

# Marathon Patent Group Announces Second Quarter Financial Results

## Conference Call Scheduled Today at 4:30 p.m. Eastern Time

LOS ANGELES, CA -- (Marketwired) -- 08/14/17 -- Marathon Patent Group, Inc. (NASDAQ: MARA) ("Marathon" or "Company"), an IP licensing and commercialization company, today announced its operating results for the three months ended **June 30, 2017**, as published in its Quarterly Report on Form 10-Q filed today with the Securities and Exchange Commission.

### Operating Results for the Quarter Ended June 30, 2017 / Subsequent Events

- Total revenue of \$369 thousand and \$34.3 million for the three months ended June 30, 2017 and June 30, 2016, respectively.
- Operating loss was approximately \$2.9 million (including non-cash expenses) for the three months ended June 30, 2017 compared to operating income of \$14.0 million for the three months ended June 30, 2016.
- Our GAAP net loss was \$(0.10) per basic and diluted share for the three months ended June 30, 2017, with 22,566,648 weighted average basic and diluted shares outstanding as of June 30, 2017, compared to GAAP income of \$0.53 per basic share and \$0.49 per diluted share for the three months ended June 30, 2016, with 14,994,697 weighted average basic shares and 16,031,564 weighted average diluted shares outstanding as of June 30, 2016, respectively.
- On a per share basis, our Non-GAAP net loss was \$(0.09) per basic and diluted share for the three months ended June 30, 2017, compared to Non-GAAP income of \$1.10 per basic share and \$1.03 per diluted share for the three months ended June 30, 2016, respectively.
- Marathon entered into an agreement with DBD Credit Funding, LLC. whereby 100% of debt was cancelled, and the Company will receive a 45% residual revenue share once DBD recovers its costs and debt amounts in exchange for the assignment of three of the Company's portfolios to DBD.

### Conference Call

Marathon will host a corresponding conference call to discuss the results with Chief Executive Officer Doug Croxall and Chief Financial Officer Frank Knuettel II on Monday August 14, 2017 at 4:30 PM ET/1:30 PM PT. To participate in the conference call, investors from the U.S. and Canada should dial (877) 407-0792 ten minutes prior to the scheduled

start time. International calls should dial (201) 689-8263.

In addition, the call will be broadcast live over the Internet and can be accessed through the Investor Relations section of the Company's website at [www.marathonpg.com](http://www.marathonpg.com). The broadcast will be archived online upon completion of the conference call. A telephonic replay of the conference call will also be available until 11:59 p.m. ET on Monday, August 28, 2017 by dialing (844) 512-2921 in the U.S. and Canada and (412) 317-6671 internationally and entering the pin number: 13668206.

#### About Marathon Patent Group

Marathon is an IP licensing and commercialization company. The Company acquires and manages IP rights from a variety of sources, including large and small corporations, universities and other IP owners. Marathon has a global focus on IP acquisition and management. The Company's commercialization division is focused on the full commercialization lifecycle which includes discovering opportunities, performing due diligence, providing capital, managing development, protecting and developing IP, assisting in execution of the business plan, and realizing shareholder value. To learn more about Marathon Patent Group, visit [www.marathonpg.com](http://www.marathonpg.com).

#### Safe Harbor Statement

Certain statements in this press release constitute "forward-looking statements" within the meaning of the federal securities laws. Words such as "may," "might," "will," "should," "believe," "expect," "anticipate," "estimate," "continue," "predict," "forecast," "project," "plan," "intend" or similar expressions, or statements regarding intent, belief, or current expectations, are forward-looking statements. While the Company believes these forward-looking statements are reasonable, undue reliance should not be placed on any such forward-looking statements, which are based on information available to us on the date of this release. These forward looking statements are based upon current estimates and assumptions and are subject to various risks and uncertainties, including without limitation those set forth in the Company's filings with the Securities and Exchange Commission (the "SEC"), not limited to Risk Factors relating to its patent business contained therein. Thus, actual results could be materially different. The Company expressly disclaims any obligation to update or alter statements whether as a result of new information, future events or otherwise, except as required by law.

