

August 15, 2016



Marathon Patent Group Announces Second Quarter Financial Results

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

LOS ANGELES, CA -- (Marketwired) -- 08/15/16 -- Marathon Patent Group, Inc. (NASDAQ: MARA) ("Marathon" or "Company"), an IP licensing and commercialization company, today announced its operating results for the quarter ended June 30, 2016, 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, 2016 and Subsequent Events

- Record Q2 revenue of \$34.3 million for the three months ended June 30, 2016
- Record Q2 non-GAAP net income of \$16.5 million, compared to non-GAAP net loss of \$4.5 million for Q2 2015
- Record Q2 GAAP net profit of \$7.9 million or \$0.53 per basic share compared to a GAAP net loss of \$4.5 million or \$(0.32) per basic share for Q2 2015
- Record six months revenue of \$36.4 million. First half record operating income of \$9.1 million
- Debt reduction of \$7.4M
- Other operating expenses in Q2 2016 of approximately \$4.9 million, a 20% decrease as compared to operating expenses of \$6.1 million in Q2 2015
- Named Erich Spangenberg as Director of Acquisitions, Licensing, and Strategy primarily focusing on acquisitions, licensing, alliances and strategy for Marathon, with an emphasis on Marathon's expansion into Asia and Europe
- Added Dr. David Liu to the management team with over 20 years of deep domain experience in the areas of memory and semiconductor technology
- Entered into a strategic relationship with a large fund and a Fortune Global 50 company on August 11, 2016 to commercialize and monetize 10,000+ patents in a particular industry vertical

- Entered into agreement with Siemens AG acquiring 307 patents, many deemed Standard Essential Patents
- Secured a lead investor for 3D Nanocolor

Doug Croxall, Chief Executive Officer of Marathon, stated, "We are clearly pleased with year to date record financial results that we announced today, including improving our balance sheet and successfully retiring a large portion of debt."

Croxall concluded, "As discussed on our previous earnings call, we are refocusing our revenue generation on licenses that provide a recurring revenue feature. The recurring revenue may take the form of fixed quarterly or annual payments by licensees to Marathon and should help investors better model future revenue potential."

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 15, 2016 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) 407-4018 ten minutes prior to the scheduled start time. International calls should dial (201) 689-8471.

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. 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 29, 2016 by dialing (877) 870-5176 in the U.S. and Canada and (858) 384-5517 internationally and entering the pin number: 13643010.

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.

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.

MARATHON PATENT GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

| | <u>June 30,</u> 2016 | <u>December 31,</u> 2015 |
|---|-----------------------------|-----------------------------|
| ASSETS | (unaudited) | |
| Current assets: | | |
| Cash | \$ 7,158,779 | \$ 2,555,151 |
| Accounts receivable - net of allowance for bad debt of \$387,976 and \$375,750 for June 30, 2016 and December 31, 2015 | 128,337 | 136,842 |
| Bonds posted with courts | 2,383,069 | 1,748,311 |
| Prepaid expenses and other current assets, net of discounts of \$3,103 for June 30, 2016 and \$3,414 for December 31, 2015 | <u>177,745</u> | <u>338,598</u> |
| Total current assets | <u>9,847,930</u> | <u>4,778,902</u> |
| Other assets: | | |
| Property and equipment, net of accumulated depreciation of \$87,662 and \$67,052 for June 30, 2016 and December 31, 2015 | 46,977 | 61,297 |
| Intangible assets, net of accumulated amortization of \$18,013,247 and \$15,557,353 for June 30, 2016 and December 31, 2015 | 23,488,453 | 25,457,639 |
| Deferred tax assets | 8,893,421 | 12,437,741 |
| Other non current assets, net of discounts of \$3,279 and \$4,831 for June 30, 2016 and December 31, 2015 | 204,721 | 9,169 |
| Goodwill | <u>4,453,945</u> | <u>4,482,845</u> |
| Total other assets | <u>37,087,517</u> | <u>42,448,691</u> |
| Total Assets | <u><u>\$ 46,935,447</u></u> | <u><u>\$ 47,227,593</u></u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 6,142,186 | \$ 6,534,825 |

