Chad Williams Red Cloud Mining

Issue 1: We provide advisory services and raise money for mining companies. One of our mining clients has an 8.5 million ounce mining project in Alaska. It is a very good project. If I look back three or four years we would have easily been able to raise money for them. Today it is very difficult and the reason is because there is a lack of interest in mining, in general and there is a lack of liquidity in the financial system for gold in particular. So they are struggling to raise even $500,000.

Cause 1: This company has a relatively small market capitalization of about $20 million. They do not have much money right now so time is of the essence. They need the money immediately. They are targeting about $500,000. They are listed on the Toronto Stock Exchange. Volume is pretty good. Their core asset is located in Alaska so they are not eligible for flow through. If they were exploring in Canada, they would be. They are in the gold business. Gold has not done very well recently. Their sector is very much out of favour. The reality is that they would like to raise a lot more money but they would settle for $500.000.

1, Hi, my name is Chad Williams. I run Red Cloud Mining Capital. I am a mining engineer and I have an MBA from McGill University. I was an institutional mining analyst. I also ran a mining company. I started Red Cloud three years ago. We are an advisor to small high growth mining companies.

2, The interesting thing is that I have no idea what is going to happen on any given day. It is very dynamic. I start looking at e-mails at 8:00 A.M. in the morning. We react to the market and how our clients are trading in the market. I am constantly on the phone helping to solve problems for any of our fifteen or so mining clients at any given time. That will go well into the night. I am sad to say that I do that seven days a week almost twenty-four hours per day.

3, My role as the founder is to lay out the strategy for the company. I am the COO as well. I make sure the company operates on a day to day basis. But I am also a rainmaker, I bring business into the company. I have deep relationship and a wide range of relationships in the mining industry. So, supervise, bring in business and hope the whole thing works.

4 I guess I focus on cooperation. I look at myself as a player coach to use a hickey analogy. My view is that the people that I hire, the people that work with me, are self-starters. I do not need to whip them, they whip themselves to use an analogy. So I am more of a monitoring person, more of a team player. It is more cooperation than the old fashion style of leadership which was more dictatorial, I would say.

5, We know we are doing a good job when we bring money in. We are a small company. We do not have a big company on top of us feeding us money. We have to bring the money in every day. Success is profitably and that is number one by far. Also, I guess the satisfaction that people experience by working here. Interestingly we have been alive for three years. We have never had anyone leave the company. I have had to fire two people but no one has ever left. I think there is a strong sense of camaraderie. We are all in this together. Mining has been very challenging for the last three years. However, our market share has grown. Our revenues have grown 50% in each year. We have been successful in a very bad market.

6, Essentially we do four things for mining companies. Again our target market is smaller high growth mining companies. Think of us as a management consulting. We do strategy, we find money for them, we do M&A and we do marketing for them. Those are the four things that our clients want us to do. In effect that is what we do. That is an important concept. We do what our clients want us to do. We listen to their needs. We try to satisfy their needs.

7, We are more like a partnership. I am the senior person. There are two senior people below me. They are also rainmakers. They also in charge of the operation, somewhat. Below that, the people are service oriented. They are the people that react to the new business that we bring in and they will do their respective tasks. We are a very small company. We are only eight people. It is a little bit of an all hands on deck, everyone has to do a little bit of everything kind of system.

8, I do not think that there has been any single event. You know the cliché, 'what does not kill you makes you stronger', is very valid. I have been very fortunate. I have been exposed to many different things. I have seen and learned from a lot of very smart people. I would not think that there is any one thing that has shaped where I am today. I think it is a series of events, some positive some negative. Running a small company like we do is a roller coaster and we are passionate. When we have a win we celebrate it. When we have a lost, we sulk about it for a little bit and then we move on. That is the secret. It is just a series of events every day, every week, every year that basically makes a company and an individual stronger and better.

9, Our money is made by making our clients happy, again satisfying their needs in those four niches. They have essentially the same problems that we have. They have to grow. They have to deal with their service providers, they investors, their stakeholders. We help them manage that. We have experience in many different feels. We are in it them. We are team members. We think of ourselves as members of their team. We help them solve problems. If we solve their problems, they pay is handsomely for that.

10, So a typical client for us is a mining company that has a twenty million to five hundred million market cap led by technical strong people geologists or engineers. But perhaps lacking the knowledge or relationships needed on Bay Street or Wall Street. We are capital markets people. We bridge their technical expertise with the capital providers in the financial world. We are very focused on mining. We only deal with mining companies. Some are gold, some are uranium, some are copper and some are others. But we are very focused on mining.

