



Almaden Minerals Ltd: The Oldest and Simply The Best

A Monday Morning Musing from Mickey the Mercenary Geologist

[Contact@MercenaryGeologist.com](mailto:contact@mercenarygeologist.com)

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In last week's musing, I explained the junior resource prospect generator-joint venture model to the lay investor ([Mercenary Musing, July 12, 2010](#)). I also teased you a bit with promise of a new prospect generator that would get coverage soon.

Your wait was not long. [Almaden Minerals Ltd \(AMM.T; AUU.Amex\)](#) is arguably the oldest and one of the best prospect generators listed on the Toronto and Venture Stock Exchanges. The company was founded in 1986 and has been successful enough in its long history to secure a listing on the American Stock Exchange in 2006. Few exploration juniors have accomplished this significant business milestone.

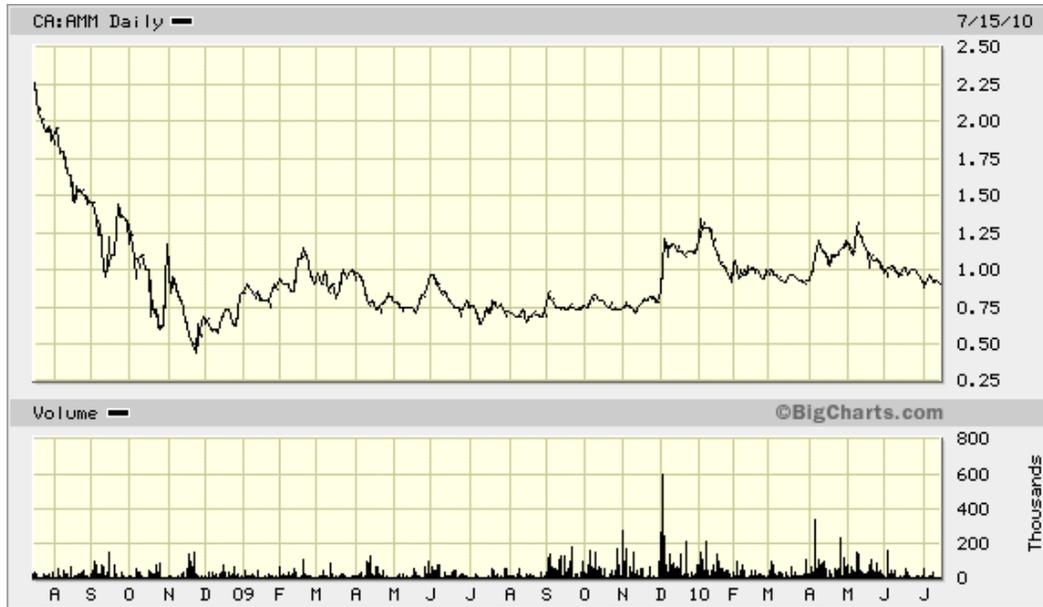
This musing is a brief summary of the company's essentials. Expect my usual full-blown musing of AMM.T in the fall after field visits to its flagship properties. I wanted to get this idea out to my loyal subscribers and readers while the share price of Almaden is down during the summer doldrums. After all, we are playing a buy low / sell high game.

Share Structure: Almaden Minerals has 50.4 million shares outstanding and 57.4 million fully diluted. 1.9 million warrants currently are out-of-the-money include 113,000 at \$1.15 expiring in late September; 175,000 at \$1.25 expiring in March 2011; 50,000 at \$1.20 expiring in June 2011, and 1,648,000 at \$1.40 expiring in December 2011. There are 236,000 in-the-money warrants at 85 cents expiring in December 2011. 4.9 million options range from 68 cents to \$2.68 with expiries from September 2010 to April 2015.

Insiders, family, and friends control 11% of the company.

Almaden's investor base consists mostly of high net worth, U.S. retail investors, many with small positions. It has somewhere between 7000 and 8000 shareholders, an extraordinarily high number considering the number of shares outstanding. I've recently joined this crowd as a small retail investor.

