Soluna Holdings, Inc.

July Flash and Second Quarter Earnings 2021

Company Update

Good evening. This is Michael Toporek, CEO of Mechanical Technology Inc. Thank you for joining the combined MTI second quarter overview and the July 2021 EcoChain update.

For a variety of reasons, we're doing both of these in one presentation. We don't expect to do this going forward, and I want to apologize in advance for throwing so much information at you. As usual, if you have any questions or feel like something was unclear, please reach out to us. We're also doing audio only for this presentation as it's a bit it longer, and it'll let our technical team process the presentation more quickly so we can get it out to earlier. Following is three pages of legal information you should read and consider prior to reviewing this presentation. It's important you understand certain terms we use, their context, and how they're intended

For those of you who knew our presentations, you'll recall that I usually like to start by reiterating certain of our key operating principles. They guide our decisions when managing the capital you've entrusted to us. We have significant alignment of interests. In investment firm, I help to manage controls over 30% of the common shares of the company. We work hard to increase the value of our enterprise. We also want to be transparent with you, our owners, and report our results every month with sufficient details you can understand how our company's doing. We give you information flow that's similar to what we would want and that we routinely get in our private company investments. Lastly, we're focused on capital discipline, measuring and generating strong returns on investor capital. That principle guides our capital allocation strategies.

Today, I'll begin by highlighting a couple of developments in our EcoChain operating business. There were Joint Venture, and then I'll talk to you about our hashrate we're plugging in over the course of August and September. Then I'm going to guide you through our July EcoChain results by location. And finally, I'll hit some highlights from the second quarter performance of our EcoChain instruments business.

As we mentioned, we've been in discussions with miners from around the world to help them find locations for their equipment. Actions in Asia have caused a significant market dislocation. And we're in the fortunate position of being able to offer these companies a solution. I'm happy to report. We've reached an agreement on a joint venture with a global miner whereby we operate their equipment. They cover our power and personnel cost, and we get a significant portion of the revenue. That projected cash flow stream is about 60% to 70% of the revenue we originally anticipated from deploying second and third generation chips, but we're getting that with zero CapEx.

Also, as a result of the recent market disruption, we've changed our equipment mix to include many more IS19s and equivalents since their payback periods have moved from 16 to 20 months to six to nine months. Newer generation equipment is more power dense so we can deploy more hashrate or computing power per megawatt than our prior equipment mix that we put into our May earnings power illustration. For our Python site, the net result is that we will own 450 Petahash of equipment as we published. And on top of that, we're going to have the JV revenue. That dramatically increases the earnings power of Python.

The last part of our business update is to show you how our capital discipline strategy starts to play dividends. We're starting to take delivery of the S19s we bought recently to ring the market turmoil. They're being plugged in as we speak. We'll increase hashrate by 269% in August, and 863% in September when compared to July. This is just the beginning of our ramp up. We will ramp Python as more plugs are made available to us over the rest of the year, and we will fill Anaconda in the fourth quarter. We are very conscious of the illustration of our potential earnings power we published in

May, and are working aggressively to hit that hashrate ramp for Q3 and Q4. All I can say is so far so good.

Let me now quickly turn to our EcoChain monthly flash report for July, where I'll highlight how we did in July. July was somewhat better than June, but very much comparable. Our hashrate was about the same, a mark conditions over the course of the month of the two months were on balance similar. Revenue increased slightly as did contribution margin. Our run rate contribution margin is 4.3 million per year. As pointed out earlier, this is ramping out up significantly in August and September, and for nearly every month of the remainder of the year.

Our TNT location produced strong results. It's a mature facility, but we continue to optimize the equipment mix. At the end of the second quarter, we have returned all the capital we invested in this location in under 12 months. We're on pace to double our money in 18 months, which will be by the end of 2021. Python's results are as expected and a small improvement over July. This facility is ramping significantly in August and September and through the rest of the year as hosting customers from the landlord Burnoff, and we're able to install our machines and those of the JV.

Let's turn to the quarter. Much of this information should not be new to you for EcoChain. So I'm going to highlight quickly, just a few items. Our second quarter results in EcoChain for 2021 were very strong as we continue to scale the business. We expect revenue growth momentum to continue. And our TNT and Python minds really performed as expected. We continue to be on target to have 50 megawatts in operations by the end of 2021, which was the goal we set out at the beginning of the year.

This is our consolidated financial results down to the EBITDA line. Please note that our EBITDA contribution from the EcoChange segment was above a million dollars, which would put it at a $4 million run rate. That's before accounting for certain one-time expenses in SG&A that would probably improve those results. And as you can imagine, as we ramp in August and September, we'll have multiples of this result going forward.

Here's where we present the results of TNT. They were solid and as expected for the quarter. And this is that graph where we show you that we've returned all our capital for that location at the second quarter. And we're guessing that by the end of 18 months, or by the end of the fourth quarter, we'll have two times our capital back from that investment. In terms of Python, it really began to scale over the quarter, but the real performance ramp is in the third quarter, beginning in August, as our people install our S19s and ramp up results dramatically.

