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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 10-Q**

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (D) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2019

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (D) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**MARATHON PATENT GROUP, INC.**

(Exact Name of Registrant as Specified in Charter)

|                                                          |                             |                                      |
|----------------------------------------------------------|-----------------------------|--------------------------------------|
| Nevada                                                   | 001-36555                   | 01-0949984                           |
| (State or other jurisdiction<br>of incorporation)        | (Commission<br>File Number) | (IRS Employer<br>Identification No.) |
| 1180 North Town Center Drive, Suite 100<br>Las Vegas, NV |                             | 89144                                |
| (Address of principal executive offices)                 |                             | (Zip Code)                           |

Registrant's telephone number, including area code: 702-945-2773

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. ☒

|                         |                          |                           |                                     |
|-------------------------|--------------------------|---------------------------|-------------------------------------|
| Large Accelerated Filer | <input type="checkbox"/> | Accelerated Filer         | <input type="checkbox"/>            |
| Non-accelerated Filer   | <input type="checkbox"/> | Smaller Reporting Company | <input checked="" type="checkbox"/> |
| Emerging growth company | <input type="checkbox"/> |                           |                                     |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes ☐ No ☒

Securities registered pursuant to Section 12(b) of the Act:

|                     |                   |                                           |
|---------------------|-------------------|-------------------------------------------|
| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
| Common Stock        | MARA              | The Nasdaq Capital Market                 |

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 6,385,405 shares of common stock are issued and outstanding as of August 1, 2019.

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## OTHER PERTINENT INFORMATION

Unless specifically set forth to the contrary, "Marathon Patent Group, Inc.," "we," "us," "our" and similar terms refer to Marathon Patent Group, Inc., a Nevada corporation, and its subsidiaries. Unless otherwise indicated, the per share information has been retroactively adjusted to reflect the one for four reverse stock split that went into effect on April 8, 2019 (the "Reverse Split").

Item 1. Financial Statements

MARATHON PATENT GROUP, INC. AND SUBSIDIARIES  
CONSOLIDATED CONDENSED BALANCE SHEETS

|                                                                                                                                                                     | June 30, 2019<br>(Unaudited) | December 31, 2018   |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|---------------------|
| <b>ASSETS</b>                                                                                                                                                       |                              |                     |
| Current assets:                                                                                                                                                     |                              |                     |
| Cash and cash equivalents                                                                                                                                           | \$ 1,688,426                 | \$ 2,551,171        |
| Digital currencies                                                                                                                                                  | 4,540                        | -                   |
| Prepaid expenses and other current assets                                                                                                                           | 242,012                      | 464,006             |
| Total current assets                                                                                                                                                | 1,934,978                    | 3,015,177           |
| Other assets:                                                                                                                                                       |                              |                     |
| Property and equipment, net of accumulated depreciation and impairment charges of \$4,613,653 and \$4,338,931 for June 30, 2019 and December 31, 2018, respectively | 759,853                      | 1,034,575           |
| Right-of-use assets                                                                                                                                                 | 338,740                      | -                   |
| Intangible assets, net of accumulated amortization of \$100,833 and \$65,245 for June 30, 2019 and December 31, 2018, respectively                                  | 1,109,167                    | 1,144,755           |
| Total other assets                                                                                                                                                  | 2,207,760                    | 2,179,330           |
| <b>TOTAL ASSETS</b>                                                                                                                                                 | <b>\$ 4,142,738</b>          | <b>\$ 5,194,507</b> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                                                                                                         |                              |                     |
| Current liabilities:                                                                                                                                                |                              |                     |
| Accounts payable and accrued expenses                                                                                                                               | \$ 1,065,452                 | \$ 1,235,444        |
| Current portion of lease liability                                                                                                                                  | 83,179                       | -                   |
| Warrant liability                                                                                                                                                   | 115,387                      | 39,083              |
| Convertible notes payable                                                                                                                                           | 999,106                      | 999,106             |
| Total current liabilities                                                                                                                                           | 2,263,124                    | 2,273,633           |
| Long-term liabilities                                                                                                                                               |                              |                     |
| Lease liability                                                                                                                                                     | 157,007                      | -                   |
| Total long-term liabilities                                                                                                                                         | 157,007                      | -                   |
| Total liabilities                                                                                                                                                   | 2,420,131                    | 2,273,633           |
| <b>Commitments and Contingencies</b>                                                                                                                                |                              |                     |
| Stockholders' Equity:                                                                                                                                               |                              |                     |
| Preferred stock, \$0.0001 par value, 50,000,000 shares authorized, no shares issued and outstanding at June 30 2019 and December 31, 2018, respectively             | -                            | -                   |
| Common stock, \$0.0001 par value; 200,000,000 shares authorized; 6,385,405 and 6,379,992 issued and outstanding at June 30 2019 and December 31, 2018, respectively | 639                          | 638                 |
| Additional paid-in capital                                                                                                                                          | 105,873,870                  | 105,461,396         |
| Accumulated other comprehensive loss                                                                                                                                | (450,719)                    | (450,719)           |
| Accumulated deficit                                                                                                                                                 | (103,701,183)                | (102,090,441)       |
| Total stockholders' equity                                                                                                                                          | 1,722,607                    | 2,920,874           |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                                                                                                   | <b>\$ 4,142,738</b>          | <b>\$ 5,194,507</b> |

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

**MARATHON PATENT GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**  
(Unaudited)

|                                                                       | For the three months ended<br>June 30, |                       | For the six months ended<br>June 30, |                       |
|-----------------------------------------------------------------------|----------------------------------------|-----------------------|--------------------------------------|-----------------------|
|                                                                       | 2019                                   | 2018                  | 2019                                 | 2018                  |
| <b>Revenues</b>                                                       |                                        |                       |                                      |                       |
| Cryptocurrency mining revenue                                         | \$ 355,765                             | \$ 661,917            | \$ 586,459                           | \$ 861,499            |
| Other revenue                                                         | -                                      | 26,585                | -                                    | 66,970                |
| <b>Total revenues</b>                                                 | <u>355,765</u>                         | <u>688,502</u>        | <u>586,459</u>                       | <u>928,469</u>        |
| <b>Operating costs and expenses</b>                                   |                                        |                       |                                      |                       |
| Cost of revenue                                                       | 498,588                                | 931,630               | 1,007,228                            | 1,199,339             |
| Compensation and related taxes                                        | 328,604                                | 252,853               | 815,291                              | 665,971               |
| Consulting fees                                                       | 30,000                                 | 187,583               | 50,000                               | 225,786               |
| Professional fees                                                     | 110,341                                | 226,514               | 195,374                              | 1,030,800             |
| General and administrative                                            | 128,829                                | 558,894               | 244,072                              | 1,122,610             |
| Break-up fee - issuance of shares to GBV                              | -                                      | 2,850,000             | -                                    | 2,850,000             |
| Total operating expenses                                              | <u>1,096,362</u>                       | <u>5,007,474</u>      | <u>2,311,965</u>                     | <u>7,094,506</u>      |
| <b>Operating loss</b>                                                 | <u>(740,597)</u>                       | <u>(4,318,972)</u>    | <u>(1,725,506)</u>                   | <u>(6,166,037)</u>    |
| <b>Other income (expenses)</b>                                        |                                        |                       |                                      |                       |
| Other income (expenses)                                               | 190,332                                | (18,909)              | 180,895                              | (16,455)              |
| Foreign exchange loss                                                 | -                                      | (7,760)               | (11,873)                             | (23,093)              |
| Realized income (loss) on sale of digital currencies                  | 25,052                                 | (71,226)              | 24,444                               | (82,293)              |
| Change in fair value of warrant liability                             | (38,570)                               | 94,629                | (76,304)                             | 1,547,886             |
| Amortization of debt discount                                         | -                                      | (345,256)             | -                                    | (2,290,028)           |
| Interest income                                                       | 10,358                                 | -                     | 22,374                               | -                     |
| Interest expense                                                      | (12,455)                               | (9,151)               | (24,772)                             | (49,445)              |
| Total other income (expenses)                                         | <u>174,717</u>                         | <u>(357,673)</u>      | <u>114,764</u>                       | <u>(913,428)</u>      |
| <b>Net loss</b>                                                       | <u>\$ (565,880)</u>                    | <u>\$ (4,676,645)</u> | <u>\$ (1,610,742)</u>                | <u>\$ (7,079,465)</u> |
| <b>Net loss per share, basic and diluted:</b>                         | <u>\$ (0.09)</u>                       | <u>\$ (0.93)</u>      | <u>\$ (0.25)</u>                     | <u>\$ (1.61)</u>      |
| <b>Weighted average shares outstanding, basic and diluted:</b>        | <u>6,350,080</u>                       | <u>5,009,297</u>      | <u>6,344,281</u>                     | <u>4,410,816</u>      |
| <b>Net loss</b>                                                       | \$ (565,880)                           | \$ (4,676,645)        | \$ (1,610,742)                       | \$ (7,079,465)        |
| Other comprehensive income:                                           |                                        |                       |                                      |                       |
| Unrealized gain on foreign currency translation                       | -                                      | -                     | -                                    | 15                    |
| <b>Comprehensive loss attributable to Marathon Patent Group, Inc.</b> | <u>\$ (565,880)</u>                    | <u>\$ (4,676,645)</u> | <u>\$ (1,610,742)</u>                | <u>\$ (7,079,450)</u> |

