (\$31,500).

Cash used for investing activities during the quarter ended March 31, 2006 was \$206,332 (2005 - \$179,471). Proceeds from the sale of equity securities were \$230,244 (2005 - \$112,476). This relates to the sale of equity securities received as income from mineral property option agreements at a price in excess of their book value. \$73,682 was invested in property, plant and equipment (2005 - 32,232), primarily the purchase a vehicle (\$34,665) and field equipment (\$11,854) to be used in exploration in Mexico and office furniture and fixtures (\$20,741). During the quarter ended March 31, 2006, investments of \$344,966 were made in mineral properties (2005 - 259,695), mainly a sonic drill program on the ATW claims and the staking and exploration of various properties in British Columbia and Mexico. Investments in mineral properties interests are net of any proceeds received from option agreements and costs recovered.

### **Contractual commitments**

The Company is committed under an operating lease for its office premises with the following aggregate minimum lease payments to the expiration of the lease on January 31, 2011. The Company does have government requirements in work and/or taxes to maintain other claims held. The decision to keep or abandon such claims is not contractual but at the discretion of the Company. All other property options payments on the Company's projects have been assumed by third parties who are earning their interests in the projects. The following table indicates the total aggregate contractual commitments for each period.

	2006	2007	2008	2009	2010	Thereafter
Office lease	\$33,750	\$48,800	\$48,800	\$59,100	\$60,100	\$5,000

### **Off-balance sheet arrangements**

The Company has no off-balance sheet arrangements other than disclosed above.

### **Critical accounting estimates**

The Company capitalizes all costs relating to the acquisition, exploration and development of its mineral properties. All income from mineral property options is credited against the cost of the property. Should commercial production commence, these cost will be amortized. When a property is abandoned or when there is indication of impairment, all related costs are charged to operations.

The Company compares the carrying value of its property, plant and equipment to estimated net recoverable amounts. Should the assets' carrying value exceed its estimated recoverable amount, all amounts related to the impairment are charged to operations.

The Company's financial assets and liabilities are cash and cash equivalents, accounts receivable and prepaid expenses, marketable securities, inventory, accounts payable and accrued liabilities, deferred exploration advances and mineral taxes payable. The fair values of these financial instruments are estimated to be their carrying values due to their short-term nature. Cash and cash equivalents includes short-term money market instruments which, on acquisition, have a term to maturity of three months or less and expose the Company to minimal risk.

CICA Handbook section 3870 Stock-Based Compensation and Other Stock-Based Payments establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. Compensation expense is determined using Black-Scholes Option Pricing Model based on estimated fair values of all stock-based awards at the date of grant and is expensed to operations over each award's vesting period.

The Black-Scholes Option Pricing Model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

### **Changes in accounting principles**

#### **Flow-through shares**

The Emerging Issues Committee – 146 amended the accounting standard with respect to flow-through shares during 2004. The standard requires, for all flow-through shares issued subsequent to December 31, 2003, the recognition of the future income tax liability and a corresponding increase to deficit on the date the company renounces the tax credits associated with the expenditures, provided there is a reasonable assurance that the expenditures will be made. The recognition of any portion of previously unrecognized future income tax assets will be recorded as a reduction of income tax expenses. The Company adopted the standard, on a prospective basis, effective January 1, 2004.

#### **Outstanding share data**

The Company is authorized to issue an unlimited number of common shares without par value. As at April 25, 2006, there were 39,274,602 outstanding common shares compared to 31,172,767 outstanding shares at

April 25, 2005. Subsequent to March 31, 2006, 560,150 share purchase warrants and 67,000 stock options were exercised.

On April 20, 2006, the Company issued Notice of Expiry pursuant to the Accelerated Expiry Date provisions of warrants issued on November 16, 2005. All warrants not exercised by May 10, 2006 will expire.

During the three months ended March 31, 2006, the Company received cash proceeds of \$2,653,987 and \$682,278 pursuant to the exercise of share purchase warrants and stock options, respectively.

Directors, officers, employees and contractors are granted options to purchase common shares under the Company Stock Option Plan. This plan and its terms and outstanding balance are disclosed in Note 8(c) to the audited consolidated financial statements for the year ended December 31, 2005.

**Related party transactions**

A total of \$40,660 (2005 - \$29,875) was paid to a company controlled by Duane Poliquin, the President of the Company, for geological consulting services and general and administrative services during the year. A total of \$24,000 (2005 - \$18,000) was paid to a company controlled by Morgan Poliquin, a Director of the Company, for geological consulting services during the year. These amounts are included in general and administration, general exploration and mineral property costs. A total of \$23,748 (2004 - \$17,482) was paid to Dione Bitzer, CMA, an Officer of the Company for accounting services during the year. This amount is included in professional fees.

**Outlook**

The Company's strong cash position will enable it to continue its own exploration efforts in Mexico and Canada, seeking to identify new projects through early stage grass roots exploration and managing risk by forming joint ventures in which partner companies explore and develop such projects in return for the right to earn an interest in them.