



Marathon Patent Group Announces 2018 Fiscal Year End Financial Results

LAS VEGAS, March 25, 2019 (GLOBE NEWSWIRE) -- Marathon Patent Group, Inc. (NASDAQ:[MARA](#)) ("Marathon" or "Company"), today announced its operating results for the twelve months ended December 31, 2018, as published in its Annual Report on Form 10-K filed today with the Securities and Exchange Commission.

Operating Results for the Year Ended December 31, 2018

- Total revenue increased 201% to \$1.6 million for the year ended December 31, 2018 compared to \$0.5 million for the year ended December 31, 2017.
- Operating loss improved to \$12.1 million (inclusive of non-cash expenses) for the year ended December 31, 2018 compared to an operating loss of \$14.2 million (inclusive of non-cash expenses) for the year ended December 31, 2017.
- GAAP net loss improved to \$(0.60) per basic and diluted share for the year ended December 31, 2018 compared to \$(4.80) the year ended December 31, 2017.
- Net cash used in operating activities decreased from \$10,808,483 in 2017 to \$8,238,571 in 2018, a decrease of \$2,569,912. The \$8,238,571 cash loss also included a onetime charge of \$2,150,000 for the Symantec settlement. Without this settlement, the cash used in operating activities would have been \$6,088,571.
- The Company had approximately \$2.6 million of cash and cash equivalents as of December 31, 2018.

Merrick Okamoto, Chief Executive Officer, stated, "We're pleased to have shown financial improvement on a year over year basis. Looking forward, our Board of Directors continues to seek potential acquisition opportunities that we deem to offer the best opportunity for appreciation for our shareholders."

Investor Notice

Investing in our securities involves a high degree of risk. Before making an investment decision, you should carefully consider the risks, uncertainties and forward-looking statements described under "Risk Factors" in Item 1A of our most recent Annual Report on Form 10-K for the fiscal year ended December 31, 2018. If any of these risks were to occur, our business, financial condition or results of operations would likely suffer. In that event, the value of our securities could decline, and you could lose part or all of your investment. The

risks and uncertainties we describe are not the only ones facing us. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. In addition, our past financial performance may not be a reliable indicator of future performance, and historical trends should not be used to anticipate results in the future. See "Safe Harbor" below.

Forward-Looking Statements

Statements made in this press release include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements can be identified by the use of words such as "may," "will," "plan," "should," "expect," "anticipate," "estimate," "continue," or comparable terminology. Such forward-looking statements are inherently subject to certain risks, trends and uncertainties, many of which the Company cannot predict with accuracy and some of which the Company might not even anticipate and involve factors that may cause actual results to differ materially from those projected or suggested. Readers are cautioned not to place undue reliance on these forward-looking statements and are advised to consider the factors listed above together with the additional factors under the heading "Risk Factors" in the Company's Annual Reports on Form 10-K, as may be supplemented or amended by the Company's Quarterly Reports on Form 10-Q. The Company assumes no obligation to update or supplement forward-looking statements that become untrue because of subsequent events, new information or otherwise.

CONTACT INFORMATION

Name: Jason Assad
 Phone: 678-570-6791
 Email: Jason@marathonpg.com

| | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
|---|------------------------------|------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 2,551,171 | \$ 14,948,529 |
| Accounts receivable - net of allowance for bad debt of \$0 and \$387,976 for December 31, 2018 and December 31, 2017, respectively | - | 6,826 |
| Prepaid expenses and other current assets | 464,006 | 92,855 |
| Total current assets | <u>3,015,177</u> | <u>15,048,210</u> |
| Other assets: | | |
| Property and equipment, net of accumulated depreciation and impairment charges of \$4,338,931 and \$134,513 for December 31, 2018 and December 31, 2017, respectively | 1,034,575 | 10,011 |
| Intangible assets, net of accumulated amortization of \$65,245 for December 31, 2018 | 1,144,755 | - |
| Total other assets | <u>2,179,330</u> | <u>10,011</u> |

| | | |
|---------------------|---------------------|----------------------|
| TOTAL ASSETS | \$ 5,194,507 | \$ 15,058,221 |
|---------------------|---------------------|----------------------|