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

**MARATHON PATENT GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(Unaudited)

**For the Three Months Ended June 30, 2019**

|                              | Preferred Stock |        | Common Stock |        | Additional         | Accumulated      | Accumulated                             | Total                   |
|------------------------------|-----------------|--------|--------------|--------|--------------------|------------------|-----------------------------------------|-------------------------|
|                              | Number          | Amount | Number       | Amount | Paid-in<br>Capital | Deficit          | Other<br>Comprehensive<br>Income (Loss) | Stockholders'<br>Equity |
| Balance as of March 31, 2019 | -               | \$ -   | 6,385,405    | \$ 639 | \$ 105,743,575     | \$ (103,135,303) | \$ (450,719)                            | \$ 2,158,192            |
| Stock based compensation     | -               | -      | -            | -      | 130,295            | -                | -                                       | 130,295                 |
| Net loss                     | -               | -      | -            | -      | -                  | (565,880)        | -                                       | (565,880)               |
| Balance as of June 30, 2019  | -               | \$ -   | 6,385,405    | \$ 639 | \$ 105,873,870     | \$ (103,701,183) | \$ (450,719)                            | \$ 1,722,607            |

**For the Six Months Ended June 30, 2019**

|                                                                        | Preferred Stock |        | Common Stock |        | Additional         | Accumulated      | Accumulated                             | Total                   |
|------------------------------------------------------------------------|-----------------|--------|--------------|--------|--------------------|------------------|-----------------------------------------|-------------------------|
|                                                                        | Number          | Amount | Number       | Amount | Paid-in<br>Capital | Deficit          | Other<br>Comprehensive<br>Income (Loss) | Stockholders'<br>Equity |
| Balance as of December 31, 2018                                        | -               | \$ -   | 6,379,992    | \$ 638 | \$ 105,461,396     | \$ (102,090,441) | \$ (450,719)                            | \$ 2,920,874            |
| Stock based compensation                                               | -               | -      | -            | -      | 412,475            | -                | -                                       | 412,475                 |
| Par value adjustment and additional shares issued due to reverse split | -               | -      | 5,413        | 1      | (1)                | -                | -                                       | -                       |
| Net loss                                                               | -               | -      | -            | -      | -                  | (1,610,742)      | -                                       | (1,610,742)             |
| Balance as of June 30, 2019                                            | -               | \$ -   | 6,385,405    | \$ 639 | \$ 105,873,870     | \$ (103,701,183) | \$ (450,719)                            | \$ 1,722,607            |

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

**MARATHON PATENT GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(Unaudited)

**For the Three Months Ended June 30, 2018**

|                                                  | Preferred Stock |             | Common Stock     |               | Additional<br>Paid-in<br>Capital | Accumulated<br>Deficit | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Total<br>Stockholders'<br>Equity |
|--------------------------------------------------|-----------------|-------------|------------------|---------------|----------------------------------|------------------------|--------------------------------------------------------|----------------------------------|
|                                                  | Number          | Amount      | Number           | Amount        |                                  |                        |                                                        |                                  |
| <b>Balance as of March 31, 2018</b>              | <b>486</b>      | <b>\$ -</b> | <b>4,831,985</b> | <b>\$ 483</b> | <b>\$ 100,555,393</b>            | <b>\$ (91,678,937)</b> | <b>\$ (450,719)</b>                                    | <b>\$ 8,426,220</b>              |
| Stock based compensation                         | -               | -           | 12,500           | 1             | 127,856                          | -                      | -                                                      | 127,857                          |
| Break-up fee - issuance of shares to GBV         | -               | -           | 750,000          | 75            | 2,849,925                        | -                      | -                                                      | 2,850,000                        |
| Common stock issuance related to note conversion | -               | -           | 300,000          | 30            | 959,970                          | -                      | -                                                      | 960,000                          |
| Currency translation gain                        | -               | -           | -                | -             | -                                | -                      | -                                                      | -                                |
| Net loss                                         | -               | -           | -                | -             | -                                | (4,676,645)            | -                                                      | (4,676,645)                      |
| <b>Balance as of June 30, 2018</b>               | <b>486</b>      | <b>\$ -</b> | <b>5,894,485</b> | <b>\$ 589</b> | <b>\$ 104,493,144</b>            | <b>\$ (96,355,582)</b> | <b>\$ (450,719)</b>                                    | <b>\$ 7,687,432</b>              |

**For the Six Months Ended June 30, 2018**

|                                                  | Preferred Stock |             | Common Stock     |               | Additional<br>Paid-in<br>Capital | Accumulated<br>Deficit | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Total<br>Stockholders'<br>Equity |
|--------------------------------------------------|-----------------|-------------|------------------|---------------|----------------------------------|------------------------|--------------------------------------------------------|----------------------------------|
|                                                  | Number          | Amount      | Number           | Amount        |                                  |                        |                                                        |                                  |
| <b>Balance as of December 31, 2017</b>           | <b>1,378</b>    | <b>\$ 1</b> | <b>3,119,445</b> | <b>\$ 312</b> | <b>\$ 97,114,659</b>             | <b>\$ (89,276,117)</b> | <b>\$ (450,734)</b>                                    | <b>\$ 7,388,121</b>              |
| Stock based compensation                         | -               | -           | 110,850          | 11            | 457,370                          | -                      | -                                                      | 457,382                          |
| Conversion of Series E preferred stock           | (892)           | (1)         | 892,386          | 89            | (88)                             | -                      | -                                                      | -                                |
| Common stock issued for acquisition of patents   | -               | -           | 62,500           | 6             | 959,994                          | -                      | -                                                      | 960,000                          |
| Issue common stock for conversion of warrants    | -               | -           | 4,433            | -             | 55,791                           | -                      | -                                                      | 55,791                           |
| Common stock issuance related to note conversion | -               | -           | 954,871          | 96            | 3,055,493                        | -                      | -                                                      | 3,055,588                        |
| Break-up fee - issuance of shares to GBV         | -               | -           | 750,000          | 75            | 2,849,925                        | -                      | -                                                      | 2,850,000                        |
| Currency translation gain                        | -               | -           | -                | -             | -                                | -                      | 15                                                     | 15                               |
| Net loss                                         | -               | -           | -                | -             | -                                | (7,079,465)            | -                                                      | (7,079,465)                      |
| <b>Balance as of June 30, 2018</b>               | <b>486</b>      | <b>\$ -</b> | <b>5,894,485</b> | <b>\$ 589</b> | <b>\$ 104,493,144</b>            | <b>\$ (96,355,582)</b> | <b>\$ (450,719)</b>                                    | <b>\$ 7,687,432</b>              |