| | | |
|--|----------------------|----------------------|
| Clouding IP earn out - current portion | - | 33,646 |
| Notes payable, net of discounts of \$788,320 and \$730,945 for June 30, 2016 and December 31, 2015 | 8,793,806 | 10,383,177 |
| | <u>14,935,992</u> | <u>16,951,648</u> |
| Long-term liabilities | | |
| Notes payable, net of discount of \$1,016,198 and \$1,425,167 for June 30, 2016 and December 31, 2015 | 9,027,798 | 12,223,884 |
| Clouding IP earn out | 3,147,054 | 3,281,238 |
| Deferred tax liability | 789,690 | 1,044,997 |
| Revenue share liability | 1,000,000 | 1,000,000 |
| Other long term liability | 47,549 | 50,084 |
| Total long-term liabilities | <u>14,012,091</u> | <u>17,600,203</u> |
| Total liabilities | <u>28,948,083</u> | <u>34,551,851</u> |
| Stockholders' Equity: | | |
| Preferred stock Series B, \$.0001 par value, 50,000,000 shares authorized: 782,004 and 782,004 issued and outstanding at June 30, 2016 and December 31, 2015 | 78 | 78 |
| Common stock, \$.0001 par value; 200,000,000 shares authorized; 15,047,141 and 14,867,141 at June 30, 2016 and December 31, 2015 | 1,505 | 1,487 |
| Additional paid-in capital | 44,422,717 | 43,217,513 |
| Accumulated other comprehensive income (loss) | (1,168,556) | (1,265,812) |
| Accumulated deficit | <u>(25,264,658)</u> | <u>(29,277,524)</u> |
| Total Marathon Patent Group, Inc. stockholders' equity | <u>17,991,086</u> | <u>12,675,742</u> |
| Noncontrolling Interest | <u>(3,722)</u> | <u>-</u> |
| Total Stockholders' Equity | <u>17,987,364</u> | <u>12,675,742</u> |
| Total liabilities and stockholders' equity | <u>\$ 46,935,447</u> | <u>\$ 47,227,593</u> |

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

MARATHON PATENT GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

| For The Three Months Ended June 30, | For The Three Months Ended June 30, | For The Six Months Ended June 30, | For The Six Months Ended June 30, |
|---|---|--|--|
|---|---|--|--|

| | 2016 | 2015 | 2016 | 2015 |
|--|--------------------|--------------------|--------------------|---------------------|
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Revenues | \$ 34,349,762 | \$ 1,368,986 | \$ 36,409,438 | \$ 5,462,855 |
| Expenses | | | | |
| Cost of revenues | 15,467,763 | 3,860,210 | 18,107,740 | 8,188,375 |
| Amortization of patents and website | 1,961,411 | 3,029,000 | 3,987,310 | 5,627,461 |
| Compensation and related taxes | 1,120,924 | 1,087,058 | 2,154,270 | 2,668,132 |
| Consulting fees | 364,836 | 329,081 | 645,612 | 1,225,624 |
| Professional fees | 498,212 | 578,920 | 903,705 | 1,348,535 |
| General and administrative | 223,130 | 284,976 | 428,513 | 504,457 |
| Goodwill impairment | 83,000 | - | 83,000 | - |
| Patent impairment | 620,696 | 766,498 | 993,890 | 766,498 |
| Total operating expenses | <u>20,339,972</u> | <u>9,935,743</u> | <u>27,304,040</u> | <u>20,329,082</u> |
| Operating income (loss) from continuing operations | <u>14,009,790</u> | <u>(8,566,757)</u> | <u>9,105,398</u> | <u>(14,866,227)</u> |
| Other income (expenses) | | | | |
| Other income (expense) | (17,745) | 7,439 | (31,532) | 7,439 |
| Foreign exchange gain (loss) | (69,201) | 1,899 | (62,223) | (37,503) |
| Change in fair value adjustment of Clouding IP earn out | 169,172 | 2,304,301 | 167,830 | 2,304,301 |
| Interest income | 931 | - | 1,862 | 2 |
| Interest expense | <u>(844,407)</u> | <u>(1,577,083)</u> | <u>(1,851,256)</u> | <u>(2,508,623)</u> |
| Total other income (expenses) | <u>(761,250)</u> | <u>736,556</u> | <u>(1,775,319)</u> | <u>(234,384)</u> |
| Income (loss) before income tax benefit (expense) | 13,248,540 | (7,830,201) | 7,330,079 | (15,100,611) |
| Income tax benefit (expense) | <u>(5,345,983)</u> | <u>3,327,505</u> | <u>(3,320,935)</u> | <u>5,816,344</u> |
| Net income (loss) | 7,902,557 | (4,502,696) | 4,009,144 | (9,284,267) |
| Net (income) loss attributable to noncontrolling interests | <u>3,722</u> | <u>-</u> | <u>3,722</u> | <u>-</u> |
| Net income (loss) | | | | |

