Soluna Holdings, Inc.

November Financial Update 2021

Company Update

Good morning. I'm Michael Toporek, Chief Executive Officer at Soluna Holdings, Inc.

Thank you so much for joining me this morning for our November 2021 Flash report. As usual, I begin with a legal preamble. The next several pages describe that our discussion here is completely qualified by those legal disclosures. Our goal is to share with you some of the strategic thinking and financial analysis that we're using to guide the growth of our business. The discussion here is in line with our principles of being accountable and transparent with shareholders. We clearly operate in a hyper-dynamic economic environment. That's a fancy way of saying that things change quickly. We're telling 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. But 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.

As is customary for our flash updates, we usually like to begin with a quick reiteration of our Key Operating Principles. Accountability and transparency are critical to the way we run our business and to the way we communicate with you. A private equity firm that I helped to manage owns about 30% of the company. We're very focused on high-velocity execution. You'll find that the decisions we make target return on invested capital and are extremely disciplined from that perspective, I think. Especially as we roll into next year, we talk about the description of a long-term strategy beyond crypto. You’re going to begin to see evidence of that and very clearly how we separate ourselves from the rest of our competitors.

One of the things that I've mentioned to you before is that we're really quite different than our competitors. We aren't running around chasing PPAs. We are problem-solvers for the renewable energy sector. We buy curtailed energy from renewable power plants and really convert it to clean, low-cost global computing.

For example, one of those applications is crypto mining. But beyond that is something we call batch-oriented computing. The market opportunity for what we're calling batchable computing is significant. There's clearly the market in digital currencies, but there's also a market in pharmaceutical research, graphics and video processing and rendering, and scientific research in university environments, for example, all over the world.

For today's agenda, as again, customary for monthly updates, I'll give you a quick business update, and then dive into the November results in detail. I'd like to pause here for a moment and let everybody know that this is an aerial view of our Sophie facilities that we're very proud of and that we've built out over the last several months. The message that I would like to leave you with this presentation is that we are scaling. We are scaling at an accelerated rate.

This month and over the next several months, we expect to track to reach one EH/s by the end of the first quarter next year. So, some key milestones for November. We expect to hit our 722 PH/s target for the end of Q4, plus or minus 30 days. We're currently at 623 PH/s on December 9, but we're very carefully managing supply chain issues which I'll address a little later. We are confident that we're going to hit that we also expect to beat our target that we put out last year or sorry early this year of 912 PH/s by the end of Q1 2022. We expect to break one EH/s by the end of Q1 2022 We also expect to have Sophie completely scaled up to 25 megawatts and fully energized by December 31.

We're continuing to complete the ramp-up and testing of our data center infrastructure at Sophie. Our hash rate continues to ramp to one EH/s. Let's for a moment, take a look at where we are on December 9, 2021. We have 286 PH/s in our hosting JV our commitment to get to 300 PH/s is nearly fulfilled. We have 337 PH/s in our proprietary mining business. We expect that between December 9 and the end of the first quarter, our proprietary mining business will increase by over 108%. It will increase by 363 additional PH/s we expect to bring online that will drive accelerated increases in our financial results on revenue and contribution margin.

As of November, just to pull out some key data, our cash contribution run rate is $23.3 million. In November we deliver to over $2.6 million to the top line, over $1.9 million cash contribution margin. If you simply annualize that, you get $31 million in revenue $23 million in cash contribution margin. So, what does this look like for financial results? As I mentioned, they will significantly accelerate. For example, in November, we have a cash contribution of $1.943 million. We would expect that when we hit one exa hash, that would move to $3.358 million. Notice the bulk of the increase is in the proprietary mining business. Our cash contribution margin for November grew by 35%.

As I mentioned we are scaling and scaling rapidly. What I'd like to do is, let's do some calculations on our proprietary mining business at 700 PH/s our estimate is that our proprietary mining business could have a yearly revenue run rate of about $54 million. Let's walk through how we get there. We begin with what we currently have on December 9 at 337 PH/s that produced an average daily revenue of about $89,000, I think, plus or minus the bitcoin price was around $50,000 at the time. Let's apply a 20% discount to that giving us a revenue of $72,000. So, if we work our way down, the estimated revenue at 700 PH/s is $149,000. 30 days in a month gives us $4.461 million per month and estimated revenue annualize that is over $53 million at 700 PH/s.