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

**MARATHON PATENT GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS**  
(Unaudited)

|                                                                               | For the six months ended<br>June 30, |                     |
|-------------------------------------------------------------------------------|--------------------------------------|---------------------|
|                                                                               | 2019                                 | 2018                |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                   |                                      |                     |
| Net loss                                                                      | \$ (1,610,742)                       | \$ (7,079,465)      |
| Adjustments to reconcile net loss to net cash (used in) operating activities: |                                      |                     |
| Depreciation                                                                  | 274,722                              | 806,598             |
| Amortization of patents and website                                           | 35,588                               | 29,914              |
| Realized (gain) loss on sale of digital currencies                            | (24,444)                             | 82,293              |
| Change in fair value of warrant liability                                     | 76,304                               | (1,547,886)         |
| Stock based compensation                                                      | 412,475                              | 457,382             |
| Amortization of debt discount                                                 | -                                    | 2,290,028           |
| Amortization of right-of-use assets                                           | 44,259                               | -                   |
| Bad debt allowance                                                            | -                                    | 6,826               |
| Break-up fee - issuance of shares to GBV                                      | -                                    | 2,850,000           |
| Changes in operating assets and liabilities:                                  |                                      |                     |
| Digital currencies                                                            | (586,459)                            | (861,499)           |
| Lease liability                                                               | (43,672)                             | -                   |
| Litigation liability                                                          | -                                    | (2,150,000)         |
| Prepaid expenses and other assets                                             | 122,853                              | (481,997)           |
| Accounts payable and accrued expenses                                         | (169,992)                            | (7,345)             |
| Net cash used in operating activities                                         | <u>(1,469,108)</u>                   | <u>(5,605,151)</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                   |                                      |                     |
| Sale of digital currencies                                                    | 606,363                              | 393,931             |
| Acquisition of patents                                                        | -                                    | (250,000)           |
| Purchase of property and equipment                                            | -                                    | (5,254,713)         |
| Net cash provided by (used in) investing activities                           | <u>606,363</u>                       | <u>(5,110,782)</u>  |
| Effect of foreign exchange rate changes                                       | -                                    | 15                  |
| Net decrease in cash and cash equivalents                                     | (862,745)                            | (10,715,918)        |
| Cash and cash equivalents — beginning of period                               | 2,551,171                            | 14,948,529          |
| Cash and cash equivalents — end of period                                     | <u>\$ 1,688,426</u>                  | <u>\$ 4,232,611</u> |
| <b>Supplemental schedule of non-cash investing and financing activities:</b>  |                                      |                     |
| Par value adjustment due to reverse split                                     | \$ 1                                 | \$ -                |
| Conversion of Series E Preferred Stock to common stock                        | \$ -                                 | \$ 89               |
| Common stock issued for acquisition of patents                                | \$ -                                 | \$ 960,000          |
| Common stock issued for note conversion                                       | \$ -                                 | \$ 3,055,588        |
| Restricted stock issuance                                                     | \$ -                                 | \$ 11               |
| Warrants exercised into common shares                                         | \$ -                                 | \$ 55,791           |

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

**MARATHON PATENT GROUP, INC. AND SUBSIDIARIES**  
**Notes to Unaudited Consolidated Condensed Financial Statements**

**NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS**

**Organization**

Marathon Patent Group, Inc. (the "Company") was incorporated in the State of Nevada on February 23, 2010 under the name Verve Ventures, Inc. On December 7, 2011, the Company changed its name to American Strategic Minerals Corporation and were engaged in exploration and potential development of uranium and vanadium minerals business. In June 2012, the Company discontinued the minerals business and began to invest in real estate properties in Southern California. In October 2012, the Company discontinued its real estate business when the former CEO joined the firm and the Company commenced IP licensing operations, at which time the Company's name was changed to Marathon Patent Group, Inc. On November 1, 2017, the Company entered into a merger agreement with Global Bit Ventures, Inc. ("GBV"), which is focused on mining digital assets. The Company purchased cryptocurrency mining machines and established a data center in Canada to mine digital assets. The Company expanded its activities in the mining of new digital assets, while at the same time harvesting the value of its remaining IP assets. In order to streamline and create efficiencies, we outsource most of our operations to service providers, and our Granby facility and its bitcoin mining operations are provided by Block Maintain, Inc. Additionally, 24 hour security at our facility is provided by Securitas Canada, and financial operations are provided by Chord Advisors, LLC.

The Company's Board of Directors adopted the reverse stock split approved by its shareholders at its December 2018 Board Meeting. Upon the effectiveness of the reverse stock split, every four shares of issued and outstanding common stock before the open of business on April 8, 2019 was combined into one issued and outstanding share of common stock, with no change in par value per share. All share and per share values for all periods presented in the accompanying consolidated condensed financial statements have been retroactively adjusted to reflect the 1:4 Reverse Split.

As of May 21, 2019, the Company received notice from the Nasdaq Capital Market (the "Capital Market") that the Company has failed to maintain a minimum of \$2,500,000 in stockholders' equity for continued listing as required under Listing Rule 5550(b)(1) as its Form 10-Q for the period ended March 31, 2019 reported stockholders' equity of \$2,158,192. On July 23, 2019, we announced Nasdaq approved the Company's plan to regain compliance, and the Company is required to file its Form 10-Q for the period ending September 30, 2019 with the SEC on or before November 13, 2019 evidencing compliance with the stockholders' equity requirement.

**Going Concern**

The Company's consolidated condensed financial statements have been prepared assuming that it will continue as a going concern, which contemplates continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business.

As reflected in the consolidated condensed financial statements, the Company had an accumulated deficit of approximately \$103.7 million at June 30, 2019, a net loss of approximately \$1.6 million and approximately \$1.5 million net cash used in operating activities for the six months ended June 30, 2019. These factors raise substantial doubt about the Company's ability to continue as a going concern.

Based on the Company's current revenue and profit projections, management is uncertain that the Company's existing cash will be sufficient to fund its operations through at least the next twelve months from the issuance date of the financial statements, raising substantial doubt regarding the Company's ability to continue operating as a going concern. If we do not meet our revenue and profit projections or the business climate turns negative, then we will need to:

- raise additional funds to support the Company's operations; provided, however, there is no assurance that the Company will be able to raise such additional funds on acceptable terms, if at all. If the Company raises additional funds by issuing securities, existing stockholders may be diluted; and
- review strategic alternatives.

If adequate funds are not available, we may be required to curtail our operations or other business activities or obtain funds, if available, through arrangements with strategic partners or others that may require us to relinquish rights to certain technologies or potential markets.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation and Principles of Consolidation**

The accompanying consolidated condensed financial statements, including the accounts of the Company's subsidiaries, Marathon Crypto Mining, Inc., Crypto Currency Patent Holding Company and Soems acquisition Corp., have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) have been condensed or omitted pursuant to such rules and regulations. These consolidated condensed financial statements reflect all adjustments (consisting only of normal recurring adjustments) which, in the opinion of management, are necessary to present fairly the financial position, the results of operations and cash flows of the Company for the periods presented. It is suggested that these consolidated condensed financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's most recent Annual Report on Form 10-K. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year ended December 31, 2019.

## Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates made by management include, but are not limited to, estimating the useful lives of patent assets, the assumptions used to calculate fair value of warrants and options granted, goodwill impairment, realization of long-lived assets, deferred income taxes, unrealized tax positions and business combination accounting.

## Significant Accounting Policies

There have been no material changes to the Company's significant accounting policies to those previously disclosed in the 2018 annual report.

### Leases

Effective January 1, 2019, the Company accounts for its leases under ASC 842, Leases. Under this guidance, arrangements meeting the definition of a lease are classified as operating or financing leases and are recorded on the consolidated balance sheet as both a right of use asset and lease liability, calculated by discounting fixed lease payments over the lease term at the rate implicit in the lease or the Company's incremental borrowing rate. Lease liabilities are increased by interest and reduced by payments each period, and the right of use asset is amortized over the lease term. For operating leases, interest on the lease liability and the amortization of the right of use asset result in straight-line rent expense over the lease term. Variable lease expenses, if any, are recorded when incurred.

In calculating the right of use asset and lease liability, the Company elects to combine lease and non-lease components. The Company excludes short-term leases having initial terms of 12 months or less from the new guidance as an accounting policy election and recognizes rent expense on a straight-line basis over the lease term.

The Company continues to account for leases in the prior period financial statements under ASC Topic 840.

Other than above, there have been no material changes in the Company's significant accounting policies to those previously disclosed in the Company's annual report on Form 10-K, which was filed with the SEC on March 25, 2019.

### Digital Currencies

The following table presents the activities of the digital currencies for the six months ended June 30, 2019:

|                                                |           |              |
|------------------------------------------------|-----------|--------------|
| <b>Digital currencies at December 31, 2018</b> | <b>\$</b> | <b>-</b>     |
| Additions of digital currencies                |           | 586,459      |
| Realized gain on sale of digital currencies    |           | 24,444       |
| Sale of digital currencies                     |           | (606,363)    |
| <b>Digital Currencies at June 30, 2019</b>     | <b>\$</b> | <b>4,540</b> |

### Fair Value of Financial Instruments

The Company measures at fair value certain of its financial and non-financial assets and liabilities by using a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, essentially an exit price, based on the highest and best use of the asset or liability. The levels of the fair value hierarchy are:

- Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data
- Level 3: Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions.

The carrying amounts reported in the consolidated balance sheet for cash, accounts receivable, accounts payable, and accrued expenses, approximate their estimated fair market value based on the short-term maturity of these instruments. The carrying value of notes payable and other long-term liabilities approximate fair value as the related interest rates approximate rates currently available to the Company.

Financial assets and liabilities are classified in their entirety within the fair value hierarchy based on the lowest level of input that is significant to their fair value measurement. The Company measures the fair value of its marketable securities by taking into consideration valuations obtained from third-party pricing sources. The pricing services utilize industry standard valuation models, including both income and market-based approaches, for which all significant inputs are observable, either directly or indirectly, to estimate fair value. These inputs included reported trades of and broker-dealer quotes on the same or similar securities, issuer credit spreads, benchmark securities and other observable inputs.

The following tables present information about the Company's assets and liabilities measured at fair value on a recurring basis and the Company's estimated level within the fair value hierarchy of those assets and liabilities as of June 30, 2019 and December 31, 2018, respectively:

| Fair value measured at June 30, 2019     |                                                 |                                                 |                                                     |                                                 |
|------------------------------------------|-------------------------------------------------|-------------------------------------------------|-----------------------------------------------------|-------------------------------------------------|
|                                          | Total carrying value<br>at<br>June 30,<br>2019  | Quoted prices in<br>active markets<br>(Level 1) | Significant other<br>observable inputs<br>(Level 2) | Significant<br>unobservable inputs<br>(Level 3) |
| <b>Liabilities</b>                       |                                                 |                                                 |                                                     |                                                 |
| Warrant liability                        | \$ 115,387                                      | \$ -                                            | \$ -                                                | \$ 115,387                                      |
| Fair value measured at December 31, 2018 |                                                 |                                                 |                                                     |                                                 |
|                                          | Total carrying value<br>at December 31,<br>2018 | Quoted prices in<br>active markets<br>(Level 1) | Significant other<br>observable inputs<br>(Level 2) | Significant<br>unobservable inputs<br>(Level 3) |
| <b>Liabilities</b>                       |                                                 |                                                 |                                                     |                                                 |
| Warrant liability                        | \$ 39,083                                       | \$ -                                            | \$ -                                                | \$ 39,083                                       |

There were no transfers between Level 1, 2 or 3 during the six months ended June 30, 2019.

At June 30, 2019, the Company had an outstanding warrant liability in the amount of \$115,387 associated with warrants that were issued in January 2017 and warrants issued related to the Convertible Notes issued in August and September of 2017. The following table rolls forward the fair value of the Company's warrant liability, the fair value of which is determined by Level 3 inputs for the six months ended June 30, 2019.

#### Fair value of warrant liabilities

|                                     | Fair value |
|-------------------------------------|------------|
| Outstanding as of December 31, 2018 | \$ 39,083  |
| Change in fair value of warrants    | 76,304     |
| Outstanding as of June 30, 2019     | \$ 115,387 |

#### Basic and Diluted Net Loss per Share

Net loss per common share is calculated in accordance with ASC Topic 260: Earnings Per Share ("ASC 260"). Basic loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. The computation of diluted net loss per share does not include dilutive common stock equivalents in the weighted average shares outstanding, as they would be anti-dilutive.

Securities that could potentially dilute loss per share in the future that were not included in the computation of diluted loss per share at June 30, 2019 and 2018 are as follows:

|                                            | As of June 30,   |                  |
|--------------------------------------------|------------------|------------------|
|                                            | 2019             | 2018             |
| Warrants to purchase common stock          | 182,191          | 182,191          |
| Options to purchase common stock           | 1,466,520        | 105,462          |
| Preferred stock to exchange common stock   | -                | 485,540          |
| Convertible notes to exchange common stock | 312,221          | 312,221          |
| <b>Total</b>                               | <b>1,960,932</b> | <b>1,085,414</b> |

The following table sets forth the computation of basic and diluted loss per share:

|                                                    | For the three months ended<br>June 30, |                | For the six months ended<br>June 30, |                |
|----------------------------------------------------|----------------------------------------|----------------|--------------------------------------|----------------|
|                                                    | 2019                                   | 2018           | 2019                                 | 2018           |
| Net loss attributable to common shareholders       | \$ (565,880)                           | \$ (4,676,645) | \$ (1,610,742)                       | \$ (7,079,465) |
| Denominator:                                       |                                        |                |                                      |                |
| Weighted average common shares - basic and diluted | 6,350,080                              | 5,009,297      | 6,344,281                            | 4,410,816      |
| Loss per common share - basic and diluted          | \$ (0.09)                              | \$ (0.93)      | \$ (0.25)                            | \$ (1.61)      |

### Sequencing

In connection with the August 14, 2017 Convertible Note financing, the Company adopted a sequencing policy whereby all future instruments may be classified as a derivative liability with the exception of instruments related to share-based compensation issued to employees or directors.