#### CONSOLIDATED BALANCE SHEETS

|                                                                                                            | June 30, 2017 | December 31, 2016 |
|------------------------------------------------------------------------------------------------------------|---------------|-------------------|
| <b>ASSETS</b>                                                                                              |               |                   |
| Current assets:                                                                                            |               |                   |
| Cash                                                                                                       | \$ 1,095,721  | \$ 4,998,314      |
| Accounts receivable - net of allowance for bad debt of \$387,976 as of June 30, 2017 and December 31, 2016 | 116,336       | 95,069            |
| Bonds posted with courts                                                                                   | 375,603       | -                 |
| Note receivable                                                                                            | 588,864       | 225,982           |

|                                                                                                                             |               |               |
|-----------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| Prepaid expenses and other current assets, net of discounts of \$2,659 for June 30, 2017 and \$3,724 for December 31, 2016  | 128,718       | 202,067       |
| Total current assets                                                                                                        | 2,305,242     | 5,521,432     |
| Other assets:                                                                                                               |               |               |
| Property and equipment, net of accumulated depreciation of \$128,718 and \$108,407 for June 30, 2017 and December 31, 2016  | 12,213        | 28,329        |
| Intangible assets, net of accumulated amortization of \$12,691,608 and \$11,323,185 for June 30, 2017 and December 31, 2016 | 11,358,722    | 12,314,628    |
| Deferred tax assets                                                                                                         | -             | -             |
| Other non current assets, net of discounts of \$0 for June 30, 2017 and \$797 for December 31, 2016                         | 200,000       | 201,203       |
| Goodwill                                                                                                                    | 224,353       | 222,843       |
| Total other assets                                                                                                          | 11,795,288    | 12,767,003    |
| Total Assets                                                                                                                | \$ 14,100,530 | \$ 18,288,435 |

## LIABILITIES AND STOCKHOLDERS' EQUITY

### Current liabilities:

|                                                                                                    |              |              |
|----------------------------------------------------------------------------------------------------|--------------|--------------|
| Accounts payable and accrued expenses                                                              | \$ 5,294,616 | \$ 7,217,078 |
| Clouding IP earn out - current portion                                                             | 81,930       | 81,930       |
| Notes payable, net of discounts of \$503,572 for June 30, 2017 and \$852,404 for December 31, 2016 | 5,622,173    | 13,162,007   |
|                                                                                                    | 10,998,719   | 20,461,015   |

### Long-term liabilities

|                                                                                                    |            |            |
|----------------------------------------------------------------------------------------------------|------------|------------|
| Notes Payable, net of discount of \$1,302,129 for June 30, 2017 and \$57,763 for December 31, 2016 | 11,499,723 | 4,670,502  |
| Clouding IP earn out                                                                               | 1,386,203  | 1,400,082  |
| Deferred tax Liability                                                                             | -          | -          |
| Revenue share liability                                                                            | 1,225,000  | 1,000,000  |
| Other long term liability                                                                          | 39,853     | 43,978     |
| Total long-term liabilities                                                                        | 14,150,779 | 7,114,562  |
| Total liabilities                                                                                  | 25,149,498 | 27,575,577 |

**Stockholders' Deficit:**

|                                                                                                                                                   |                      |                      |
|---------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| Preferred stock Series B, \$.0001 par value, 100,000,000 shares authorized: 782,004 issued and outstanding at June 30, 2017 and December 31, 2016 | 78                   | 78                   |
| Common stock, \$.0001 par value; 200,000,000 shares authorized; 23,257,472 at June 30, 2017 and 18,552,472 at December 31, 2016                   | 2,326                | 1,856                |
| Additional paid-in capital                                                                                                                        | 53,950,993           | 49,877,710           |
| Accumulated other comprehensive (loss)                                                                                                            | (933,245)            | (1,060,390)          |
| Accumulated deficit                                                                                                                               | <u>(63,749,987)</u>  | <u>(57,942,548)</u>  |
| Total Marathon Patent Group Stockholders' Deficit                                                                                                 | <u>(10,729,834)</u>  | <u>(9,123,294)</u>   |
| Non-controlling Interests                                                                                                                         | <u>(319,134)</u>     | <u>(163,848)</u>     |
| Total Equity                                                                                                                                      | <u>(11,048,968)</u>  | <u>(9,287,142)</u>   |
| Total liabilities and stockholders' equity                                                                                                        | <u>\$ 14,100,530</u> | <u>\$ 18,288,435</u> |

The accompanying notes are an integral part to these audited consolidated financial statements.

