

With The Increase In The Price Of Gold, Venga Aerospace Systems Inc. Chose The Right Time To Diversify And Venture Into A Project In Liberia While Also Maintaining A 30% Interest In Their 3D Photo Processing Business, Which Is Also A Business On The Rise



**Business Development
(VAV-TSXV)**



**Hirsh Kwinter
President**

Company Profile:

Venga Aerospace Systems Inc. is a publicly held company based in Toronto, Canada, whose shares are traded on the TSX Venture Exchange under the symbol "VAV". The Company operates or holds interests in three separate business units: aerospace; 3D imaging and gold mining in West Africa. Venga's aerospace division was engaged in the development of a full scale, composite jet drone/aircraft known as the TG-10 Brushfire and has made a formal proposal to the Canadian government to supply replacement jet aircraft for the Canadian Armed Forces'

famed Snowbirds aerial demonstration squadron. The Company's 3D imaging unit holds a 30% interest in a U.S. based joint venture that was created to provide a range of advanced 3D imaging products and services for both the consumer and commercial marketplaces. Venga also owns a 20% interest in Global Mineral Investments Inc. LLC, ("GMI") a U.S. private corporation which was granted Class 'B' Gold Mining and Export Licences by the Ministry of Lands, Mines and Energy of the Republic of Liberia for four concession each comprising approximately 900 square acres located in the Sanquin Mining Zone, Sinoe County in the Republic of Liberia. The company also holds an option to increase its ownership interest in GMI to 25%. GMI, which commenced its Liberian dredging and land based mining operations in June of 2009, temporarily suspended mining operations in late July, 2009 as a result of the onset of the Liberian rainy season. GMI's Liberian gold mining operations were resumed in November 2009, when initial set up and dredging activities were re-commenced at GMI's Dugbe River site. In February of 2010, GMI signed a letter of intent with RAM Consulting Group of Charlotte, North Carolina to raise \$12 million dollars to fund GMI's planned land based mining operations at GMI's Kumasi Hill project in Sinoe County, Liberia.

**Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com**

CEOCFO: *Mr. Kwinter, Venga is clearly more than just aerospace company these days; what are you currently doing?*

Mr. Kwinter: Initially, the mandate of Venga was developing and marketing a fully composite jet fighter plane known as the TG-10 Brushfire. The program ran into trouble in 1998, when, as a result of a fire, we lost the prototype of our aircraft. This event and the ensuing 5 year period it took to settle the litigation that arose from the destruction of the plane required management to look for another business opportunity in a high tech field that we could work and develop. In late 1999, we identified and created what was then an advanced 3D graphic business: Deep Focus Art which provided 3D products and services to the consumer and commercial marketplace. Eventually this business unit was sold to an American based joint venture of which the Company still retains a 30% interest in. With the prices of commodities reaching new levels, management in 2007 also decided to make an investment in the mining business, with the Company securing a 20% interest in a gold mining operation in Liberia, which has been in production in the Sanquin Mining Zone, Sinoe County, Liberia since June of 2009. While the current mining operation is a water based dredging operation in the Tartweh River System it was initially our intention to start a land-based operation. The logistical obstacles, the amount of capital required and start-up costs of our proposed land based operation were so significant that the Liberian Ministry of Lands, Mines and Energy strongly encouraged us to start our initial mining efforts with a more scaled down dredging operation. We adopted this advice and commissioned a company in California to build a custom dredge for us which we shipped over to Liberia. We were required to build a road that would provide

access to our concession areas, but once we built the basic roads we were able to set up the dredge and start dredging the rivers that our geologists and field managers had identified as most promising.

