May 21, 2024

Dear Shareholders,

As we close another year at Soluna, I am pleased to reflect on our significant progress and set forth our vision for 2024. Our mission to make renewable energy the primary power source, using computing as a catalyst, remains unchanged. With the drastic rise in the need for AI computing, it is more attainable now than ever before. A convergence is happening right in front of us.

We are positioned extremely well to grow at a rapid pace based on this convergence of renewable energy and AI. We call this renewable computing – a concept we are materializing in our green-powered data center projects.
All forms of renewable energy are growing faster than ever. But renewable energy has a wasted energy problem; 30-40% of energy produced by renewable plants goes unused.

At the same time, AI computation is growing faster than Moore's Law, thus AI energy demand is growing exponentially. This surge in AI demand will catalyze the development of innovative computing solutions that also promote the expansion of renewable energy infrastructure. As this infrastructure develops, addressing the challenge of wasted energy becomes increasingly critical. Soluna's approach positions us uniquely to tackle this by leveraging our ability to convert wasted energy into computing power.

Soluna operates data centers co-located with renewable power plants, turning their wasted energy into sustainable computing resources. We are the sustainable solution to harness the AI revolution.

What happened last year?

In 2023, we diligently executed our four-pronged strategy, focusing on energizing our projects, optimizing cash flow, expanding our flagship operations, and growing our project pipeline. Here are the key milestones we achieved:

Energize Project Dorothy: We transitioned Project Dorothy from construction to full operations, energizing 50 MW across Project Dorothy 1A and 1B. Our partnership with Navitas to establish a proprietary Bitcoin mining operation proved fruitful, and we successfully sold an 85% membership interest in Project Dorothy 1A to Spring Lane Capital (SLC). This venture has raised capital and filled Project Dorothy 1A with 25 MW of strategic hosting partners.

Cash Flow and Process Optimization: Shifting our focus from proprietary Bitcoin mining to hosting, we secured 50 MW of hosting contracts across Project Dorothy and Project Sophie. We replaced underperforming deals with more profitable contracts and implemented a new ERP system to enhance efficiency and scalability. Our operating cash position grew from $1.2 million to $6.4 million by year-end.

Expand Flagship: We are moving forward with the development of the next 48 MW of our Project Dorothy data center, Project Dorothy 2, which cleared the ERCOT modeling process early in the first quarter of 2024. This makes the project shovel-ready.

Grow Pipeline: We signed a term sheet for a new 166 MW data center, Project Kati, integrated with a 300 MW wind farm. We advanced the project through the ERCOT planning process, setting a solid foundation for future growth.

Soluna's Data Centers Outperform Traditional Data Centers

REsurety conducted an independent study that concluded that Soluna's Project Dorothy data center in Texas emits 18% less carbon emissions than a traditional, inflexible data center and can be up to 40% greener than its cryptocurrency mining peers.

Our reputation as a leading curtailment solutions provider continues to grow, with our brand now synonymous with innovative renewable computing solutions. Our unique behind-the-meter structure draws power directly from power plants or grids and offers demand response services, optimizing costs for Bitcoin mining and future applications in AI and other high-performance computing (HPC) areas.

We are fundamentally an infrastructure company, owning and operating state-of-the-art data centers. Our facilities, powered by our MaestroOS™, efficiently manage various operational parameters to maximize profitability and sustainability.

Looking Ahead to 2024

Our goals for the coming year are both ambitious and strategic:

Grow: We aim to double our assets under management to 150 MW by the end of 2024, focusing on constructing and energizing 48 MW of Project Dorothy 2 and breaking ground on Project Kati.

Finance: We plan to raise funds to support our growth initiatives, particularly in our AI business, which is a perfect fit for Soluna's renewable computing data center model.

Optimize: Our objective is to optimize operational excellence and EBITDA across all data centers while maintaining high customer satisfaction. We have 2 MW of our Project Dorothy 2 site slated for our Helix Pilot, focused on next-generation data centers for AI. We will partner with industry leaders to bring this online and create a repeatable blueprint for our new AI business.

Launch AI: We are at the convergence of AI and Renewable Energy. Renewable Energy has a wasted energy problem. AI has an energy consumption challenge. To reach its full potential AI needs a sustainable energy source.

As we step into 2024, our commitment to innovation and sustainability remains stronger than ever. We look forward to harnessing our strategic advantages to drive growth, maximize shareholder value, and contribute to a cleaner, more efficient energy future, leading the wave in renewable computing.

The Soluna Way

Soluna is on a mission to make renewable energy a global superpower using computing as a catalyst. The company designs, develops, and operates digital infrastructure that transforms surplus renewable energy into global computing resources. Soluna's pioneering data centers are strategically co-located with wind, solar, or hydroelectric power plants to support high-performance computing applications including Bitcoin Mining, Generative AI, and other compute-intensive applications. Our team is composed of experts in power, energy markets, project finance, computing technology, and data center technicians.

What's more ...

We have the best team in the business

We have a resilient group. 2022 into 2023 brought some major headwinds for the industry, and our team was committed to taking them on to get us in the position we are in today, with a focus on doing the best for our customers, partners, and shareholders. I couldn't be more grateful for the team, their commitment, and their grit to continue to push. I'm excited and encouraged to bring them on our growth path in 2024 and beyond.

We are the leading curtailment solutions provider

For more than 6 years we have developed expertise in renewable energy and have built a unique solution to address the industry's biggest challenge – wasted energy. Our brand is now synonymous with curtailment solutions.

We now have relationships with the industry's leading renewable energy developers and have a growing pipeline of de-risked projects with access to low-cost power resources.

We have a repeatable way to grow our supply of sustainable, low-cost power from renewable energy generators. Our unique behind-the-meter structure allows us to draw power from the power plant or grid, while also providing ancillary services. This approach allows us to offer the lowest cost of power for not only our current Bitcoin mining operations but also for the increasing demand for AI computing.

We deliver strong return on invested capital

Our behind-the-meter projects are structured to use capital efficiently, generate strong cash flows, and return all invested capital in about 2 years.

I continue to believe in our mission – making renewable energy a superpower using computing as a catalyst. The convergence of renewable energy and AI is a pivotal point for our company, and we are ready to take it head-on.
Thank you for your continued support and belief in Soluna.

Warm regards,

John Belizaire
CEO
Soluna Holdings, Inc.