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

| | | |
|---|------------------|------------------|
| Accounts payable and accrued expenses | \$ 1,235,444 | \$ 1,961,784 |
| Litigation liability | - | 2,150,000 |
| Warrant liability | 39,083 | 1,794,396 |
| Convertible notes payable, net of discount of \$2,290,028 for December 31, 2017 | 999,106 | 1,763,920 |
| Total current liabilities | 2,273,633 | 7,670,100 |
| Total liabilities | 2,273,633 | 7,670,100 |

Commitments and Contingencies

Stockholders' Equity:

| | | |
|--|---------------------|----------------------|
| Preferred stock, \$0.0001 par value, 50,000,000 shares authorized, 0 and 5,513 issued and outstanding at December 31, 2018 and December 31, 2017, respectively | - | 1 |
| Common stock, \$0.0001 par value; 200,000,000 shares authorized; 25,519,940 and 12,477,781 issued and outstanding at December 31, 2018 and December 31, 2017, respectively | 2,552 | 1,248 |
| Additional paid-in capital | 105,459,482 | 97,113,723 |
| Accumulated other comprehensive loss | (450,719) | (450,734) |
| Accumulated deficit | (102,090,441) | (89,276,117) |
| Total stockholders' equity | 2,920,874 | 7,388,121 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 5,194,507 | \$ 15,058,221 |

**For the year ended
December 31,**

| | 2018 | 2017 |
|-------------------------------------|------------------|----------------|
| Revenues | | |
| Cryptocurrency mining revenue | \$ 1,495,402 | \$ - |
| Other revenue | 66,970 | 519,622 |
| Total revenues | 1,562,372 | 519,622 |
| Operating costs and expenses | | |
| Cost of revenue | 3,351,758 | 3,470,847 |
| Impairment of mining equipment | 2,222,688 | - |
| Compensation and related taxes | 1,984,301 | 4,362,371 |

| | | |
|---|-------------------------|-------------------------|
| Consulting fees | 639,094 | 537,695 |
| Professional fees | 1,216,820 | 2,797,648 |
| General and administrative | 1,374,047 | 831,001 |
| Goodwill impairment | - | 228,401 |
| Patent impairment | - | 2,475,149 |
| Break-up fee - issuance of shares to GBV | 2,850,000 | - |
| Total operating expenses | <u>13,638,708</u> | <u>14,703,112</u> |
| Operating loss | (12,076,336) | (14,183,490) |
| Other income (expenses) | | |
| Other income (expenses) | 112,471 | (3,173,341) |
| Foreign exchange gain (loss) | 28,918 | (463,821) |
| Gain on debt extinguishment | - | 2,970,313 |
| Gain on Fortress debt settlement | - | 11,940,493 |
| Loss on sale of companies | - | (2,610,783) |
| Realized loss on sale of digital currencies | (152,485) | - |
| Change in fair value adjustment of Clouding IP earn out | - | 1,482,012 |
| Change in fair value of warrant liability | 1,699,522 | (21,855,723) |
| Loss on warrants exchanged for common stock | - | (980,400) |
| Gain on exchange of warrants to series E | - | 305,358 |
| Amortization of debt discount | (2,290,028) | (3,561,109) |
| Interest income | 14,230 | 2,793 |
| Interest expense | (81,482) | (1,309,823) |
| Loss before income taxes | <u>(12,745,190)</u> | <u>(31,437,521)</u> |
| Income tax (expense) benefit | (69,134) | 103,952 |
| Net loss attributable to common stockholders | <u>\$ (12,814,324)</u> | <u>\$ (31,333,569)</u> |
| Net loss per share, basic and diluted: | <u>\$ (0.60)</u> | <u>\$ (4.80)</u> |
| Weighted average shares outstanding, basic and diluted: | <u>21,263,774</u> | <u>6,522,649</u> |
| Net loss attributable to common stockholders | \$ (12,814,324) | \$ (31,333,569) |
| Other comprehensive income: | | |
| Unrealized gain on foreign currency translation | 15 | 609,656 |
| Comprehensive loss attributable to Marathon Patent Group, Inc. | <u>\$ (12,814,309)</u> | <u>\$ (30,723,913)</u> |