### Recent Accounting Pronouncements

In June 2018, the FASB issued ASU 2018-07, “*Improvements to Nonemployee Share-Based Payment Accounting*”, which simplifies the accounting for share-based payments granted to nonemployees for goods and services. Under the ASU, most of the guidance on such payments to nonemployees would be aligned with the requirements for share-based payments granted to employees. The changes take effect for public companies for fiscal years starting after December 15, 2018, including interim periods within that fiscal year. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted, but no earlier than an entity’s adoption date of Topic 606. The adoption of this ASU did not have a material impact on the Company’s consolidated condensed financial statements.

In July 2017, the FASB issued ASU 2017-11, “*Earnings Per Share (Topic 260) Distinguishing Liabilities from Equity (Topic 480) Derivatives and Hedging (Topic 815)*,” which addresses the complexity of accounting for certain financial instruments with down round features. Down round features are features of certain equity-linked instruments (or embedded features) that result in the strike price being reduced on the basis of the pricing of future equity offerings. Current accounting guidance creates cost and complexity for entities that issue financial instruments (such as warrants and convertible instruments) with down round features that require fair value measurement of the entire instrument or conversion option. For public business entities, the amendments in Part I of this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018 with early adoption permitted. The adoption of this ASU did not have a material impact on the Company’s consolidated condensed financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842) in order to increase transparency and comparability among organizations by, among other provisions, recognizing lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under previous GAAP. For public companies, ASU 2016-02 is effective for fiscal years beginning after December 15, 2018 (including interim periods within those periods) using a modified retrospective approach and early adoption is permitted. In transition, entities may also elect a package of practical expedients that must be applied in its entirety to all leases commencing before the adoption date, unless the lease is modified, and permits entities to not reassess (a) the existence of a lease, (b) lease classification or (c) determination of initial direct costs, as of the adoption date, which effectively allows entities to carryforward accounting conclusions under previous U.S. GAAP. In July 2018, the FASB issued ASU 2018-11, *Leases* (Topic 842): Targeted Improvements, which provides entities an optional transition method to apply the guidance under Topic 842 as of the adoption date, rather than as of the earliest period presented. The Company adopted Topic 842 on January 1, 2019, using the optional transition method to apply the new guidance as of January 1, 2019, rather than as of the earliest period presented, and elected the package of practical expedients described above. The adoption did not have a material impact on the Company’s consolidated financial statements.

Any new accounting standards, not disclosed above, that have been issued or proposed by FASB that do not require adoption until a future date are not expected to have a material impact on the financial statements upon adoption.

### NOTE 3 – DIGITAL ASSET MINING

The components of property, equipment and intangible assets as of June 30, 2019 and December 31, 2018 are:

|                                                       | Useful life (Years) | June 30, 2019       | December 31, 2018   |
|-------------------------------------------------------|---------------------|---------------------|---------------------|
| Website                                               | 7                   | \$ 121,787          | \$ 121,787          |
| Mining equipment                                      | 2                   | 3,029,031           | 3,029,031           |
| Mining patent                                         | 17                  | 1,210,000           | 1,210,000           |
| Gross property, equipment and intangible assets       |                     | 4,360,818           | 4,360,818           |
| Less: Accumulated depreciation and amortization       |                     | (2,491,798)         | (2,181,488)         |
| <b>Property, equipment and intangible assets, net</b> |                     | <b>\$ 1,869,020</b> | <b>\$ 2,179,330</b> |

The Company's depreciation expense for the three and six months ended June 30, 2019 were \$137,361 and \$274,722, and \$574,592 and \$806,598 for the three and six months ended June 30, 2018, respectively. Amortization expense were \$17,794 and \$35,588 for the three and six months ended June 30, 2019, and \$17,794 and \$29,914 for the three and six months ended June 30, 2018, respectively.

#### NOTE 4 - STOCKHOLDERS' EQUITY

##### Series B Convertible Preferred Stock

As of June 30, 2019, there was no share of Series B Convertible Preferred Stock outstanding.

##### Series E Preferred Stock

There was no Series E Convertible Preferred Stock outstanding as of June 30, 2019.

##### Common Stock Warrants

As of June 30, 2019, the Company had warrants outstanding to purchase 182,191 shares of Common Stock with a weighted average remaining life of 2.8 years and a weighted average exercise price of \$25.04. There was no activity of the Company's warrants during the period ended June 30, 2019.

##### Common Stock Options

A summary of the stock options as of June 30, 2019 and changes during the period are presented below:

|                                                         | Number of Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (in years) |
|---------------------------------------------------------|------------------|---------------------------------|--------------------------------------------------------|
| Outstanding as of December 31, 2018                     | 1,466,520        | \$ 6.66                         | 9.49                                                   |
| Granted                                                 | -                | \$ -                            | -                                                      |
| Expired                                                 | (6,650)          | 69.35                           | -                                                      |
| Outstanding as of June 30, 2019                         | 1,459,870        | \$ 6.37                         | 9.03                                                   |
| Options vested and expected to vest as of June 30, 2019 | 1,459,870        | \$ 6.37                         | 9.03                                                   |
| Options vested and exercisable as of June 30, 2019      | 1,118,984        | \$ 7.60                         | 8.96                                                   |

#### NOTE 5 - DEBT, COMMITMENTS AND CONTINGENCIES

Debt consists of the following:

|                                          | Maturity Date  | Interest Rate | June 30, 2019 | December 31, 2018 |
|------------------------------------------|----------------|---------------|---------------|-------------------|
| Convertible Note                         | 12/31/2019     | 5%            | \$ 999,106    | \$ 999,106        |
| Less: debt discount                      | and 12/31/2019 |               | -             | -                 |
| Total Convertible notes, net of discount |                |               | \$ 999,106    | \$ 999,106        |
| Total                                    |                |               | \$ 999,106    | \$ 999,106        |
| Less: current portion                    |                |               | (999,106)     | (999,106)         |
| Total, net of current portion            |                |               | \$ -          | \$ -              |

On August 14, 2017, the Company entered into a unit purchase agreement (the "Unit Purchase Agreement") with certain accredited investors providing for the sale of up to \$5,500,000 of 5% secured convertible promissory notes (the "Convertible Notes"), which are convertible into shares of the Corporation's common stock, and the issuance of warrants to purchase 1,718,750 shares of the Company's Common Stock (the "Warrants"). The Convertible Notes are convertible into shares of the Company's Common Stock at the lesser of (i) \$3.20 per share or (ii) the closing bid price of the Company's common stock on the day prior to conversion of the Convertible Note; provided that such conversion price may not be less than \$1.60 per share. The Warrants have an exercise price of \$4.80 per share. In two closings of the Unit Purchase Agreement, the Company issued \$5,500,000 in Convertible Notes to the investors. The remaining balance of the Convertible Notes were due to mature on May 31, 2018. The investor agreed to extend the maturity date to December 31, 2019. The note bears interest at the rate of 5% per annum and accrues but is not paid in cash. As of June 30, 2019, the Company had an outstanding obligation pursuant to the Convertible Notes in the amount of \$999,106. Accrued interest as of June 30, 2019 was \$169,753. During the three and six months ended June 30, 2019, the interest expense were \$12,455 and \$24,772, and \$9,151 and \$40,068 for the three and six months ended June 30, 2018, respectively.

The amortization of debt discount was \$0 for the three and six months ended June 30, 2019, and \$345,256 and \$2.3 million for the three and six months ended June 30, 2018, respectively.

## Leases

Effective June 1, 2018, the Company rented its corporate office at 1180 North Town Center Drive, Suite 100, Las Vegas, Nevada 89144, on a month to month basis. The monthly rent is \$1,907. A security deposit of \$3,815 has been paid.

