



Soluna Holdings, Inc.

## February 2022 Monthly Flash Report

### Transcript

Good evening. This is Michael Toporek. I'm CEO of Soluna Holdings. Thank you for joining me for our February 2022 Flash Report.

The following discussion is completely qualified by the legal disclosures on the several pages that follow this one. Our goal is to share with you some of our strategic thinking and financial analysis that we're using to guide the growth of our business. This discussion is in line with our principles of being accountable and transparent with shareholders.

We operate in a hyper dynamic economic environment. That's really a fancy way of saying things change quickly. What we're telling you here is based on our estimates and assumptions which are our best guess. We reserve the right to revise our point of view based on new information and changes in the business environment. Despite an uncertain, dynamic environment, we have to plan and make operating and investment decisions. This presentation lays some of that out for your review. The following several pages are legal disclaimers that you should review.

As I usually begin most of our flash reports, I like to reiterate certain of our key operating principles. Most importantly, that's alignment of interests, accountability, and transparency. We're very careful to transmit to our investors information on our performance every month. Transparency and communicating with you is vital. Our interests are completely aligned with yours, in that we own over 30% of the common equity of this business.

Furthermore, I personally got myself involved here to assure that we have high velocity execution and that we build the best team in the business. And the decision rules around how we raise and deploy capital take into account cost of capital, and at the same time are very focused on generating returns on invested capital that merit investment. And that we communicate to you and are held accountable for on a location by location and by investment basis.

I think you'll learn that we have a long-term business strategy that revolves around much more than just crypto. We buy curtailed energy from renewable power plants and convert it to clean, low-cost global computing. What that means is we're taking energy that would be otherwise curtailed and result in no cash flow for renewable energy power plants and using it to drive batch-oriented computing like cryptocurrency mining, for example.

This means that we're also looking at opportunities beyond digital currencies, which include graphics, video processing, scientific research, pharma research. These are very significant opportunities for batchable dense computing. Today I will

cover the following items with you. I'm going to give you a quick business update, then work into February's results in detail.

Let me give you a quick business summary. In February, our Prop Mining Bitcoin Equivalent generated per day increased by over 16%. We are scaling. As of March 12th, we had 815 petahash installed and over 185 petahash on the ground being plugged in as we speak to meet our one exahash target by the end of March. Excluding hosting, once we hit that target, I expect the company to mine over 100 BTC equivalents a month.

Our second quarter hashrate is expected to grow by over 36% relative to our first quarter hashrate. Our operations continue to scale. Dorothy's site preparation is in full swing. Our project pipeline continues to be robust as Soluna becomes a leading curtailment solutions provider to the renewable energy business.

The graph here simply lays out a couple of our key targets for 2022. First is energizing megawatts. We've successfully done that for the first quarter. The second is scaling our hashrate and we've successfully done that for the first quarter. We're on path to hit our one exahash goal by the end of this month. Units are on the ground being plugged in. Our next goal for the June quarter involves plugging in 261 additional petahash of prop mining. That'll increase our prop mining by over 36%. And you can see the progression we've undertaken and the goals we've hit along the way.

So an interesting thing has happened in the past several months that I haven't addressed until now that I'm going to address. With a decrease in Bitcoin prices and crypto in general, the prices of equipment have dropped. So given this dynamic crypto ecosystem, the call it about \$300 million cap budget I put out to you in January, that budget has dropped by between 50 and \$70 million to becoming a 230 to \$250 million budget mostly driven by the significant decline in the price per terahash we need to pay.

So yes, Bitcoin prices have gone down, which does affect our revenue. But on the other hand, it has had dramatic effects on our CapEx budget going forward. We've made significant progress on capital raising. First, I expect the sale of the instruments business to close by the end of March, we're actively engaged with capital providers talking about specific terms. I'm usually biased against disclosing any of the terms and term sheets and LOIs until we're prepared to close. And you should expect a steady set of capital raising announcements throughout the second quarter.

So next up I have our facility results review. The order in which I'm doing this is a little different this time. And I think this works better for the presentation. We'll look at each facility, highlight a few operating statistics, and then look at the consolidated roll up of all the facilities. Edith, we continue to optimize the equipment mix at this facility. Cash contribution margin rebounded from 83,000 in January to 132,000 in February. Bitcoin equivalent mine increased by 24% from January to February hashrate and megawatts deployed decreased a little bit, but we're optimizing the coins we're mining. And at, for example, as of March, we expect to increase our hashrate significantly at this facility.

This is the information in table form, as well as historical information for your review. Next up is Sophie. We ramped to 274 petahash here. As of March 12th, that's a 29% increase from the average hashrate in February. And as of March 1st, we're on our long-term power contract, which gets us 2.5 to 2.70 cents per kilowatt hour pricing. Uptime is usually about 85% and that's a significantly lower rate than had until now because we've been on the ramp up temporary contract. This page lays out in table form historical results in more detail on Sophie's operating and financial results.

Marie scaled up to 25 megawatts and fully energized on February 10th. We also completed our plan transformer upgrades, Prop Mining Bitcoin Equivalent generated increased 24% from January to February. And the seller's legacy customer rolled off earlier than planned. That had some effect on the overhead absorbed, in that the overhead absorbed by

the customer was now allocated to our proprietary mining. And that causes our margins to temporarily decline until we can fill those slots with our own miners, which we expect to fill that through the end of March.

Also in March, our facility experienced a near complete shutdown for several days because of the failure of electrical infrastructure outside of Soluna's responsibility and purview. We give you some of that time to perform planned maintenance and reduce future planned downtime, but we also learned a few things. Most importantly, that the company needs to interject itself to inspect and ensure excellence in the preventive maintenance of certain electrical infrastructure that feeds our facilities, even if the infrastructure isn't owned by the company or maintained by the company.

This page lays out, again, some more financial and operating statistics historically for Marie. This goes over our joint venture economics and summary operating metrics. In terms of looking at our total roll up, the proprietary BTC on a consolidated basis, we generated 16% more per day. We did just really talked about the under-absorbed overhead at Marie. We expect that situation to resolve itself by the end of March.

As of March 1st, Sophie is going to move to our long-term contract, which should increase our profitability by lowering our electrical costs. So BTC equivalent mine per day is up. Our hashrate is up and our hashrate is forecasted to continue to increase. The following is a table with our financial and operating statistics for on a consolidated basis for your review. I did want to end my presentation today with talking about operational excellence. The team we have has successfully ramped two facilities and is planning the construction for a third facility. US shareholders every month have seen how our ramp up are bumpy, issues arise, but also they're resolved quickly. We'd specifically like to thank our operations team and some of the people that are really working above and beyond the call of duty recently and those include Corey, Nathan, Aaron, Gary, JT, Jim, Phillip, Larbi, and Anna-Lynn.

I also want to thank their families because I know they're working weekends, nights, and that's a tremendous imposition on their families. Again, team, thank you.

Thank you for listening to our presentation. If you have any questions or comments, please feel free to reach out directly to the company or to me. Our contact information is on our website. Take care and I'll see you again next month.