| | <u>Preferred Stock</u> | | <u>Common Stock</u> | | <u>Additional Paid-in Capital</u> | <u>Accumulate Deficit</u> |
|--|------------------------|---------------|---------------------|---------------|---|-------------------------------|
| | <u>Number</u> | <u>Amount</u> | <u>Number</u> | <u>Amount</u> | | |
| Balance as of December 31, 2016 | 195,501 | \$ 20 | 4,638,118 | \$ 463 | \$ 49,879,161 | \$ (57,942,54 |

| | | | | | |
|--|------------|-------|-----------|-----|------------|
| Stock-based compensation expense | - | - | 775,000 | 78 | 1,976,738 |
| Issuance of Series D Preferred Stock | 125,688 | 13 | - | - | 678,700 |
| Conversion of Series B Preferred Stock | (195,500) | (20) | 195,500 | 20 | - |
| Conversion of Series D Preferred Stock | (125,688) | (13) | 628,438 | 63 | 107,224 |
| Warrants converted to Series E preferred stock | 5,512 | 1 | - - | - | 21,525,410 |
| Common stock issued for note conversion | - | - | 1,807,565 | 181 | 1,445,871 |
| Beneficial conversion feature | - | - | - | - | 4,017,729 |
| Proceeds received from private placement | - | - | 3,492,047 | 349 | 16,074,067 |
| Issue common stock for conversion of warrants | - | - | 619,250 | 62 | 1,183,966 |
| Warrant liability | - | - | - | - | 137,334 |
| Common stock issued for account payable | - | - | 320,449 | 32 | 435,457 |
| Loss on sale of companies | - | - | - | - | (42,576) |
| Gain on extinguishment of warrant liability | - | - | - | - | (305,358) |

| | | | | | | |
|--|--------------|-------------|-------------------|-----------------|-----------------------|-----------------------|
| Par value adjustment and additional shares issued due to reverse split | - | - | 1,414 | - | - | - |
| Currency translation loss | - | - | - | - | - | - |
| Net loss | - | - | - | - | - | (31,333,56 |
| Balance as of December 31, 2017 | 5,513 | 1 | 12,477,781 | 1,248 | 97,113,723 | (89,276,11 |
| Stock based compensation | - | - | 443,400 | 44 | 1,425,639 | - |
| Conversion of Series E preferred stock | (5,513) | (1) | 5,511,543 | 551 | (550) | - |
| Common stock issued for acquisition of patents | - | - | 250,000 | 25 | 959,975 | - |
| Issue common stock for exercise of warrants | - | - | 17,731 | 2 | 55,789 | - |
| Common stock issuance related to note conversion | - | - | 3,819,485 | 382 | 3,055,206 | - |
| Break-up fee - issuance of shares to GBV | - | - | 3,000,000 | 300 | 2,849,700 | - |
| Currency translation gain | - | - | - | - | - | - |
| Net loss | - | - | - | - | - | (12,814,32 |
| Balance as of December 31, 2018 | - | \$ - | 25,519,940 | \$ 2,552 | \$ 105,459,482 | \$ (102,090,44 |

