

## **The SmallCap Catalyst Newsletter - Volume 6 #14, August 14, 2008**

### **Update on Animas Resources: Drill Program Results Coming**

We thought it is time for an update and review of this outstanding company which we introduced to our readers this spring. In these turbulent times of volatile markets it's wise to know why you own the companies you own. We believe a company like Animas does not depend on bullish markets. It was created and considered a project of extremely high merit at a time when gold was at \$600 an ounce. Animas has maintained its share price while most other juniors have sold off 50% or more. We feel very fortunate to own shares and look forward to a rapidly developing story.

**Animas Resources (TSX.V: ANI, Pink Sheets: ANIMF)** is anticipating assay results coming back from the lab on the first 4,500 meters of drilling within a 10,000 meter program. They are exploring their concessions within the historically prolific 348 square kilometer Santa Teresa Gold Mining District in Sonora State, Mexico. While consolidating most of the land within this district by the end of 2007, Animas attracted a management team of unparalleled experience for a junior exploration company, led by mining executive and geologist Greg McKelvey, who has 40 years experience and was Vice President Exploration South America for Phelps Dodge.

The size of this project may be difficult to comprehend. To repeat ourselves, Animas holds most of the land in an entire gold mining district! Historic mining produced over 500,000 ounces of gold from easy-to-get-to easy-to-mine shallow oxide gold deposits when gold was at \$280 an ounce. It has long been suspected that this district harbored a very large, strong and possibly deep-seated mineral system. There has long been substantial interest in this district from industry giants as characterized in a 1997 report from Behre Dolbear, esteemed mining industry consultants: "The property contains potential for a deep, Carlin-type target from an examination of the property and the presently available data for the project. The geology, structure, geochemistry, geophysics and mineralization are indicative of this type of system and the similarities to the Post-Betze deposit are very striking. Santa Gertrudis is at the same position the Carlin Trend was at the point in time Barrick bought the Gold Strike property from Western States Minerals and started their deep exploration program. The deep exploration potential at SG is very positive and the chance for deep mineralization is very good. The surface potential, as you know, is without question."

Exploration, additional land acquisition, integration of past data into a model and the development of a new conceptual model of the district proceeds apace. The current drilling program has three goals in a ratio of about 40-40-20: to validate historic deposits, to seek extensions of those known zones and to test deeper targets. Historic deposits include a non-compliant resource of 700,000 ounces of gold. Extensions of these zones may exist under the several square kilometers of gravel on the concessions. Very numerous sulfide outcroppings have given encouragement to management that deeper sulfide mineralization may exist, similar to the Carlin Trend. Shareholders may be pleased to learn that an NI 43-101 report is being created from existing data and will be augmented by findings from the current drill program.

CEO McKelvey runs a tight ship, as you might expect from a thoroughgoing mining professional. It is unlikely that any data will "leak" from this program. However, newsletter writer Darryl Brookstein has visited the property and viewed drill core from hole # 3. This is what he had to say: "The core from this hole ... can be seen [in a picture he provided]... Please note the stark differences in the "look" of the rock above from almost one intercept tray to the next. For me, this indicates the radical forces of super-intense heat, steam, pressure and explosive energy that

geology perpetrated on this ground, probably multiple times, through an extraordinary geologic history...I don't remember the last time I saw anything like this." He was particularly interested in pitch-black material studded with pyrite over 20 meters, "down where they're looking". Mr. Brookstein goes on to repeat that there is no way of knowing that there is gold in this mineralization, though he does not hold back in his excitement.

So Animas has come a long way this year. Since the original consolidation effort, the Company has bought back all of the royalties on the properties they own, has added substantially to their land holdings and has recently signed an LOI for the remaining concessions within the district that saw historic production. Management is simultaneously operating a drill program, building a state-of-the-art computer model from a vast amount of data coming from disparate sources and commissioning a compliant, externally verified report as to the mineralization on this property. Clearly their intention is to replicate known mineralization, extend it, gain a comprehensive understanding of the geology of the district and look for evidence of Carlin-like sulfide deposits. The current thinking is that the surface deposits "are contained within larger, kilometer-sized pyritic zones", implying that the surface mineralization alone might be very large.

Obviously, management is confident that they may discover very large deposits of gold. They are confident enough that they have adopted a poison pill "to ensure the fair treatment of shareholders in the event of an unsolicited takeover offer for the company's common shares."

Although this property, by management's own words, will probably be being explored "for decades", the facts exist that none of the current, highly experienced senior management team is a spring chicken. In addition, the greater part of their compensation is held in a "bonus pool", which means that they will be paid one million shares upon completion of an NI 43-101 report of 1.7 million ounces of gold and another 1 million shares if this resource exceeds 2.7 million ounces, or upon the completion of a take-over bid by an independent party. We speculate that their age and the possibility of this bonus is very high incentive for management and may partially account for the efficiency of efforts to date and the extremely rapid progress to date. The company has also recently filed their 20-F with the SEC which could lead to a senior exchange listing in the US.

It amazes us that with all this acquisition and exploration activity Animas still only has 26,706,762 shares outstanding and around 6.5 million of cash in the bank. We understand that many of the holes in the first part of the drill program are intended to extend historic mineralization. Perhaps that heightens the possibility of good results, which might be published in the late summer. As we said at the beginning of this newsletter, this company does not need a bullish stock market to be exciting.

For more information on Animas, we provide here the links to several newsletters that have recently featured Animas:

Our spring newsletter: <http://www.smallcap.ca/SC6.5.htm>

Mr. Brookstein's Newsletter (with pictures):

<http://www.nanotechnology.com/blogs/blognano/2008/07/animas-update-last-mining-stock.html>

Gold Newsletter: [http://www.goldnewsletter.com/newsletter\\_PDFs/0708\\_Animas.pdf](http://www.goldnewsletter.com/newsletter_PDFs/0708_Animas.pdf)

The Midas Letter: [http://www.midasletter.com/ANI\\_MidasLetter\\_080806.php](http://www.midasletter.com/ANI_MidasLetter_080806.php)

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