The Company also assumed a lease in connection with the mining operations in Quebec, Canada. Operating leases are included in operating lease right-of-use assets, operating lease liabilities, and noncurrent operating lease liabilities on the balance sheets.

Operation lease costs are recorded on a straight-line basis within operating expenses. The Company's total lease expense is comprised of the following:

|                               | <b>For the Six<br/>Months Ended<br/>June 30, 2019</b> |
|-------------------------------|-------------------------------------------------------|
| Operating leases              |                                                       |
| Operating lease cost          | \$ 53,311                                             |
| Operating lease expense       | 53,311                                                |
| Short-term lease rent expense | 9,948                                                 |
| Total rent expense            | <u>\$ 63,259</u>                                      |

Additional information regarding the Company's leasing activities as a lessee is as follow:

|                                                          | <b>For the Six<br/>Months Ended<br/>June 30, 2019</b> |
|----------------------------------------------------------|-------------------------------------------------------|
| Operating cash flows from operating leases               | \$ 52,314                                             |
| Weighted-average remaining lease term – operating leases | 1.8                                                   |
| Weighted-average discount rate – operating leases        | 6.5%                                                  |

As of June 30, 2019, contractual minimal lease payments are as follows:

|                             |      |                   |
|-----------------------------|------|-------------------|
|                             | 2019 | \$ 43,824         |
|                             | 2020 | 96,412            |
|                             | 2021 | 96,412            |
|                             | 2022 | 26,294            |
| Total                       |      | 262,942           |
| Less present value discount |      | (22,756)          |
| Operating lease liabilities |      | <u>\$ 240,186</u> |

## Legal Proceedings

### Feinberg Litigation

On March 27, 2018, Jeffrey Feinberg, purportedly joined by the Jeffrey L. Feinberg Personal Trust and the Jeffrey L. Feinberg Family Trust, filed a complaint against the Company and certain of its former officers and directors. The complaint was filed in the Supreme Court of the State of New York, County of New York. The plaintiffs purported to state claims under Sections 11, 12(a)(2) and 15 of the federal Securities Act of 1933 and common law claims for “actual fraud and fraudulent concealment,” constructive fraud, and negligent misrepresentation, seeking unspecified money damages (including punitive damages), as well as costs and attorneys’ fees, and equitable or injunctive relief. On June 15, 2018, the defendants filed a motion to dismiss all claims asserted in the complaint and, on July 27, 2018, the plaintiffs filed an opposition to that motion. The court heard argument on the motion and, on January 15, 2019, the court granted the motion to dismiss, allowing 30 days for the filing of an amended complaint. On February 15, 2019, Jeffrey Feinberg, individually and as trustee of the Jeffrey L. Feinberg Personal Trust, and Terrence K. Ankner, as trustee of the Jeffrey L. Feinberg Family Trust, filed an amended complaint that purports to state the same claims and seeks the same relief sought in the original complaint. On March 7 and 22, 2019, defendants filed motions to dismiss the amended complaint and on April 5, 2019, plaintiffs filed an opposition to those motions. The court heard oral argument on the motions to dismiss on July 9, 2019, and at the conclusion of the argument the court took the motions under submission. A ruling on the motions is expected in the near future.

### NOTE 6 – Subsequent Events

On July 19, 2019, we entered into an At The Market Offering Agreement (the “Agreement”) with H.C. Wainwright & Co., LLC (“H.C. Wainwright”) which establishes an at-the-market equity program pursuant to which we may offer and sell shares of our common stock, par value \$0.0001 per share (“Common Stock”), from time to time as set forth in the Agreement. The Agreement provides for the sale of shares of our Common Stock (“Shares”) having an aggregate offering price of up to \$7,472,417 (the Company's ability to offer shares under the Agreement is limited to the amount of shares it may sell pursuant to General Instruction I.B.6. of Form S-3).

Subject to the terms and conditions set forth in the Agreement, H.C. Wainwright will use its commercially reasonable efforts consistent with its normal trading and sales practices to sell the Shares from time to time, based upon our instructions. We have provided H.C. Wainwright with customary indemnification rights, and H.C. Wainwright will be entitled to a commission at a fixed rate equal to three percent (3.0%) of the gross proceeds per Share sold. In addition, we have agreed to pay certain expenses incurred by H.C. Wainwright in connection with the Agreement, including up to \$25,000 of the fees and disbursements of their counsel. The Agreement will terminate upon the earlier of sale of all of the Shares under the Agreement or July 19, 2022 unless terminated earlier by either party as permitted under the Agreement.

Sales of the Shares, if any, under the Agreement shall be made in transactions that are deemed to be “at the market offerings” as defined in Rule 415 under the Securities Act of 1933, as amended (the “Securities Act”), including sales made by means of ordinary brokers' transactions, including on the Nasdaq Capital Market, at market prices or as otherwise agreed with H.C. Wainwright. We have no obligation to sell any of the Shares, and, at any time, we may suspend offers under the Agreement or terminate the Agreement.

On July 22, 2019, the Company's board has approved to issue 275,000 shares of option to purchase the Company's common stock to 8 employees and consultants for the service they provided. The options have a five-year term with an exercise price of \$2.04.

The Company has evaluated subsequent events through the date of the consolidated financial statements were available to be issued and has concluded that no such events or transactions took place that would require disclosure herein except as stated directly above.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This report on Form 10-Q ("Report") and other written and oral statements made from time to time by us may contain so-called "forward-looking statements," all of which are subject to risks and uncertainties. Forward-looking statements can be identified by the use of words such as "expects," "plans," "will," "forecasts," "projects," "intends," "estimates," and other words of similar meaning. One can identify them by the fact that they do not relate strictly to historical or current facts. These statements are likely to address our growth strategy, financial results and product and development programs. One must carefully consider any such statement and should understand that many factors could cause actual results to differ from our forward-looking statements. These factors may include inaccurate assumptions and a broad variety of other risks and uncertainties, including some that are known and some that are not. No forward-looking statement can be guaranteed and actual future results may vary materially.

Information regarding market and industry statistics contained in this Report is included based on information available to us that we believe is accurate. It is generally based on industry and other publications that are not produced for purposes of securities offerings or economic analysis. We have not reviewed or included data from all sources, and cannot assure investors of the accuracy or completeness of the data included in this Report. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and the additional uncertainties accompanying any estimates of future market size, revenue and market acceptance of products and services. We do not assume any obligation to update any forward-looking statement. As a result, investors should not place undue reliance on these forward-looking statements.

### Overview

We were incorporated in the State of Nevada on February 23, 2010 under the name Verve Ventures, Inc. On December 7, 2011, we changed our name to American Strategic Minerals Corporation and were engaged in exploration and potential development of uranium and vanadium minerals business. In June 2012, we discontinued our minerals business and began to invest in real estate properties in Southern California. In October 2012, we discontinued our real estate business when our former CEO joined the firm and we commenced our IP licensing operations, at which time the Company's name was changed to Marathon Patent Group, Inc. On November 1, 2017, we entered into a merger agreement with Global Bit Ventures, Inc. ("GBV"), which is focused on mining digital assets. We have since purchased our cryptocurrency mining machines and established a data center in Canada to mine digital assets. Following the merger, we intended to add GBV's existing technical capabilities and digital asset miners and expand our activities in the mining of new digital assets, while at the same time harvesting the value of our remaining IP assets. On June 28, 2018, the board has determined that it is in the best interests of the Company and its shareholders to allow the Amended Merger Agreement to expire on its current termination date of June 28, 2018 without further negotiation or extension. The Board approved to issue 3,000,000 shares of our common stock to GBV as a termination fee for canceling the proposed merger between the two companies. The fair value of the common stocks was \$2,850,000.