The company has a 52 week high of \$1.42 and low of 62 cents; the 30 day range is \$1.12 and 77 on very low volumes and mirroring the general market malaise. The stock's recent close was 91 cents. Here's the two year chart:



Almaden Minerals built a strong base of \$2.50-\$3.00 per share in early 2006 until the global financial crisis in the second half of 2008. It hit a five year low of 44c in November but immediately rebounded to around 80c from mid Q1 2009 to December of 2009. Positive news on its Caballo Blanco property drove the stock to two spikes at \$1.40 by early 2010. Since that time, it has traded in the range of 77c to \$1.30.

AMM has over \$18 million in working capital including cash, marketable securities, and gold bullion. It has a relatively high burn rate at \$2.2 million per year mostly because of the cost of holding 20 wholly owned projects and anticipates spending another \$1.2 million on exploration in 2010.

Current market capitalization is about \$46 million and AMM is trading at 2.6 times cash.

People: The company is headed by founder and Chairman Duane Poliquin, a geological engineer and Vancouver veteran with a 40 year track record of mine discovery and success. His son, Morgan, is CEO and a Ph.D. geologist and engineer. These two gentlemen are very actively involved with the company, generate the prospects, direct the acquisitions, and market the properties. CFO Mark Brown of Pacific Opportunity Capital is a principal of two other companies that I cover. Engineer Mark Blythe is the Vice President of Mining. Dr. Barry Smee, a well-known consulting geochemist, is a Director.

Projects: Almaden Minerals Ltd currently holds 29 properties in western Canada, Mexico, and Nevada. It owns 100% of 20 properties, five are optioned to other juniors who are earning in to 60% joint ventures, and four are joint ventures where a partner has earned in and Almaden is required to contribute or dilute to a 2% royalty.

It also has 2% NSR royalties on 11 properties, including eight with sister company Tarsis Metals, in which AMM holds a 28 % interest. None of the royalty properties are in production.

The most significant of the company's many projects are shown below:



Almaden Minerals' North American Projects

In addition, Almaden has highly skilled and integrated geological and geotechnical teams, including the aforementioned Smee who designs and directs field sampling programs. It owns a diamond drill in Mexico, conducts drilling operations on its own properties, and contracts to third parties. It also owns induced polarization geophysical equipment and maintains a crew that works on Almaden projects and for other juniors.

Flagship project: Almaden's flagship project is the past-producing Elk Mine 45 km southeast of Merritt, B.C. It hosts at least eight narrow, high grade, mesothermal gold-quartz-pyrite veins. The project was acquired in 2001 with a number of other properties in western Canada upon amalgamation of Fairfield Resources into Almaden. From 1992-1995, 51,750 ounces of gold were produced from 18,400 tons of ore (2.81 opt Au) in open pit and underground bulk sample and test mine operations.

Current qualified resources include 250,000 ounces of gold in measured and indicated categories at 8.4 g/t Au and 270,000 ounces of gold inferred at 11.0 g/t Au. These combined resources include both open pit resources at 1.0 g/t cut-off grade and underground resources using a 5.0 g/t Au cut-off grade. Metallurgical testing indicates over 50% recovery with gravity, 95% recovery with gravity and flotation, and 98% recovery with gravity, flotation, and cyanidation of the concentrate.

Eight thousand meters of drilling is planned for 2010 including infill and step-out drilling within the resource area and several other targets where soil sampling, trenching, and/or scout drilling indicate good potential. A preliminary economic assessment (PEA) is scheduled for tabling this year and is important because it will address the profitability of a mining operation at the Elk Mine.

Other projects: Almaden's other projects of significance include **Caballo Blanco** and **El Cobre** near Veracruz Mexico. Both are joint ventured with Mexican miner and explorer **Goldgroup Mining Inc (GGA.T)**, a company I recently covered ([Mercenary Musing, July 5, 2010](#)).