**MARATHON PATENT GROUP, INC. AND SUBSIDIARIES**

|                                     | For The               | For The               | For The             | For The             |
|-------------------------------------|-----------------------|-----------------------|---------------------|---------------------|
|                                     | Three Months<br>Ended | Three Months<br>Ended | Six Months<br>Ended | Six Months<br>Ended |
|                                     | June 30, 2017         | June 30,<br>2016      | June 30,<br>2017    | June 30,<br>2016    |
| Revenues                            | \$ 368,800            | \$ 34,349,762         | \$ 446,937          | \$ 36,409,438       |
| Expenses                            |                       |                       |                     |                     |
| Cost of revenues                    | 1,024,078             | 15,467,763            | 1,479,486           | 18,107,740          |
| Amortization of patents and website | 639,887               | 1,961,411             | 1,345,846           | 3,987,310           |
| Compensation and related taxes      | 760,542               | 1,120,924             | 1,846,088           | 2,154,270           |
| Consulting fees                     | 85,580                | 364,836               | 56,801              | 645,612             |
| Professional fees                   | 645,144               | 498,212               | 1,070,830           | 903,705             |
| General and administrative          | 142,281               | 223,130               | 386,286             | 428,513             |

|                                                         |                       |                     |                       |                     |
|---------------------------------------------------------|-----------------------|---------------------|-----------------------|---------------------|
| Goodwill impairment                                     | -                     | 83,000              | -                     | 83,000              |
| Patent impairment                                       | -                     | 620,696             | -                     | 993,890             |
| Total operating expenses                                | <u>3,297,512</u>      | <u>20,339,972</u>   | <u>6,185,337</u>      | <u>27,304,040</u>   |
| Operating income (loss) from operations                 | <u>(2,928,712)</u>    | <u>14,009,790</u>   | <u>(5,738,400)</u>    | <u>9,105,398</u>    |
| Other income (expenses)                                 |                       |                     |                       |                     |
| Other income (expense)                                  | 913,357               | (17,745 )           | 898,532               | (31,532 )           |
| Foreign exchange gain (loss)                            | 102,913               | (69,201 )           | 17,050                | (62,223 )           |
| Change in fair value adjustment of Clouding IP earn out | -                     | 169,172             | 13,879                | 167,830             |
| Warrant income (expense)                                | 208,301               | -                   | (4,907 )              | -                   |
| Interest income                                         | 621                   | 931                 | 1,862                 | 1,862               |
| Interest expense                                        | <u>(564,680)</u>      | <u>(844,407)</u>    | <u>(1,133,499)</u>    | <u>(1,851,256)</u>  |
| Total other income (expenses)                           | <u>660,512</u>        | <u>(761,250)</u>    | <u>(207,083)</u>      | <u>(1,775,319)</u>  |
| Loss before benefit for income taxes                    | <u>(2,268,200)</u>    | <u>13,248,540</u>   | <u>(5,945,483)</u>    | <u>7,330,079</u>    |
| Income tax expense                                      | <u>(17,242)</u>       | <u>(5,345,983)</u>  | <u>(17,242)</u>       | <u>(3,320,935)</u>  |
| Net income (loss)                                       | <u>(2,285,442)</u>    | <u>7,902,557</u>    | <u>(5,962,725)</u>    | <u>4,009,144</u>    |
| Net loss attributable to non-controlling interests      | <u>84,650</u>         | <u>3,722</u>        | <u>155,286</u>        | <u>3,722</u>        |
| Net income (loss) attributable to common shareholders   | \$ <u>(2,200,792)</u> | \$ <u>7,906,279</u> | \$ <u>(5,807,439)</u> | \$ <u>4,012,866</u> |
| Income (loss) per common share:                         |                       |                     |                       |                     |
| Basic                                                   | \$ (0.10 )            | \$ 0.53             | \$ (0.28 )            | \$ 0.27             |
| Fully Diluted                                           | \$ (0.10 )            | \$ 0.49             | \$ (0.28 )            | \$ 0.25             |