We committed to having 50 megawatts in operation by the end of the year. It really seemed like a big goal to put out there, considering we only had two or three in operation when we said that. We are, through the hard work of so many people at our company, very much on target to accomplish this. I would now like to turn over the presentation to Moshe Binyamin, who will walk you through the results and outlook for our instruments business.

MTI Instruments Update

Thank you, Michael. I am Moshe Binyamin, President of MTI Instruments, and I will be providing the operational update. This update will consist of three sections. I will first discuss major business trends that are driving the business activity. I will then review our financial performance, followed by highlights of the business trends that contributed to that performance. And I will conclude with a summary of our priorities and focus for the remainder of the year. So let's get started.

Let's now review our Q2 performance. MTI Instruments revenues for Q2 totaled 1.6 million, maintain a contribution margin of 70% or 1.14 million.

In the second quarter of 2021, we continue to see improvement in business volume, which translated to more leads, quotes, and orders. When we look at the amount booked, we can see over 20% improvement over prior years run rate business, meaning prior year order amount, minus one time US Air Force order of 3.2 million. While we are encouraged by this trend, we believe there is greater opportunity we can realize once the market returns to pre-COVID conditions.

From a new product perspective, we have entered the application qualification stage with our capacitance sensors, and we are gearing up to do the same with our self-contained wireless and wired probes. On the aviation side, we received positive feedback on our commercial aversion of PBS G4, especially from freight aviation who value high portability. Battery operation of the PBS is important to the maintenance crew since it allows them to perform aircraft maintenance work away from electrical outlets and costly maintenance base. And finally, Cloud infrastructure work is underway on our next generation signal generator, which we are targeting to have a working prototype for in late Q4 of this year.

In conclusion, during the first half of 2021, we have seen good progress in spite of travel restrictions imposed due to COVID, and we remain committed to our strategy of developing more complete solutions for select verticals. Our singular measure of success continues to be accelerated growth, and I look forward to sharing with you the progress we will be making in the coming months. This concludes the operational update for MTI Instruments. I want to thank you for your time, and we'll now pass it on to Jessica Thomas, our Chief Financial Officer, who will deliver the financial update.

Financial Highlights for Q2

Thank you, Moshe. And thank you to those who have continued to join us, and welcome to new listeners. I would like to share some financial highlights with you. We earned 3.3 million in combined revenue for Q2 2021, which is an increase of 971,000 or 41.6% over the first quarter of 2021. This is mostly driven by the EcoChain line of business, which recorded second quarter revenues of 1.6 million, an increase over first quarter of 662,000 as a result of continued growth and scaling operations. We will continue to publish EcoChains revenues month-over-month and quarter-over-quarter at the site level to provide comparisons and understanding of the growth. We are also continuing to invest into the business as is evidenced by our capital spend with an investment of over 1.5 million during 2021, with additional construction and progress expected to be online in late Q3. As well, EcoChain, at the TNT site, continues to perform well. And in the second quarter returned capital invested and paid profit sharing.

We were able to successfully close a capital race that contributed a net of 15 million after expenses. This capital will continue to help the EcoChain line of business, continue to grow and deploy in a targeted approach. Although we've realized an increase an SG&A expenses of 3.2 million and 2021 year-to-date versus 2020, net loss was only 1.8 million year-to-date of which there were two million of one time expenses. We'll go into further detail on the G&A expenses in the coming slides.

In the second quarter, we added three million in additional SG&A expenses to bring our year-to-date SG&A expenses to 4.9 million. This represents a 3.2 million increase over the prior year-to-date. We do expect the SG&A expenses to be higher than prior year due to additional costs related to our status as an SCC reporting company, and the addition of the cryptocurrency been unit. Both the additional costs that we are incurring that are one-time expenses, as well as what we expect as continuing expenses are foundational for our growth strategy. We remain committed to a disciplined spend approach, whether it is referencing capital spend or operational spend to focus on the return of that cash, including where there is value added.

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The 3 million in SG&A expenses for Q2 is an increase of 2.2 million over the same quarter prior year. When we take a look at what that increase represents, we'll note that there's approximately one and a half million that we expect to be one-time expenses. Of that one and a half million, one million was non-cash stock compensation paid to our CEO, Michael Toporek, and the Board members. In addition, there was approximately 480,000 for legal and other expenses related to pipeline acquisition costs. We expect this 1.5 million to be a one-time expense, and again, key for the foundation of our growth as we move forward.

Thank you for taking the time to come today and listen to our second quarter results. And we look forward to meeting with you next time.

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To supplement our consolidated financial statements, which are prepared and presented in accordance with GAAP, we use the following non-GAAP financial measures: non-gaap revenue, contribution margin, adjusted cost of cryptocurrency revenue and adjusted EBITDA contribution. The presentation of this financial information is not intended to be considered in isolation or as a substitute for, or superior to,the financial information prepared and presented in accordance with GAAP.

Use of Estimates in monthly Presentations

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.