CEOCFO: *Is the aerospace division active?*

Mr. Kwinter: Right now our aerospace division has made an unsolicited proposal to the Canadian government, to replace the Canadian Armed Forces' famed Snowbirds, aerial aerobatic team's current fleet of aircraft. The Snowbirds are currently flying CL-41Tutor aircraft which are more than 40 years old. In fact, I believe the Canadian Armed Forces is the only air force that is currently flying and operating these venerable but antiquated aircraft. Venga came up with what Management thought was a very creative option. We had identified eighteen much newer, higher performing Hawk MK 66 fighter planes that were owned by the Swiss government but were not using. We were able negotiated a very favorable option on these aircraft and a substantial quantity of replacement parts. Though these optioned aircraft had been initially developed and built by British Aerospace, the planes contained U.S. designed avionics and support systems which in turn required Venga to obtain U.S. State Department clearance to complete the planned purchase of the aircraft. Though Venga is a public company and was the planned purchaser of these aircraft, it was necessary for the senior executives of the Company to obtain clearances from the U.S. State Department to complete the purchase which clearances were ultimately secured. Our proposal to the Canadian government was made in conjunction with and supported by a major, multi - international aerospace company, ARINC Incorporated which is most noted for designing and installing standardized radio communication systems in major airports across the globe. This major and renowned aerospace company joined and fully supported our proposal. They repeatedly came to Ottawa with us and met with various levels of the Department of National De-

fense to help and support our proposal to replace the Snowbirds' aging fleet of aircraft. Our proposal, together with other competing proposals from other major aerospace providers, is still sitting before the Canadian government. To use their own expression, the Canadian Government has now completed internal 'apples to oranges' comparisons of these competing proposals. We believe our proposal is one of the best, with the real 'kicker' being that ours was not going to cost the Canadian government any additional money over what the Canadian Government was currently expending on the Snowbirds' program. We were going to lease the newer Hawk aircraft to them on a turnkey operation. ARINC was going to provide ongoing service for the aircraft

We are in a unique situation here where we have a clean balance sheet, we have operating accounts payable and we have no long term debt. Our share price is the same price it was when we had nothing, when we didn't have any investments. Today, however, we now have active businesses in both gold and 3D and I think you will agree that 3D is a buzz word today... While we have a good and diverse mix between what we see as growing markets: gold and 3D, our share price does not reflect these opportunities. When we didn't have any of these businesses we were selling at a higher price, so it is an opportunity. - Hirsh Kwinter

within the existing budget limits that the Canadian Government were expending to fly the much older Tutor aircraft that the Snowbirds are currently flying. However, we have yet to receive a decision with respect to our proposal. As a result of the time delays that it has taken for the Canadian Government to come to a decision and the amount of money that was put into the proposal by both ARINC and ourselves, ARINC was forced to withdraw from the program. Another factor in the ARINC decision to withdraw was that ARINC was going through an acquisition by the Carlisle Group, which is one of the largest private equity groups in the world. After purchasing ARINC, the Carlisle Group made the decision that they were going to disband that company's aircraft maintenance division. That being said we have not pulled our proposal, which is still sitting before the Canadian govern-

ment awaiting a final decision. In the event they gave us the go ahead, we would have to identify alternate aircraft, since the Hawk aircraft that we had optioned, has now been sold to the Finnish government. So we have to identify other suitable aircraft that are in the market and find a major service provider to maintain these aircraft for us. That is where that Snowbirds' aircraft proposal stands. The Company has made an announcement that it is holding our original proposal in abeyance until some positive feedback from the Canadian government is received.

CEOCFO: *How involved are you with 3D?*

Mr. Kwinter: The Company is actively involved in the field of advanced 3D graphics. Venga is a 30% interest holder in an active joint venture that was created to market and sell a range of 3D products and services for both consumer and commercial applications. For accounting and legal purposes, we have no management rights with respect to this 3D joint venture. This is done for many reasons. First, if we had management we would have accounting/reporting issues imposed on the Company that would have made our involvement onerous if not impracticable. That being said, we are actively involved in the 3D business in the sense of promoting, making introductions, acting as consultants and attempting to develop new products and services in the rapidly expanding field of 3D imagery and technology. Our new 3D joint venture, which is based in Houston, Texas has purchased specialized 3D print/processing equipment which is unique in North America. We have the capabilities of producing high resolution 3D hard copy images and 3D images from both analogy and digital 3D cameras. There are hundreds of thousands of analogy or filmed based 3D cameras in the marketplace whose owners have no North American based production facility which can print their images. While this analog based source was the initial market that we had targeted, we are entering

the digital age and we are now in the process of attempting to secure a prominent place in this ever expanding market where we can hopefully provide an exciting line of 3D products and services for the digital marketplace.

