



FAMILY OFFICE INSIGHTS

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R E P O R T

Q&A with Daniel Roberts Of Iris Energy Executive Chairman

Principal Series:

Gold mining 2.0 – A \$5bn p.a. growing industry, bitcoin mining has lower operational risks and (unlike any other mining industry) strong downside cashflow protection (a bitcoin miner's unit costs fall when the bitcoin price falls).

With the sector rapidly institutionalizing and competitive advantage now driven by low-cost sustainable energy, Iris Energy is uniquely placed to capitalize, with its incredibly successful multi-disciplinary team with execution track record across energy, infrastructure, construction, finance and digital assets.

Iris Energy is a bitcoin mining business powered by renewable energy. The company currently has 6MW installed and operating in British Columbia, Canada, generating US\$3.6m in annualized run rate revenue and cashflow positive operations. A further 3MW will come online in August 2020 and

expansion is currently underway to 30MW (forecast to generate ~US\$10m in annualized EBITDA upon completion). In addition to 130MW+ of potential at its existing site, Iris Energy also has a 750MW near-term growth pipeline across Western Canada, with 14 sites identified and two in advanced stage due diligence.

Join Us for a Family Office Insights Webinar with Iris Energy

July 22, 2020 at 4:15 PM Eastern

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IrisEnergy



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How is bitcoin mining different to traditional gold mining?

Bitcoin mining has several distinct advantages over traditional gold mining, including:

- lower operational risk (data center infrastructure vs. more complex geological and technical considerations);
- lower environmental risk (powered by clean energy vs. diesel pollutants / toxic waste and contaminants);
- simpler logistics (100% online, daily cash receipts vs. physical delivery and transportation); and
- alternate uses for infrastructure (e.g. high-performance computing).

The most notable difference, however, is strong downside protection, i.e. what happens when the price of the commodity falls. For traditional gold miners, since unit costs are fixed, a fall in the gold price directly impacts margins. In contrast, when the bitcoin price falls, high-cost miners switch off (e.g. unable to cover electricity costs), giving up their share of bitcoin rewards (from a fixed bitcoin reward pool). Lower-cost miners such as Iris Energy continue mining and receive the high-cost miners' share of bitcoin rewards, which lowers the overall cost per bitcoin mined. This downside protection is unique to bitcoin mining, providing a real-time embedded hedge and highly resilient cashflows.

How has the competitive dynamic changed in bitcoin mining?

Historically, competitive advantage in bitcoin mining was driven by access to the latest technology. Manufacturers of the mining hardware were the most profitable miners (e.g. by mining on their own balance sheet for 6 months using the latest technology before selling the hardware to the public). However plateauing efficiency gains and manufacturer competition has led to the commoditization of hardware (much like the journey of solar photovoltaic panels in the late 2000s, and flat screen TVs before that).

Competitive advantage in bitcoin mining is now about institutional-scale operations and access to low-cost sustainable energy. Bitcoin mining energy demand is expected to rise to ~70GW (10x today) if bitcoin reaches 20% of gold's market cap, compared to 23GW of global energy demand for traditional data centers in 2019. This would require investment in real-world infrastructure on an unprecedented scale. In 2017, annualized yields exceeded 1,000% as mining operations struggled for >12 months to scale with the price of bitcoin. Each subsequent bitcoin bull market is creating even longer periods of super profits for miners. The world is on the cusp of an incredible gold rush and demand for clean energy.

Why is Iris Energy uniquely placed to succeed?

In the context of this new competitive dynamic, the winners will be those with the capability to: (i) secure, manage and develop large-scale, low-cost renewable energy infrastructure, and (ii) unlock institutional capital to finance those operations.

Iris Energy is uniquely placed to succeed in this regard:

- Backed by an incredibly successful team with significant execution track record across energy, infrastructure, construction, finance and digital assets.
- Strong Government relationships and 750MW near-term growth pipeline across Western Canada powered by renewables.
- Track record of delivery with 6MW data center already operating, 3MW under construction and pipeline ready for immediate expansion.
- Vertically integrated with in-house design, development, technical and operational capabilities.



Daniel Roberts Of Iris Energy

Daniel Roberts of Iris Energy

Daniel has 15 years' experience across the finance, infrastructure and renewables industries and recently exited as 2nd largest individual shareholder in Palisade Investment Partners, an infrastructure funds management business managing A\$8 billion in direct infrastructure assets across 23 businesses. Daniel was ultimately responsible for Palisade's origination and business development activities, as well as the management of a number of portfolio assets (incl. serving as a director on the board of Palisade as well as many of Palisade's investee companies). Prior to joining Palisade, Daniel spent six years in M&A advisory, debt structuring and principal investment with Macquarie in Sydney and London. Daniel worked across the Real Assets, Infrastructure & Renewable Energy sectors where his role included origination, execution and transaction management of investments, as a principal investor and in an advisory capacity for co-investors and infrastructure funds. Previously, Daniel worked with PricewaterhouseCoopers for 2.5 years in their Financial Services Group with exposure to auditing and accounting in funds management, banking, foreign exchange and financial regulatory. Daniel holds a Masters of Finance (Dean's List) from the INSEAD Business School and a Bachelor of Business from the University of Technology, Sydney. Contact Daniel: daniel.roberts@irisenergy.co



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Alert & disclosure: The Coronavirus (COVID-19) has now been identified in New York City. During the outbreak of the virus, in order to protect the health of our friends members and staff. Family Office Insights, BavelasGroup LLC and all affiliates is following the recommendations of the CDC and suggest you do the same. Affected individuals should limit their exposure to everyone including fellow members and staff.

Affected individuals include members, non-members, guests, general population and staff who exhibit Coronavirus symptoms (including but not limited to fever, cough and shortness of breath), may have been exposed to the Coronavirus, or who have recently traveled to countries affected by the Coronavirus. Limiting exposure may include self-quarantining, avoiding common areas, and limiting close contact with others as much as possible.

All are also encouraged to continue to engage in everyday preventative actions, including covering coughs and sneezes with a tissue, washing their hands often with soap and water for at least 20 seconds (or using hand sanitizer), and cleaning frequently touched surfaces and objects daily using a regular household detergent and water. We DO NOT assume or accept any responsibility for the negligence or any action or inaction of anyone. As is our standard policy, we will with pleasure reschedule any service with best efforts issuing FOI services credit only. Please note it is your choice to participate or interact in any way with anyone and is your choice alone and you assume the responsibility thereof. Family Office Insights, BavelasGroup and/or an affiliates or assigns does not offer or give medical, financial or investment advice, or offer or suggest or recommend securities or any other invest for sale or otherwise, and is not a broker dealer. Anyone considering deployment of capital will likely be well served by seeking advice from a qualified professional. I love you.

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