| | | | | |
|---------------------------|----|------------|----|-------------|
| attributable to Marathon | | | | |
| Patent Group, Inc. common | \$ | 7,906,279 | \$ | (4,502,696) |
| shareholders | | | \$ | 4,012,866 |
| | | | \$ | (9,284,267) |
| Income (loss) per common | | | | |
| share: | | | | |
| Basic | \$ | 0.53 | \$ | (0.32) |
| | | | \$ | 0.27 |
| | | | \$ | (0.67) |
| Fully Diluted | \$ | 0.49 | \$ | (0.32) |
| | | | \$ | 0.25 |
| | | | \$ | (0.67) |
| WEIGHTED AVERAGE | | | | |
| COMMON SHARES | | | | |
| OUTSTANDING: | | | | |
| Basic | | 14,994,697 | | 13,998,563 |
| | | | | 14,980,919 |
| | | | | 13,937,872 |
| Fully Diluted | | 16,031,564 | | 13,998,563 |
| | | | | 16,017,786 |
| | | | | 13,937,872 |
| Other income (loss) | | | | |
| Foreign currency | | | | |
| translation adjustments | \$ | (150,171) | \$ | 319,905 |
| | | | \$ | 97,256 |
| | | | \$ | (630,334) |

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

MARATHON PATENT GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

| | For The Six Months Ended June 30, 2016 | For The Six Months Ended June 30, 2015 |
|--|--|--|
| | (unaudited) | (unaudited) |
| Cash flows from operating activities: | | |
| Net income (loss) | \$ 4,009,144 | \$ (9,284,267) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | |
| Depreciation | 2,710 | 3,758 |
| Amortization of patents and website | 3,987,310 | 5,627,461 |
| Deferred tax asset | 3,547,856 | (5,307,139) |
| Deferred tax liability | (275,490) | (509,207) |
| Impairment of intangible assets | 993,890 | 766,498 |
| Impairment of goodwill | 83,000 | - |
| Stock based compensation | 1,062,200 | 1,413,724 |
| Stock issued for services | 136,000 | 750,334 |
| Non-cash interest, discount, and financing costs | 664,182 | 1,625,322 |
| Change in fair value of Clouding earnout | (167,830) | (2,304,301) |
| Allowance for doubtful accounts | 12,226 | - |
| Other non-cash adjustments | (104,899) | 14,980 |