Caballo Blanco (30-70 JV) is a high sulfidation epithermal gold system with qualified resources of 685,000 ounces gold in all categories; GGA is the operator and earns in by spending \$12 million. El Cobre (60-40 JV) is an adjacent copper-gold porphyry target where AMM is the operator.

Almaden has nine projects presently optioned or joint ventured to junior partners in Canada and Mexico. It controls 100% of 20 projects and is scheduled to drill ten of those this year, and has 2% royalties on 11 projects. It generates a continuing pipeline of new prospects in eastern Mexico and Nevada.

Discussion and Analysis:

By forming joint venture partnerships, Almaden Minerals Ltd minimizes the risk of exploration while maximizing the chance of discovery.

With prospect generators, the geographical region where the company operates is of paramount importance. Almaden's reconnaissance work is focused in the geopolitically and geologically favorable country of Mexico and the State of Nevada. Although the precious metal potential of Nevada is well known, the Sierra Madre Oriental of eastern Mexico is a little explored geological region called the Eastern Alkaline Province. Alkaline igneous rocks are known hosts of gold and copper deposits worldwide and AMM's current success in the region attests to its potential to host ore deposits.

AMM has a strong working capital position of \$18 million in cash, securities, and gold. Because of the cost of holding 20 projects, it has a relatively high burn rate. That said, the company is well-positioned with sufficient operating funds for several years to come.

It generates revenues that help offset expenditures by contracting its drilling and geophysical equipment to third parties and takes equity interests in joint venture companies that can be monetized at opportune times. At last count, it held stock positions in 19 public issuers on the Venture and Toronto exchanges.

The company has two projects with 43-101 qualified resources. AMM owns 100% of the Elk mine's 520,000 ounces gold in all categories and 206,000 ounces of gold at Caballo Blanco (30% of 685,000 ounces gold in all categories). Total current resources are 726,000 ounces. Using the current peer valuation of about \$85 per ounce of in-situ gold gives a theoretical valuation for Almaden of \$61 million.

With its current market capitalization of \$46 million, Almaden is moderately undervalued with respect to its peers.

However, the Elk Mine is proceeding towards development and has good potential for expanding resources, there is high exploration potential at Caballo Blanco with one deposit being drilled out and ten largely untested targets, and the company has about 30 other projects in various stages of exploration. Many of those are funded by *other people's money*. These are intangibles that lend upside to the market capitalization over the next year.

Almaden Minerals Ltd meets my criteria for a junior prospect generator worthy of speculation. It has a tightly held share structure, experienced management and technical people, and meritorious projects in favorable areas.

I find lots to like about Almaden, enough to become a shareholder and to cover it as a sponsor of my website. I have a vested interest in seeing the stock go higher and obviously think it will.

I encourage you to take an in-depth look at Almaden Minerals Ltd and see if it meets your criteria for speculation.

Ciao for now,

Mickey Fulp
Mercenary Geologist



The [**Mercenary Geologist Michael S. “Mickey” Fulp**](#) is a Certified Professional Geologist with a B.Sc. Earth Sciences with honor from the University of Tulsa, and M.Sc. Geology from the University of New Mexico. Mickey has 30 years experience as an exploration geologist searching for economic deposits of base and precious metals, industrial minerals, uranium, coal, oil and gas, and water in North and South America, Europe, and Asia.

Mickey has worked for junior explorers, major mining companies, private companies, and investors as a consulting economic geologist for the past 22 years, specializing in geological mapping, property evaluation, and business development. In addition to Mickey’s professional credentials and experience, he is high-altitude proficient, and is bilingual in English and Spanish. From 2003 to 2006, he made four outcrop ore discoveries in Peru, Nevada, Chile, and British Columbia.

Mickey is well-known throughout the mining and exploration community due to his ongoing work as an analyst, newsletter writer, and speaker.

Contact: [**Contact@MercenaryGeologist.com**](mailto:Contact@MercenaryGeologist.com)

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