CEOCFO: *What special knowledge does the company have that would lead someone to believe you made a good choice in the areas you have chosen to invest in?*

Mr. Kwinter: Part of it is diversification. Part of it is serendipity. When we went down to New Orleans to speak to the investors who ultimately did make a private placement allowing us to purchase our current 3D production equipment, one of the brokers who helped make introduction to investors was Jon O'Regan who had been in mining operations in Liberia before that country's devastating civil war. The civil war forced Jon, like most businesses, to close operations and leave the country. When the civil war ran its course and the Harvard University trained Ellen Johnson Sirleaf came into power as the new president of Liberia, the Liberian government made every effort to attract U.S. based companies to return to the now shattered country. Jon O'Regan was invited by the Liberian government to return and re-commence his mining operations and help provide work for the now 80% of the Liberian working population that was unemployed. We started to discuss with Mr. O'Regan Venga becoming involved in a Liberian gold mining operation that he was considering re-creating. Management thought that this was a unique opportunity. Commodities, especially gold, was an area where you want to be in, since most commodities had seen a precipitous rise in prices. When we started talking to John O'Regan about Venga's participation in a possible Liberian based gold operation, our projections were based on gold trading between \$600 and \$900 an ounce. Since then gold is now trading at world record highs in the \$1350 an ounce range. While we never anticipated gold going this high, I thought it was a good diversification, if not a unique opportunity, because the Liberian government was fully and demonstratively supportive of the proposed project. So Mr. O'Regan went to Liberia and reconnected with some of the geologists and people that he worked with

in the past and they began scouring the countryside looking for possible concessions that should be retained. Once we identified areas that were of interest to us, preliminary testing and assays were conducted to assess the potential levels of mineralization. This field work and testing allowed us to identify 4 concessions that were of interest to us. Once we were able to secure those concessions, we decided to organize and start as quickly as possible a fully operational dredging operation. Carrying on any business, let alone a mining operation, in any part of Equatorial West Africa is a challenge. The devastated state of Liberia's economy and infrastructure only makes that general challenge even greater. Problems such as no electricity, no running water, severe climatic conditions and lack of access to our chosen areas of operation made our proposed mining operation very difficult. Our concessions are in an inaccessible part of the country where we had to build our own roads. In should be noted however, that we are going after alluvial gold, which is gold deposits that are random in the earth. We are not going after bedrock. Bedrock mining requires a significantly larger amount of start up time, heavy equipment, man power and thus capital than our planned dredging operation. The fastest, most economical way to get into immediate production was to start dredging. That is what we have done and we have found gold. Granted, we haven't found as much gold as we were hoping to, but our recovery levels to date should, in our opinion, be viewed as a proof of concept. This season we recovered approximately 38 ounces of gold with the previous season seeing us finding a little less. But it's all part of the learning curve. Our crews had to learn how to use our new equipment and our divers had to learn how to identify those parts of the river that could promise the greatest return. We are quite excited that we have found gold. There are mining companies that spend millions of dollars on exploration looking for gold. We have already found it and it is our belief that if there is gold in the river there will be gold on the surrounding lands because the gold in the river represents the gold that washed into it over the millennium through erosion on the surrounding lands. We are now trying to

raise money for a land based operation, where we can move and process a lot more earth and ultimately recover higher levels of gold using heavy equipment. In the gold business it comes down to how many ounces of gold per tonne you are recovering. Obviously, the more tonnes you are able to move, the more gold you are going to produce. We signed a letter of intent with a company out of Charlotte, North Carolina, RAM Consulting, and they are in the process of trying to raise \$12 million for us for a land based operation.

