Soluna Holdings, Inc.

EcoChain Site Level Financials August 2021

Company Update

Good evening, I'm Michael Toporek. I'm Chief Executive Officer of Mechanical Technology Inc.

I Want to thank you for joining me for the August 2021 EcoChain Update.

As is customary, you will see several slides here with legal disclosures and disclaimers, kindly read that they are important and they set a context for the information we will be discussing. As usual, I'll begin our presentation with a few quick points on our key operating principles.

As many of you know, we're focused on accountability, transparency return on invested capital, and capital discipline. Really that translates into we term high-velocity execution focused on return on and invested capital. Today, I'm going to give you a little bit of an update on our operations how things are going site by site. Then we'll talk a little bit about the site level financials as we usually do every month.

We had an outstanding month in August. We hit certain key milestones and our business had continued to ramp, our contribution margin dollars had more than doubled from July. In July, they were $358,000. In August, they were nearly $750,000. That puts us at an annual run rate of almost $9 million. I do need to thank many operating people which I'll get into a little bit later, but a lot of people are working very hard to ramp this company up. I'd like to recognize a few of them later in, in my presentation. The Anaconda facility is going live in September. We're scaling that up through the fourth quarter and that's 25 megawatts of capacity that's going to come online. Our Hosting JV went live in August you'll see the first revenue recognition from that. I'll demonstrate to you how the return on invested capital and our infrastructure is outstanding. We did take over the management of the Python facility, which helps us control our assets, how they're deployed and how they're managed.

Our revenue has continued to ramp as I referred to earlier and this is simply a graph that demonstrates that for your benefit. Our cash contribution margin from EcoChain is also ramping very significantly as we've discussed. Here, for your convenience, is an annualization of that cash contribution margin. If you assume that the MTI Instruments business covers our corporate overhead, which plus or minus it does, you can assume that this is 8.9 million dollar contribution from the EcoChain business will, plus or minus, be our corporate EBITDA on a run-rate basis. We do expect that to continue to ramp significantly as we bring our 15 megawatts online.

Let's spend a few minutes on the facilities. The TNT facility it's a mature facility. We've tweaked some of the equipment in there this past month. So, I think in September, you'll see a modest increase in the PH/s operating there in September. Anaconda, we put up something that I think is technologically fabulous onto our website the link is on the slide here. If you haven't already just take a look at it, it's a live feed of the construction on our site. We've also got some time-lapse photography on our site that you can take a look at how our facility is building out. We're really on target for energizing that in September and that's going to ramp up all through the fourth quarter. The team has done an outstanding job of managing what our significant supply chain bottlenecks and anybody in the construction business can attest to that. This project is being delivered on time, on budget. It's a real testament to the power of the team we have working there.

Python, we have constructively engaged with the utility. Things are moving along there slowly, but they are moving along in a positive direction. We have come to an economic arrangement in the past several months with the owner of that facility to manage and deploy some equipment there for us. Now we've taken over management of the entire facility, including hosting clients that don't belong to us that are legacy hosting clients that we expect to roll off as the year progresses. The benefit to that is, that we're managing the entire facility to our standards and that that helps increase our operating leverage.

As in most operations, one would expect that our margins would expand as we ramp up and Python is no exception to that. We expect that as Python ramps, its margins would expand really driven by two factors. First, our power cost is expected to drop by about 20% and our labor and overhead cost will be amortized over the full 25 megawatts instead of the current 12 megawatts. So, I'd like to assure you that once mature the Python facility return on invested capital will be best in class.

The best way I can demonstrate that assurance to you is that, in the same way, that we report it to you, the TNT capital expended and the cash generated. The payback on that investment, the same way we do TNT, will report it to you for Python. We expect to do that sometime in the first quarter because that's when that makes sense to do that. The facility will be filled up fully operational, equipment will be there and then we'll know how much money we've got in it. We can demonstrate very quite clear to you how much money we're getting out of it and the timing for our break even.

So, let's talk about some changes we have for this month. First, this is the first month you're going to see revenue from our Hosting JV. It's small, but we're starting that up. It's also the first month you'll see what we call Legacy Hosting revenue. That's the legacy customers that we're taking over on behalf of the owner were managing them down, and as they roll off we're either installing our own compute or the compute of our JV. And the reason we're breaking it out it's in separate pricing, it's being managed differently and we're expecting to roll that off.

Let's take a moment to dive into the economics of our Hosting Joint Venture. As I said earlier, this is the first month we're showing some revenue, we expect that over the next four to six months to scale up to eventually 10 megawatts and almost 300 PH/s in August. We had about a third of the megawatt plugged in for almost 10 PH/s. Let's spend a few minutes talking about at full ramp, what these economics look like. So, if you assume that the contribution margin based on August's performance is about $230,000 a month, and our estimated cost for the 10 megawatts is $2.5 million for the cost of that infrastructure. In about 11 months, we pay back our infrastructure cost. Our infrastructure, you can argue, is a call it a 10 to 15 to 20-year life asset that we have recouped the value we've put in under a year.

That's an outstanding return on invested capital. That's why I was so pleased to share with everybody that we had cut this transaction. It's a very good deal for our JV partner and also because of our capital efficiency, it's a very good deal for us as well. I do want to revisit the August consolidated hashrate ramp, in terms of proprietary mining we added 29 PH/s, we added 10 for our hosted PH/s to take us to a total of 61 PH/s. Last month in July, I told you we'd get to 54 we hit 61. These numbers will fluctuate up or down plus or minus depending on when things show up in the team that is on the ground plugging things in. That really gets me to my next point.

I do want to call out some team members by name very specifically because to get the ramp we got last month, these guys really worked hard from the depths of their hearts, they gave everything they had to hit these results. They knew that we were driven to hit certain financial metrics and they worked hard to get it done. They knew that every piece of equipment that's on the ground, not plugged in, is costing us money. So, Corey thank you, Aaron thank you, Nathan, JT, Eric, Gary, and Jason, I really do appreciate the work you've done. The entire company appreciates the work you've done, and we realize that doing this well matters to you, and it matters to us. Thank you.

So, let me go into the financial results in a little bit more depth here on EcoChange. I'm going to focus on the August number, you'll see that our cash distribution margin was $748,000 for the month. That's more than double the $358,000 from the prior months. You'll see a breakout between our proprietary mining and our hosting and we're going to continue with that give you visibility into the economics of what we're doing. This page covers operating metrics which you can read at your leisure. Our TNT facility, the cash contribution margin there was 278,000, a very solid month and as I mentioned before, we're increasing the hash rate on the ground there a little bit. And hopefully, that results in some improved performance. Going to Python, we are very specifically ramping that facility up and you'll see our cash contribution margin there has gone from 141 to 470, and you'll see our operating metrics here.

Let's spend a little time here so that you can understand how we're looking at the Python business. The first column is our Hosting JV and you'll see that foot to the numbers that we've disclosed earlier. The new information on this page is the legacy revenue we are managing this and the goal really is to have this be positive to break even for us in this case, it was positive for the month, which we're pleased about.

I'm hoping that this line by calling it the end of the first quarter becomes, de minimis. We're able to plug in our proprietary chips as well as those of our hosting partner.

I want to thank you for spending time with me this evening. As usual, if you have any thoughts or questions, I'm glad to hear about them. Our appendix is a wealth of financial information that you're free to review and digest. And of course, if you can, if you have any questions please feel free to forward them to us. Have a good evening.

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