Our estimate of proprietary mining annual cash contribution could easily scale to $37 million. So using information from the previous slide, monthly revenue $4.461 million, our cash contribution margin was running about 76%. Let's give that a haircut and call it 70%. So, our monthly cash contribution margin for proprietary mining is about $3.1 million. Now, you take a look at on an annual basis we talked about $53 million from the previous slide. Again, drop the cash contribution margin to 70%. That gives us $37 million approximately in cash contribution margin that we could be hitting by the end of the first quarter on an annualized run-rate basis. We do need to add in the results from the hosting joint venture, so you'll recognize the contribution numbers, both monthly and yearly, adding in hosting revenue and profit. Altogether, that adds up to over $40 million in annualized contribution margin run-rate. Just setting that out for you graphically here. We scaled dramatically from October to November. Between November and the end of March, we expect that an accelerated rate of revenue and contribution margin increase to result in roughly a $40 million run rate for cash contribution margin.

I'd like to take a moment to comment on the current business environment and talk about how when we discuss supply chain and logistics challenges. What that means for us other than the obvious of making sure that our computing resources show up on time, making sure that we order our electrical infrastructure for our future projects in sufficient time so that we can hit our schedule for next year, other than those easy things, the difficult things are when there are small things like power cords, like splitters that you order and don't think about and assume they're going to show up but all of a sudden, orders are canceled. So, what we and others are doing is we keep an inventory of certain, what I call critical, low-cost items, that if you don't have, really prevent you from scaling. That's become standard operating procedure for us.

Also, we're very fortunate that Sophie is continuing to ramp nicely and we expect it to be as I mentioned earlier, at the full plus or minus 25 megawatts by the end of the month. As part of the normal facility shakeout, we did catch a malfunctioning transformer. As part of the shakeout, we shut down the facility for a few days. We inspected all the transformers to make sure there were issues with them and then brought everything back up and we continue to ramp the facility as part of a normal facility shakeout. As I mentioned before, we had to rearrange some things in terms of infrastructure. These are normal bumps in the road, as you scale up and shake down a facility. It did cost us between $100,000 and $200,000 in revenue for the month, but that's par for the course and by the end of December, I would expect the shake-out to be complete.

Just a quick update on the facilities. TNT, now known as Edith, has performed well for us. Sophie is doing nicely as the team continues to scale it and they continue to have to manage supply chain issues there. At Marie, we had actually made some progress with the local utility and I expect that to continue to move very slowly but to continue to move to a close.

Some key communications dates are next month the flash update is going to be released before the open on January 17, not on the 10th. The reason being that we have to make sure every number is ticked and tied carefully because those numbers need to be consistent with our 10K and I'd like to leave our accountants and the rest of our team time to really work through all of the items and make sure that what we release on the 17th will be consistent with what we want to put into the 10K.

I did commit to putting out an earnings power illustration, which puts out our key operational milestones for next year and a detailed financial analysis of what if we hit those milestones, what the earnings power can be from hitting those milestones. I expect that to be put out on January 19, in the morning, and I look forward to sharing with you all that information.

I'd like to wish our regular listeners and shareholders a great holiday season. We're really looking forward to next year. We have transformed our company this year. Next year is all about growth, acceleration, and driving value to common shareholders.

I'd also like to take a moment to thank all the people Soluna that have made this year possible. We have sometimes come at a great personal cost for all of you and your families. We're very grateful. We also want to thank and recognize the many service providers that made our accomplishments in 2021 possible they include people like construction management teams, IT professionals, legal and accounting teams.

Let's jump into the detailed November 2021 Flash information. This is our usual consolidated presentation of results. You'll notice the numbers are quite consistent with what I pulled out to the front. You know, here's the $1.943 cash contribution margin of November 2021. Numbers with the $2.632 in revenue so our operating, metrics consolidated. You'll notice that TNT continues to be a solid performer for us in terms of cash contribution margin dollars. We're very pleased.

Our team is Sophie continues to ramp up aggressively. As they do, clearly revenue and contribution margins dollars will follow as you can see on this slide. At Marie, formerly known as Python, again, a solid month. You'll see the hosting revenue and profit continue to scale up as we finish meeting our commitment to our hosting JV partner. This is our operating metrics on Marie.