CEOCFO: *Do you find it is loosening up a bit for the gold investments?*

Mr. Kwinter: Money is tight right now in general, but there are many ways of raising money. You can go after strategic investments, where entities have a mandate to help developing countries and are implementing a broad range of assistive, investment and development funding programs to help these targeted countries' economic development. You also have those ever present venture capitalists looking for promising and diversified investments when traditional areas such as real estate are not as attractive as before. I can say from our experience when we tell them we have an operating and active gold operation, this peaks their interest. So if I had to choose one area to try and raise money in these uncertain times, I believe a project related to gold is among one of your best chances to raise money.

CEOCFO: *And Africa is an up and coming area!*

Mr. Kwinter: Africa, and especially Liberia. There are very few areas of the world that have alluvial gold that have not been exploited. Liberia has not been exploited. The area we are in is basically virgin territory. All the easily accessible gold in the world, like oil, has been largely identified and heavily mined. Now you have to go after areas where gold is much deeper in the ground and much harder to get at and the cost of production is much higher. Liberia is a unique opportunity, rich in many resources, that for many reasons, including, and obviously recent political ones, has not been exploited. So we look at our

Liberian gold mining operation as a potentially huge opportunity for us.

CEOCFO: *Why should potential investors be interested in Venga?*

Mr. Kwinter: From an investor's point of view, they are always looking to get in at the bottom; everybody wants to adopt the tried and true axiom of buying low and selling high. We are in a unique situation here where we have a clean balance sheet, we have operating accounts payable and we have no long term debt. Our share price is the same price it was when we had nothing, when we didn't have any investments. Today, however, we now have active businesses in both gold and 3D and I think you will agree that 3D is a buzz word today. Recently, Hollywood announced that they are producing 26 3D movies next year and they have produced at least 22 this year. The largest all-time grossing film was a 3D film called *Avatar*. So 3D is not just a fad or curiosity anymore. All of the major TV manufacturers are coming out with their respective versions of 3D TVs. Toshiba announced that by the end of the year (2010), they were going to launch a 'no glasses' 3D TV and Samsung and Sony have also said that they have similar technology. So 3D is an area that is growing and we are in the 3D business. We are trying to find a strategic partner who can help us market our product line. While I can't discuss our ongoing discus-

sions, we can confirm that there is interest because it is a growing, if not hot, business. So we view 3D as a potentially growing business. As well, many commodities, such as gold, are in high demand. This demand and pricing strength is reflected by the current high price of gold which some market experts are predicting may reach \$1,500 an ounce, if not higher, in the near future. So gold is a good area to be in also. While we have a good and diverse mix between what we see as growing markets: gold and 3D, our share price does not reflect these opportunities. When we didn't have any of these businesses we were selling at a higher price, so it is an opportunity. We also have structured deals in such a way that we have no downside risk. We have no further funding requirements in either of these business opportunities. We made a one-time investment in them which if they make money we partake in it and if they lose money we have no further cash investment/contribution obligations. So I think that is a compelling story.

CEOCFO: *Final thoughts, what should people take away about Venga Aerospace Systems?*

Mr. Kwinter: Present management takes no salaries and thus can be viewed as truly being in lockstep with the shareholders. Even our joint venture partners are major shareholders in the Company. Everybody is trying to add value to the

Company. We can't be more in line with the shareholders and we couldn't be more committed. The people working at Venga are skilled and the very fact that we were able to structure these deals whether it was with the Canadian, Liberian or Swiss governments, the US State Department or with major international companies like ARINC, we have been able to get their approval and backing. It is an opportunity in that respect. Nevertheless, despite the potential that our business units may have, as with all equity investments, there are significant attendant risks that any potential investor or current shareholder must carefully consider prior to purchasing or otherwise dealing with our Company's shares including the financial viability of our various business units; the Company's overall liquidity and our Company's continuing ability to successfully meet and maintain the TSX Venture Exchange's listing requirements. Any investment decision with respect to the purchase, sale or the continuing holding and retention of our Company's shares should be fully and carefully discussed with a qualified financial adviser so that all foreseeable risks can be canvassed and considered. I would note that these risks are more fully discussed and reviewed in our disclosure documentation.



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