



Soluna Holdings, Inc.

September Flash Update 2021

Company Update

Transcript

Good morning. This is Michael Toporek CEO of Mechanical Technologies, Inc. Thank you for joining me for this September 2021 flash update.

These are the customary legal disclosures we include in our presentation. Please take time to review them as they help set the context for what we're presenting here. Let me flip through the pages. This is page one, page two, page three, page four and page five.

I'll take a quick moment and talk about our key operating principles. We're very focused on alignment of interest and transparency and accountability. Our firm owns close to about 30% of the equity of the company. Our interests are very much aligned with shareholders and we are focused on being transparent with you, our shareholders, every month as we release this information. In addition, you'll see us making decisions using return on invested capital and capital discipline as one of our guiding principles. Also, you'll see us setting a very high bar for execution and trying to hold ourselves to that standard. And furthermore, developing a long term strategy for this business.

In this presentation, I'll begin by talking you about the ongoing operations at EcoChain, and then I'll get into some details and site level financial information.



This is the business update. So to repeat something that many of you heard before we are energized and ramping up to hit our 50 megawatt target by the end of the year. September was a month where we set up our infrastructure to make this rapid ramp more efficient. In early May 2021, about six month-ish or so we had the expectation that we perhaps have 216 PH/s up and running by the end of September. This was really an illustration of the company's potential earnings power. So lo and behold, October 8th, 2021, we have 300 PH/s hash running eight days late, but I believe given the environment we're dealing with, I still consider that a success and we've exceeded our target. Anaconda and Python continue to ramp both megawatts and hashrate through the fourth quarter.

Our hashrate is ramping significantly. You'll notice here, we've got the blue bars represent the average hashrate per month. On October 8th our hashrate on that day was 300 PH/s we continued to expect to ramp throughout the month. Let's break down this hashrate for a moment between proprietary mining and our Hosted JV. I've talked to you several times about our Hosted JV, that was a commitment to put together 10 megawatts for a customer and have them cover our people cost, our operating costs and sharing the revenue with us. We've gotten them by October 8th, about 193 or close to 200 PH/s. I expect that that will rise over time to 300 PH/s, because that fills out about 10 megawatts of capacity in the out was our commitment to them. We're prioritizing the Hosted JV plugins because that was our commitment to that one particular customer. So Anaconda has continued to energize through the month of October and that should help us plug in more proprietary hashrate.

Let's talk about the September infrastructure activities that were undergone at the Python facility. Most importantly, we reorganized the facility to optimize a placement of hosting machinery as well as proprietary machinery to allow us to scale rapidly. We set up key software across our operational base and in addition create a more robust internet access backbone at Python. This did come at some cost to us in that the proprietary hashrate operation in the middle of the month at Python decline, then ramped up again significantly by the end of the month. So there was an opportunity cost to putting this infrastructure in place. We felt it was best to engage in this activity in September versus October, November, December, or later, simply because a ramp would've been more difficult and the opportunity cost of doing this would've been higher.

So let's take a look at what this meant statistically at Python in August, our monthly average hashrate was 40.42. In September it was 32.39, but at the end of September, it



was 46.29. And our proprietary hashrate on October 8th at Python was 68 PH/s. That just gives you an idea of the opportunity cost we faced when doing this.

Just a quick update in the facilities. TNT continues to deliver, we increase the hashrate there slightly. Anaconda's ramping has just brought up 30 PH/s in about three and change megawatts up by October 8th. At Python, we continue to ramp up that facility, but at the same time, constructively engage with the utility to move our purchase to a close.

Some more good information. This is a simple graph of price versus hashrate. And you can see that for part of the quarter we did not benefit from price increases, but that's reversed itself in October.

September flash numbers, I'll read you the quarter, feel free to read the month on your own. The quarter cash contribution margin was 1.657, but given the October 8th run rate, we felt it was constructive to demonstrate to you how significant that step function was. And we believe that the cash contribution will be in and around a million dollars as a consequence of that ramp. This simply annualizes that cash contribution ramp and again, it's important that you notice that this graph is not uniform in its progression. There are a couple of variables at play here. First, our physical ramp is not even month by month and the volatility of Bitcoin prices also has a significant effect on our revenue ramp.

So let's compare how we did for the quarter versus the illustration we put out about six months ago. The world has changed a lot since we put out that illustration, but since I know many of you still like to look back on that and compare it to how we did, I'll do that for you here. I'm not going to true up the revenue since the world's changed a lot, hashrates changed, ramp is different. But let's look at kind of the bottom line. We came pretty close and the difference can be broken down into two parts. First, if Bitcoin average 45,000 versus 42,000, that would've gotten us almost halfway to close the gap. And the other piece I think had to do with not completely, but mostly, the reorganization we did in September and how the hashrate came down in the middle of the month as we did that reorganization. I will again, reiterate that we are prioritizing the JV plugins to meet our commitment, it's somewhat lower margin, but obviously it's at a greatly reduced capital cost.



These are some operating metrics from EcoChain combined. The TNT location continued to deliver us in a consistent fashion delivering about 213,000 in cash contribution margin. The Python facility, especially in September, was affected by that reorganization and hence its cash contribution came in at 338,000 for the month when, given its revenue, it should have been substantially higher. Let's pull the Hosted JV numbers out of Python, just so we can highlight the revenue and profitability. Given the September performance, I continue to believe that the JV contract will be on track once fully operational to yield us about 200,000 per month in cash contribution margin. Right now we're about just under four megawatts deployed, when we get to 10 megawatts deployed I would expect this number to be about \$200,000 per month.

These are the Python operating metrics, which you can review, but I will say that next month I'll be pleased to report to you that will have the Anaconda operations reporting as well since they are flipping on and ramping up. Be very interesting for us all together to take a look at the first month of operations of that new facility. Thank you for joining me. If you have any questions, please feel free to reach out to me by email or get in touch with Kirin at PCG and he'll forward questions over to me. Thank you.



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Numbers presented BEFORE the release of Form 10-Q for fourth quarter ended December 31st, 2021, are monthly estimates and subject to change upon final accounting adjustments and entries. These monthly estimates are presented as an illustration of management's review of key metrics that help in understanding the performance of the Company. Readers are strongly encouraged to review this presentation in connection with the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2021, Company's Quarterly Report on Form 10-Q for the period ended June 30, 2021, Company's Quarterly Report on Form 10-Q for the period ended September 30, 2021, and the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