| | | |
|--|----------------------------|----------------------------|
| Changes in operating assets and liabilities | | |
| Bonds posted with courts | (518,455) | - |
| Accounts receivable | (2,718) | (487,328) |
| Prepaid expenses and other assets | 165,301 | 51,455 |
| Accounts payable and accrued expenses | <u>(469,660)</u> | <u>2,046,662</u> |
| Net cash provided by (used in) operating activities | <u>13,124,767</u> | <u>(5,592,048)</u> |
| Cash flows from investing activities: | | |
| Acquisition of patents | (1,150,000) | - |
| Purchase of property, equipment, and other intangible assets | <u>(6,291)</u> | <u>(20,668)</u> |
| Net cash provided by (used in) investing activities | <u>(1,156,291)</u> | <u>(20,668)</u> |
| Cash flows from financing activities: | | |
| Payment on note payable in connection with the acquisition of Medtech and Orthophoenix | (2,953,779) | (4,200,000) |
| Payment on note payable in connection with the acquisition of Orthophoenix | - | (5,000,000) |
| Payment on note payable in connection with the acquisition of Sarif | - | (276,250) |
| Payment on note payable in connection with the acquisition of IP Liquidity | - | (1,109,375) |
| Payment on note payable in connection with the acquisition of Dynamic Advances | - | (2,624,375) |
| Payment on MdR Escrow TLI | - | (50,000) |
| Cash received upon issuance of notes payable (net of issuance costs) | - | 19,600,000 |
| Payment on Fortress note payable | (3,973,854) | - |
| Cash received upon exercise of warrants | - | 18,751 |
| Repayment of convertible notes payable | - | (5,050,000) |
| Payment on note payable | <u>(437,070)</u> | <u>705,093</u> |
| Net cash provided by (used in) financing activities | <u>(7,364,703)</u> | <u>2,013,844</u> |
| Effect of exchange rate changes on cash | <u>(145)</u> | <u>3,545</u> |
| Net increase (decrease) in cash | 4,603,628 | (3,595,327) |
| Cash at beginning of period | <u>2,555,151</u> | <u>5,082,569</u> |
| Cash at end of period | <u><u>\$ 7,158,779</u></u> | <u><u>\$ 1,487,242</u></u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Cash paid for: | | |
| Interest expense | <u>\$ 1,187,074</u> | <u>\$ 805,106</u> |
| Taxes paid | <u>\$ 27,682</u> | <u>\$ 14,662</u> |

| | | |
|---|--------------|---------------|
| Loan fees | \$ - | \$ 400,000 |
| Cash invested in 3DNano | \$ 115,000 | \$ - |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES: | | |
| Common stock issued in conjunction with note payable | \$ - | \$ 1,000,000 |
| Warrant issued in conjunction with note payable | \$ - | \$ 318,679 |
| Revenue share liability incurred in conjunction with note payable | \$ - | \$ 1,000,000 |
| Convertible debt warrant repricing | \$ 6,425 | \$ - |
| Note payable issuance in conjunction with the acquisition of Munitech patents | \$ 1,750,000 | \$ - |
| Non-cash interest increase in debt assumed in the Orthophoenix acquisition | \$ - | \$ 750,000 |
| Note payable issuance in conjunction with the acquisition of BATO patents | \$ - | \$ 10,000,000 |

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

| | Non-GAAP Reconciliation | | | |
|--------------------------------------|--|--|---|---|
| | For the Three Months Ended June 30, 2016 | For the Three Months Ended June 30, 2015 | For the Six Months Ended June 30, 2016 | For the Six Months Ended June 30, 2015 |
| Net income (loss) | \$ 7,906,279 | \$ (4,502,696) | \$ 4,012,866 | \$ (9,284,267) |
| Non-GAAP | | | | |
| Amortization of intangible assets | 1,961,411 | 3,029,000 | 3,987,310 | 5,627,461 |
| Equity-based compensation | 647,764 | 750,968 | 1,192,797 | 2,210,051 |
| Impairment of intellectual property | 703,696 | 766,498 | 1,076,890 | 766,498 |
| Change in earn out liability | (169,172) | (2,304,301) | (167,830) | (2,304,301) |
| Non-cash interest expense | 58,492 | 1,089,798 | 664,182 | 1,703,517 |
| Deferred tax (benefit) / tax expense | 5,345,983 | (3,327,505) | 3,320,935 | (5,816,344) |
| Other | 13,284 | 1,852 | 14,936 | 3,758 |
| Non-GAAP net income (loss) | \$ 16,467,737 | \$ (4,496,386) | \$ 14,102,086 | \$ (7,093,627) |
| Weighted average | | | | |

| | | | | |
|---|------------|------------|------------|------------|
| common shares outstanding - basic | 14,994,697 | 13,998,563 | 14,980,919 | 13,937,872 |
| Weighted average common shares outstanding - diluted | 16,031,564 | 13,998,563 | 16,017,786 | 13,937,872 |
| Non-GAAP net income (loss) per common share - basic | \$ 1.10 | \$ (0.32) | \$ 0.94 | \$ (0.51) |
| Non-GAAP net income (loss) per common share - diluted | \$ 1.03 | \$ (0.32) | \$ 0.88 | \$ (0.51) |

CONTACT INFORMATION

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Source: Marathon Patent Group