For the year ended
December 31,

| | |
|------|------|
| 2018 | 2017 |
|------|------|

CASH FLOWS FROM OPERATING ACTIVITIES

| | | |
|---|------------------|------------------|
| Net loss | \$ (12,814,324) | \$ (31,333,569) |
| Adjustments to reconcile net loss to net cash (used in) operating activities: | | |
| Depreciation | 2,003,695 | 26,106 |
| Amortization of patents and website | 66,017 | 1,824,162 |
| Loss on sale of companies | - | 2,610,784 |
| Gain on debt extinguishment | - | (2,970,313) |
| Gain on extinguishment of warrant liability | - | (305,358) |
| Gain on Fortress loan extinguishment | - | (11,940,494) |
| Realized loss on sale of digital currencies | 152,485 | - |
| Change in fair value of warrant liability | (1,699,522) | 21,855,723 |
| Impairment of intangible assets | - | 2,475,149 |
| Impairment of goodwill | - | 228,401 |
| Impairment of mining equipment | 2,222,688 | - |
| Stock based compensation | 1,425,683 | 1,976,816 |
| Amortization of debt discount | 2,290,028 | 3,561,109 |
| Warrants exchanged for common stock | - | 980,400 |
| Bad debt allowance | 6,826 | - |
| Change in fair value of Clouding earnout | - | (1,482,012) |
| Break-up fee - issuance of shares to GBV | 2,850,000 | - |
| Non-controlling interest | - | 163,848 |
| Litigation liability | - | 2,150,000 |
| Changes in operating assets and liabilities: | | |
| Accounts receivables | - | 88,243 |
| Digital currencies | (1,495,402) | - |
| Litigation liability | (2,150,000) | - |
| Prepaid expenses and other assets | (371,151) | 335,194 |
| Other non current assets | - | 201,203 |
| Accounts payable and accrued expenses | (725,594) | (1,253,875) |
| Net cash used in operating activities | (8,238,571) | (10,808,483) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of digital currencies | 1,342,917 | - |
| Acquisition of patents | (250,000) | - |
| Purchase of property and equipment | (5,251,719) | (7,788) |
| Net cash used in investing activities | (4,158,802) | (7,788) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payment on note payable | - | (1,273,000) |
| Proceeds received on issuance of notes payable | - | 5,488,693 |
| Proceeds received on private placement | - | 16,074,416 |
| Proceeds from warrant purchase | - | 17,410 |
| Proceeds received on exercise of warrants | - | 141,100 |

| | | |
|--|---------------|---------------|
| Net cash provided by financing activities | - | 20,448,619 |
| Effect of foreign exchange rate changes | 15 | 317,867 |
| Net (decrease) increase in cash and cash equivalents | (12,397,358) | 9,950,215 |
| Cash and cash equivalents — beginning of period | 14,948,529 | 4,998,314 |
| Cash and cash equivalents — end of period | \$ 2,551,171 | \$ 14,948,529 |

SUPPLEMENTAL CASH FLOW INFORMATION

| | | |
|--|------|--------------|
| Cash paid for interest expense | \$ - | \$ 1,543,925 |
| Cash paid during the year for income taxes | \$ - | \$ 5,459 |

Supplemental schedule of non-cash investing and financing activities:

| | | |
|--|--------------|---------------|
| Issuance of Series D Preferred Stock | \$ - | \$ 678,713 |
| Conversion of Series B Preferred Stock to common stock | \$ - | \$ 20 |
| Conversion of Series D Preferred Stock to common stock | \$ - | \$ 63 |
| Conversion of Series E Preferred Stock to common stock | \$ 551 | \$ - |
| Warrants converted to Series E preferred stock | \$ - | \$ 21,525,410 |
| Warrants reclassified to equity | \$ - | \$ 18,187 |
| Common stock issued for acquisition of patents | \$ 960,000 | \$ - |
| Common stock issued for note conversion | \$ 3,055,588 | \$ 1,549,803 |
| Restricted stock issuance | \$ 44 | \$ 78 |
| Beneficial conversion feature | \$ - | \$ 4,017,729 |
| Common stock issued fro account payable | \$ - | \$ 331,739 |
| Warrants exercised into common shares | \$ 55,791 | \$ - |

Source: Marathon Patent Group, Inc.