WEIGHTED  
AVERAGE  
COMMON  
SHARES  
OUTSTANDING:

|                                                                            |                 |              |                 |              |
|----------------------------------------------------------------------------|-----------------|--------------|-----------------|--------------|
| Basic                                                                      | 22,566,648      | 14,994,697   | 20,822,791      | 14,980,919   |
| Fully Diluted                                                              | 22,566,648      | 16,031,564   | 20,822,791      | 16,017,786   |
| Net loss                                                                   | \$ (2,200,792 ) | \$ 7,906,279 | \$ (5,807,439 ) | \$ 4,012,866 |
| Other<br>Comprehensive<br>Loss:                                            |                 |              |                 |              |
| Unrealized gain<br>(loss) on foreign<br>currency translation               | 126,062         | (150,171 )   | 127,144         | 97,256       |
| Comprehensive<br>loss                                                      | (2,074,730 )    | 7,756,108    | (5,680,295 )    | 4,110,122    |
| Less:<br>comprehensive<br>income related to<br>non-controlling<br>interest | 84,650          | 3,722        | 155,286         | 3,722        |
| Comprehensive<br>loss attributable to<br>Marathon Patent<br>Group, Inc.    | \$ (1,990,080 ) | \$ 7,759,830 | \$ (5,525,009 ) | \$ 4,113,844 |

The accompanying notes are an integral part to these audited consolidated financial statements.

MARATHON PATENT GROUP, INC. AND  
SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

|                                                                                              | For The Six<br>Months Ended<br>June 30, 2017 | For The Six<br>Months Ended<br>June 30, 2016 |
|----------------------------------------------------------------------------------------------|----------------------------------------------|----------------------------------------------|
| Cash flows from operating activities:                                                        |                                              |                                              |
| Net loss                                                                                     | \$ (5,807,439 )                              | \$ 4,012,866                                 |
| Adjustments to reconcile net loss to net cash<br>provided by (used in) operating activities: |                                              |                                              |
| Depreciation                                                                                 | 948                                          | 2,710                                        |
| Amortization of patents and website                                                          | 1,345,846                                    | 3,987,310                                    |
| Deferred tax asset                                                                           | -                                            | 3,547,856                                    |
| Deferred tax liability                                                                       | -                                            | (275,490 )                                   |
| Impairment of intangible assets                                                              | -                                            | 993,890                                      |

|                                                                                        |                            |                            |
|----------------------------------------------------------------------------------------|----------------------------|----------------------------|
| Impairment of goodwill                                                                 | -                          | 83,000                     |
| Stock based compensation                                                               | 183,356                    | 1,062,200                  |
| Stock issued for services                                                              | -                          | 136,000                    |
| Non-cash interest, discount, and financing costs                                       | 59,607                     | 664,182                    |
| Change in fair value of Clouding earn out                                              | (13,879 )                  | (167,830 )                 |
| Allowance for doubtful accounts                                                        | -                          | 12,226                     |
| Non-controlling interest                                                               | (155,286 )                 | (3,722 )                   |
| Other non-cash adjustments                                                             | (120,703 )                 | (104,899 )                 |
| <b>Changes in operating assets and liabilities</b>                                     |                            |                            |
| Accounts receivable                                                                    | (21,267 )                  | (2,718 )                   |
| Bonds posted with courts                                                               | (375,603 )                 | (518,455 )                 |
| Prepaid expenses and other assets                                                      | (289,533 )                 | 165,301                    |
| Other non current assets                                                               | 1,203                      | -                          |
| Accounts payable and accrued expenses                                                  | <u>(1,922,462 )</u>        | <u>(469,660 )</u>          |
| <b>Net cash provided by (used) in operating activities</b>                             | <b><u>(7,115,212 )</u></b> | <b><u>13,124,767</u></b>   |
| <b>Cash flows from investing activities:</b>                                           |                            |                            |
| Acquisition of patents                                                                 | -                          | (1,150,000 )               |
| Purchase of property, equipment, and other intangible assets                           | <u>(4,194 )</u>            | <u>(6,291 )</u>            |
| <b>Net cash used in investing activities</b>                                           | <b><u>(4,194 )</u></b>     | <b><u>(1,156,291 )</u></b> |
| <b>Cash flows from financing activities:</b>                                           |                            |                            |
| Payment on note payable in connection with the acquisition of Medtech and Orthophoenix | -                          | (2,953,779 )               |
| Payment on Fortress note payable                                                       | -                          | (3,973,854 )               |
| Payment on 3Dnano license note payable                                                 | (100,000 )                 | -                          |
| Cash received upon issuance of equity (net of issuance costs)                          | 3,753,063                  | -                          |
| Issuance of Warrants                                                                   | 137,334                    | -                          |
| Medtronic note payable                                                                 | 600,000                    | -                          |
| 3Dnano convertible notes payable                                                       | 50,000                     | -                          |
| Payments on Siemen's notes payable                                                     | (1,000,000 )               | -                          |
| Payments on notes payable to vendors                                                   | (125,000 )                 | -                          |
| Payments on notes payable, net                                                         | <u>(103,000 )</u>          | <u>(437,070 )</u>          |
| <b>Net cash provided (used in) by financing activities</b>                             | <b><u>3,212,397</u></b>    | <b><u>(7,364,703 )</u></b> |
| <b>Effect of exchange rate changes on cash</b>                                         | <b><u>4,416</u></b>        | <b><u>(145 )</u></b>       |
| Net decrease in cash                                                                   | (3,902,593 )               | 4,603,628                  |
| Cash at beginning of period                                                            | <u>4,998,314</u>           | <u>2,555,151</u>           |
| <b>Cash at end of period</b>                                                           | <b><u>\$ 1,095,721</u></b> | <b><u>\$ 7,158,779</u></b> |