I'd like to thank you for joining me. And as usual, if you have any questions, please feel free to contact Kirin at PCG for Investor Relations or email us directly. Thank you so much.

Legal Disclaimer

This presentation includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act that reflect our current views with respect to, among other things, our operations, business strategy, interpretation of prior development activities, plans to develop and commercialize our products and services, potential market opportunity, financial performance and needs for additional financing. We have used words like "anticipate," "believe," "could," "estimate," "expect," "future," "intend," "may," "plan," "potential," "project," "will," and similar terms and phrases to identify forward-looking statements in this presentation.

The forward-looking statements contained in this presentation are based on management's current expectations and are subject to substantial risks, uncertainty and changes in circumstances. Actual results may differ materially from those expressed by these expectations due to risks and uncertainties, including, among others, those related to our ability to obtain additional capital on favorable terms to us, or at all, the success, timing and cost of ongoing or future operations, the lengthy and unpredictable nature of the project development, and technology process and businesses in which we currently engage or may engage.

These risks and uncertainties include, but may not be limited to, those described in our filings with the SEC. Forward-looking statements speak only as of the date of this presentation, and we undertake no obligation to review or update any forward-looking statement except as may be required by applicable law.

The material in this presentation has been prepared by Soluna and is general background information about Soluna's activities, current as at the date of this presentation and is provided for information purposes only. It should be read in conjunction with Soluna's periodic and continuous disclosure announcements filed with the Securities and Exchange Commission. This presentation provides information in summary form only and is not intended to be complete. Soluna makes no representation or warranty, express or implied, as to the accuracy, completeness, fairness or reliability of any of the information, illustrations, examples, opinions, forecasts, reports, estimates and conclusions contained in this presentation. It is not intended to be relied upon as advice or a recommendation to investors or potential investors and does not take into account the investment objectives, financial situation, taxation situation or needs of any particular investor. Due care and consideration should be undertaken when considering and analyzing Soluna's future performance and business prospects. THIS PRESENTATION IS NOT INTENDED TO SERVE AS A FORECAST OF ANY SUCH FUTURE PERFORMANCE OR PROSPECTS. An investor must not act on any matter contained in this document but must make its own assessment of Soluna and conduct its own investigations and analysis. Investors should assess their own individual financial circumstances and consider talking to a financial adviser, professional adviser or consultant before making any investment decision. This document does not constitute an offer, invitation, solicitation or recommendation with respect to the purchase or sale of any security in Soluna nor does it constitute financial product advice. This document is not a prospectus, product disclosure statement or other offer document under United States federal or state securities law or under any other law. This document has not been filed, registered or approved by regulatory authorities in any jurisdiction.

Any projection, forecast, estimate or other “forward-looking” statement in this presentation only illustrates hypothetical performance under specified assumptions of events or conditions that have been clearly delineated herein. Such projections, forecasts, estimates or other “forward-looking” statements are not reliable indicators of future performance. Hypothetical or illustrative performance information contained in these materials may not be relied upon as a promise, prediction or projection of future performance and are subject to significant assumptions and limitations. In addition, not all relevant events or conditions may have been considered in developing such assumptions.

READERS OF THIS DOCUMENT SHOULD UNDERSTAND THE ASSUMPTIONS AND EVALUATE WHETHER THEY ARE APPROPRIATE FOR THEIR PURPOSES. SOME EVENTS OR CONDITIONS MAY NOT HAVE BEEN CONSIDERED IN SUCH ASSUMPTIONS. ACTUAL EVENTS OR CONDITIONS WILL VARY AND MAY DIFFER MATERIALLY FROM SUCH ASSUMPTIONS. READERS SHOULD UNDERSTAND SUCH ASSUMPTIONS AND EVALUATE WHETHER THEY ARE APPROPRIATE FOR THEIR PURPOSES. This presentation may include figures related to past performance or simulated past performance as well as forecasted or simulated future performance. Soluna disclaims any obligation to update their views of such risks and uncertainties or to publicly announce the results of any revision to the forward-looking statements made herein.

Use of Projections and Illustrations This presentation contains certain financial forecasts and illustrations. Neither Soluna’s [nor Soluna Holdings] independent auditors have studied, reviewed, compiled or performed any procedures with respect to the projections for the purpose of their inclusion in this presentation. The material in this presentation is for illustrative purposes only and should not be relied upon as being necessarily indicative of future results.

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.