### Critical Accounting Policies and Estimates

Our critical accounting policies and significant estimates are detailed in our 2018 Annual Report. Our critical accounting policies and significant estimates have not changed from those previously disclosed in our 2018 Annual Report, except for those accounting subjects mentioned in the section of the notes to the condensed consolidated financial statements titled Adoption of Recent Accounting Pronouncements.

### Results of Operations

*For the Three and Six Months Ended June 30, 2019 and 2018*

We generated revenues of \$355,765 and \$586,459 during the three and six months ended June 30, 2019 as compared to \$688,502 and \$928,469 during the three and six months ended June 30, 2018. For the three and six months ended June 30, 2019, this represented a decrease of \$332,737 or 48% and \$342,010 or 37%. Revenues for the three and six months ended June 30, 2019 and 2018 were derived primarily from cryptocurrency mining.

For the three and six months ended June 30, 2019, the Company received no revenues from newly-issued settlement and license agreements.

Direct cost of revenues during the three and six months ended June 30, 2019 amounted to \$498,588 and \$1.0 million and for the three and six months ended June 30, 2018, the direct cost of revenues amounted to \$931,630 and \$1.2 million, respectively. For the three and six months ended June 30, 2019, this represented a decrease of \$433,042 or 46% and \$192,111 or 16%, respectively. Direct costs of revenue include depreciation and amortization expenses of the cryptocurrency mining machines and patents, contingent payments to patent enforcement legal costs, patent enforcement advisors and inventors as well as various non-contingent costs associated with enforcing the Company's patent rights and otherwise in developing and entering into settlement and licensing agreements that generate the Company's revenue.

We incurred other operating expenses of \$597,774 and \$1.3 million for the three and six months June 30, 2019 and \$4.1 million and \$5.9 million for the three and six months ended June 30, 2018. For the three and six months ended June 30, 2019, this represented a decrease of \$3.5 million or 85% and \$4.6 million or 78%, respectively. These expenses primarily consisted of compensation to our officers, directors and employees, professional fees and consulting incurred in connection with the day-to-day operation of our business and break-up fee to GBV.

The operating expenses consisted of the following:

|                                              | <b>Total Other Operating Expenses</b> |                      | <b>Total Other Operating Expenses</b> |                      |
|----------------------------------------------|---------------------------------------|----------------------|---------------------------------------|----------------------|
|                                              | <b>For the Three Months Ended</b>     |                      | <b>For the Six Months Ended</b>       |                      |
|                                              | <b>June 30, 2019</b>                  | <b>June 30, 2018</b> | <b>June 30, 2019</b>                  | <b>June 30, 2018</b> |
| Compensation and related taxes (1)           | \$ 328,604                            | \$ 252,853           | 815,291                               | 665,971              |
| Consulting fees (2)                          | 30,000                                | 187,583              | 50,000                                | 225,786              |
| Professional fees (3)                        | 110,341                               | 226,514              | 195,374                               | 1,030,800            |
| Other general and administrative (4)         | 128,829                               | 558,894              | 244,072                               | 1,122,610            |
| Break-up fee - issuance of shares to GBV (5) | -                                     | 2,850,000            | -                                     | 2,850,000            |
| Total                                        | <u>\$ 597,774</u>                     | <u>\$ 4,075,844</u>  | <u>\$ 1,304,737</u>                   | <u>\$ 5,895,167</u>  |

Non-cash other operating expenses for the three and six months ended June 30, 2019, include non-cash other operating expenses totaling \$130,295 and \$434,566, and \$127,857 and \$1.6 million for the three and six months ended June 30, 2018 respectively. Non-cash operating expenses consisted of the following:

|                                    | <b>Non-Cash Other Operating Expenses</b> |                      | <b>Non-Cash Other Operating Expenses</b> |                      |
|------------------------------------|------------------------------------------|----------------------|------------------------------------------|----------------------|
|                                    | <b>For the Three Months Ended</b>        |                      | <b>For the Six Months Ended</b>          |                      |
|                                    | <b>June 30, 2019</b>                     | <b>June 30, 2018</b> | <b>June 30, 2019</b>                     | <b>June 30, 2018</b> |
| Compensation and related taxes (1) | \$ 130,295                               | \$ 127,857           | \$ 434,566                               | \$ 1,636,906         |
| Total                              | <u>\$ 130,295</u>                        | <u>\$ 127,857</u>    | <u>\$ 434,566</u>                        | <u>\$ 1,636,906</u>  |

- (1) Compensation expense and related taxes: Compensation expense includes cash compensation and related payroll taxes and benefits, and non-cash equity compensation expenses. For the three and six months ended June 30, 2019, compensation expense and related payroll taxes were \$328,604 and \$815,291, an increase of \$75,751 or 30% and \$149,320 or 22% over the comparable periods in 2018. During the three and six months ended June 30, 2019, we recognized non-cash employee and board equity-based compensation of \$130,295 and \$434,566, and \$127,857 and \$1.6 million for three and six months ended June 30, 2018, respectively.
- (2) Consulting fees: For the three and six months ended June 30, 2019, we incurred consulting fees of \$30,000 and \$50,000, a decrease of \$157,583 or 84% and \$175,786 or 78% over the comparable periods in 2018. Consulting fees include both cash and non-cash related consulting fees primarily for investor relations and public relations services as well as other consulting services. The decrease in consulting fees for the three and six months ended June 30, 2019 compared to the same period in the prior year was primarily due to the consulting fees paid to our executives before their employment.
- (3) Professional fees: For the three and six months ended June 30, 2019 professional fees were \$110,341 and \$195,374, a decrease of \$116,173 or 51% and \$835,426 or 81% over the comparable periods in 2018. Professional fees primarily reflect the costs of professional outside accounting fees, legal fees and audit fees. The decrease in professional fees was mainly the result of legal fees and accounting fees related to the merger and expanding our business in crypto currency mining in the period of 2018.
- (4) Other general and administrative expenses: For the three and six months ended June 30, 2019, other general and administrative expenses were \$128,829 and \$244,072, a decrease of \$430,065 or 77% and \$878,538 or 78% over the comparable periods in 2018. General and administrative expenses reflect the other non-categorized operating costs of the Company and include expenses related to being a public company, rent, insurance, technology and other expenses incurred to support the operations of the Company.
- (5) Break-up fee – issuance of shares to GBV: For the three and six months ended June 30, 2018, the Board approved to issue 3,000,000 shares of our common stock to Global Bit Ventures, Inc as a termination fee for canceling the proposed merger between the two companies. The fair value of the common stocks was \$2.9 million.

## Operating Loss

We reported operating loss from continuing operations of \$740,597 and \$1.7 million for the three and six months ended June 30, 2019 and operating loss of \$4.3 million and \$6.2 million for the three and six months ended June 30, 2018.

## Other Expenses

Total other income were \$174,717 and \$114,764 for the three and six months ended June 30, 2019 and total other expenses were \$357,673 and \$913,428 for the three and six months ended June 30, 2018. The changes were mainly due to the amortization of debt discount related to the notes conversions and change in fair value of the warrant liability in six months ended 2018.

## Net Loss Available to Common Shareholders

We reported net loss of \$565,880 and \$1.6 million for the three and six months ended June 30, 2019 and net loss of \$4.7 million and \$7.1 million for the three and six months ended June 30, 2018.

## Liquidity and Capital Resources

The Company's condensed consolidated financial statements have been prepared assuming that it will continue as a going concern, which contemplates continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business.