11, I created Red Cloud to be a different company. Nobody does exactly what we do. We have taken some of the concepts from different other service providers. For example the brokerage community is very good for raising money but they are terrible for providing strategic advice. There are no strategic advisors for small mining companies. So we created a new business in that respect. There are companies that do marketing for mining companies. But they will not raise money or they will not do M&A. We think of ourselves as a one stop shop. We have taken what we think are the best elements from our competitors and put it all in one package. We have no competition right now. Nobody else does what we do. Presumably at some point some will. But we have a good lead advantage. We have a good lead start. Our competitive strength is that we have talented people. It is a cumulative 80 years of experience in mining capital markets. I was a mining analyst. We have another mining analyst. We have a mining portfolio manager. So that brain power does not exist anywhere else.

12, First we are in a very challenging environment. Most small mining companies have lost 90% of their value. 99% of them are unable to raise money. So it is an acute challenge. The tendency for us is to try to compete on price. But by doing that we will compete to zero. But we are no Walmart. To use a car analogy we are the Ferrari not the Hyundai. We are the quality product so price should not be important. We are not big so we cannot compete with the bigger banks. We do not have a global network. We are much smaller. On the other hand we compete because we are nimble. We can react. Our mining clients are dealing with the senior people at Red Cloud, myself or my partners. They are not dealing with the 3rd or 4th person in line. We have to pick our spots. We have to really focus on where we are strong and try to stay away from competing on price. We will lose if we do that.

13, We have been unregulated for the last three years. The big problem as I alluded to is the fact that our clients are unable to raise money. So we are transforming ourselves into an EMD and Exempt Market Dealer. It would allow us to raise money on an official basis. Before we had to do it through an agent. We would find a good mining company. We would find a buyer. But we would have to refer the business to someone else who had a license. Very soon we will obtain an EMD license. So that is the OSC, the securities regulation. Other than that we have very little government regulation aside from taxation or any other regulation that would affect a small enterprise.

14, The most obvious one is changing demographics. The baby boomers are losing influence. We are increasingly focusing our efforts on the millennials. We are starting something brand new which is called equity crowd funding for mining. Nobody has ever done that before. We are very excited about it. It is going to be a real challenge, no doubt about it. The point is that the whole industry is changing. It is very stressful. I wish we could keep doing the way we have always done them but that is impossible. We would die that way. In order to survive we are going to do crowd funding. I mentioned EMD. We have to adapt to the environment.

15, We have eight employees. Our revenue from zero is now well over $1 million dollars. We aim to continue growing 50% per year which we have done for the first three years. We have very, very type A people in general. We recently had an axe throwing event as part of our Christmas party. It was shocking to me how competitive our employees are. We are all type A people. We are all ADD people. We have a very small office in downtown Toronto. We have a small profile and keeping our costs low. In a way we are keeping a low profile because when the market turns, we hope to grow rapidly to capitalize on those opportunities. In the meantime we are keeping a very low profile.

16, When you are starting a new business, there is no book that you read that says, 'this is what you do next.' There is not recipe or rules. We are constantly adapting. We constantly go down dead ends. The key though, is to react very, very quickly. If there is something that is not working, we stop immediately. If there is an employee that is not working well with the group. That employee gets let go immediately. We have no room for failure.

17, The biggest mistake is assuming that you just show up and you will find clients just by being there. It is not easy. To be an entrepreneur and to start a business is one of the hardest things imaginable. If someone is not 100% committed do not do it. Go work for a big company. Work nine to five or eight to six. From zero to six years you may not make any money. If you do it will be a small amount of money. It is a very difficult thing to do. However, it is totally exciting. You get to hire the people that you want to hire. Every day is a new day. I would say focus on the macro-economic context as well, not just about your little business whether you are opening a donut shop or a tool and dye manufacturing plant. Think about you being a little boat in choppy seas. To use that analogy a little further, the weather forecast is important. Even if you are the best company and the best people, if the storm is too harsh you will not survive. People by far are the most important factors. Be very, very selective in choosing the right people. There are two kinds of people. There are self-starters and there are individuals need to be constantly motivated and shepherded. In a small company there is no room for the latter. You have to have self-starters. Those are some of the lessons that I have learned.