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:**

Cash paid for:

|                         |            |              |
|-------------------------|------------|--------------|
| Interest expense        | \$ 456,917 | \$ 1,187,074 |
| Taxes paid              | \$ 17,242  | \$ 27,682    |
| Loan fees               | \$ -       | \$ -         |
| Cash invested in 3DNano | \$ -       | \$ 115,000   |

**SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:**

Revenue share liability incurred in conjunction with note payable

\$ 225,000 \$ -

Warrant issued in conjunction with common stock issuance

\$ 257,957 \$ -

Note payable issued in conjunction with the acquisition of Munitech patents

\$ - \$ 1,750,000

Convertible debt warrant repricing

\$ - \$ 6,425

The accompanying notes are an integral part to these audited consolidated financial statements.

**Non-GAAP Reconciliation**

|                                                       | For the Three Months Ended June 30, 2017 | For the Three Months Ended June 30, 2016 | For the Six Months Ended June 30, 2017 | For the Six Months Ended June 30, 2016 |
|-------------------------------------------------------|------------------------------------------|------------------------------------------|----------------------------------------|----------------------------------------|
| Net income (loss) attributable to Common Shareholders | \$ (2,200,792)                           | \$ 7,906,279                             | \$ (5,807,439)                         | \$ 4,012,866                           |
| Non-GAAP                                              |                                          |                                          |                                        |                                        |
| Amortization of intangible assets & depreciation      | 640,364                                  | 1,961,411                                | 1,346,794                              | 3,987,310                              |
| Equity-based compensation                             | 141,931                                  | 647,764                                  | 183,356                                | 1,192,797                              |
| Impairment of intangible assets                       | -                                        | 703,696                                  | -                                      | 1,076,890                              |
| Change in the fair value of the clouding IP liability | -                                        | (169,172)                                | (13,879)                               | (167,830)                              |
| Warrant < Income > Expense, net                       | (208,301)                                | -                                        | 4,907                                  | -                                      |
| Non-cash Other < Income > expense, net                | (913,357)                                | -                                        | (898,532)                              | -                                      |

|                              |                |               |                |               |
|------------------------------|----------------|---------------|----------------|---------------|
| Non-cash interest<br>expense | 449,998        | 58,492        | 685,209        | 664,182       |
| Deferred tax benefit         | -              | 5,345,983     | -              | 3,320,935     |
| Other                        | 1,526          | 13,284        | 2,535          | 14,936        |
| Non-GAAP<br>earnings (loss)  | \$ (2,088,631) | \$ 16,467,737 | \$ (4,497,049) | \$ 14,108,086 |

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Source: Marathon Patent Group