As reflected in the condensed consolidated financial statements, the Company had an accumulated deficit of approximately \$103.7 million at June 30, 2019, a net loss of approximately \$1.6 million and \$1.5 million net cash used in operating activities for the six months ended June 30, 2019. These factors raise substantial doubt about the Company's ability to continue as a going concern.

Liquidity is the ability of a company to generate funds to support its current and future operations, satisfy its obligations, and otherwise operate on an ongoing basis. At June 30, 2019, the Company's cash and cash equivalents balances totaled \$1.7 million compared to \$2.6 million at December 31, 2018.

Net working capital decreased by \$1.1 million, to working capital deficit of \$328,146 at June 30, 2019 from working capital of \$741,544 at December 31, 2018.

Cash used in operating activities was \$1.5 million during the six months ended June 30, 2019 and cash used in operating activities of \$5.6 million during the six months ended June 30, 2018.

Cash provided by investing activities was \$606,363 during the six months ended June 30, 2019 and cash used in investing activities of \$5.1 million for the six months ended June 30, 2018.

Based on our current revenue and profit projections, we are uncertain that our existing cash will be sufficient to fund its operations through at least the next twelve months, raising substantial doubt regarding our ability to continue operating as a going concern. If we do not meet our revenue and profit projections or the business climate turns negative, then we will need to:

- raise additional funds to support our operations, through, among other potential sources, our newly effected At The Market Facility with H.C. Wainwright; provided, however, there is no assurance that we will be able to raise such additional funds on acceptable terms, if at all. If we raise additional funds by issuing securities, existing stockholders may be diluted; and
- review strategic alternatives.

If adequate funds are not available, we may be required to curtail our operations or other business activities or obtain funds through arrangements with strategic partners or others that may require us to relinquish rights to certain technologies or potential markets.

## Off-balance Sheet Arrangements

We have not entered into any other financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as stockholder's equity or that are not reflected in our consolidated condensed financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not required for smaller reporting companies.

#### **Item 4. Controls and Procedures.**

##### ***Disclosure Controls and Procedures.***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our management is also required to assess and report on the effectiveness of our internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 ("Section 404"). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes of accounting principles generally accepted in the United States. Management assessed the effectiveness of our internal control over financial reporting as of June 30, 2019. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework in the 2013 COSO framework. Based on this assessment, management concluded that our disclosure controls and procedures were not effective.

Due to our size and nature, segregation of all conflicting duties may not always be possible and may not be economically feasible. However, to the extent possible, we will implement procedures to assure that the initiation of transactions, the custody of assets and the recording of transactions will be performed by separate individuals.

We believe that the foregoing steps if implemented, will help remediate the material weakness identified above, and we will continue to monitor the effectiveness of these steps and make any changes that our management deems appropriate. Due to the nature of this material weakness in our internal control over financial reporting, there is more than a remote likelihood that misstatements which could be material to our annual or interim financial statements could occur that would not be prevented or detected.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company's financial reporting.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of our ongoing program to implement changes and further improve our internal controls and in conjunction with our Code of Ethics, our independent directors have been working with management to include protocols and measures aimed at ensuring quality of our internal controls. Among those measures is the implementation of a whistleblower hotline, which allows third parties to anonymously report noncompliant activity. The hotline may be accessed as follows:

To file a report, use the Client Code "MarathonPG" and pick one of the following options:

- Call: 1-877-647-3335
- Click: [www.RedFlagReporting.com](http://www.RedFlagReporting.com)

##### ***Changes in Internal Controls.***

There have been no changes in our internal control over financial reporting during the quarter ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

#### **PART II - OTHER INFORMATION**

##### **Item 1. Legal Proceedings.**

###### ***Feinberg Litigation***

On March 27, 2018, Jeffrey Feinberg, purportedly joined by the Jeffrey L. Feinberg Personal Trust and the Jeffrey L. Feinberg Family Trust, filed a complaint against the Company and certain of its former officers and directors. The complaint was filed in the Supreme Court of the State of New York, County of New York. The plaintiffs purported to state claims under Sections 11, 12(a)(2) and 15 of the federal Securities Act of 1933 and common law claims for "actual fraud and fraudulent concealment," constructive fraud, and negligent misrepresentation, seeking unspecified money damages (including punitive damages), as well as costs and attorneys' fees, and equitable or injunctive relief. On June 15, 2018, the defendants filed a motion to dismiss all claims asserted in the complaint and, on July 27, 2018, the plaintiffs filed an opposition to that motion. The court heard argument on the motion and, on January 15, 2019, the court granted the motion to dismiss, allowing 30 days for the filing of an amended complaint. On February 15, 2019, Jeffrey Feinberg, individually and as trustee of the Jeffrey L. Feinberg Personal Trust, and Terrence K. Ankner, as trustee of the Jeffrey L. Feinberg Family Trust, filed an amended complaint that purports to state the same claims and seeks the same relief sought in the original complaint. On March 7 and 22, 2019, defendants filed motions to dismiss the amended complaint and on April 5, 2019, plaintiffs filed an opposition to those motions. The court heard oral argument on the motions to dismiss on July 9, 2019, and at the conclusion of the argument the court took the motions under submission. A ruling on the motions is expected in the near future.

Other than as disclosed herein, we know of no other material, active or pending legal proceedings against us, nor are we involved as a plaintiff in any material proceedings or pending litigation other than in the normal course of business.

**Item 1A. Risk Factors.**

Not required for smaller reporting companies.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

None.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

Not applicable.

**Item 6. Exhibits.**

31.1 [Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002\\*](#)  
31.2 [Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002\\*](#)  
32.1 [Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002\\*](#)  
32.2 [Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002\\*](#)  
101.ins XBRL Instance Document\*\*  
101.sch XBRL Taxonomy Schema Document\*\*  
101.cal XBRL Taxonomy Calculation Document\*\*  
101.def XBRL Taxonomy Linkbase Document\*\*  
101.lab XBRL Taxonomy Label Linkbase Document\*\*  
101.pre XBRL Taxonomy Presentation Linkbase Document\*\*

\* Furnished herewith

\*\* Filed herein

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: August 1, 2019

### MARATHON PATENT GROUP, INC.

By: /s/ Merrick Okamoto

Name: Merrick Okamoto

Title: Chief Executive Officer  
(Principal Executive Officer)

By: /s/ David Lieberman

Name: David Lieberman

Title: Chief Financial Officer and Director  
(Principal Financial and Accounting Officer)



**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND  
PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER  
PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Merrick Okamoto, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Marathon Patent Group, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly for the period in which this quarterly report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal controls which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: August 1, 2019

By: /s/ Merrick Okamoto

Merrick Okamoto  
Chief Executive Officer and Executive Chairman (Principal Executive Officer)

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**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND  
PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER  
PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, David Lieberman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Marathon Patent Group, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly for the period in which this quarterly report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal controls which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: August 1, 2019

By: /s/ David Lieberman

David Lieberman

Chief Financial Officer (Principal Financial and Accounting Officer)

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CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

About the Quarterly Report of Marathon Patent Group, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Merrick Okamoto, Chief Executive Officer and Chairman (Principal Executive Officer) of the Company, certifies, pursuant to 18 U.S.C. section 1350 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 1, 2019

By: /s/ Merrick Okamoto

Merrick Okamoto  
Chief Executive Officer and Executive Chairman (Principal Executive Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Marathon Patent Group, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), David Lieberman, Chief Financial Officer, Secretary and Director (Principal Financial Officer) of the Company, certifies, pursuant to 18 U.S.C. section 1350 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 1, 2019

By: /s/ David Lieberman

David Lieberman

Chief Financial Officer (Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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