

**FRMO CORPORATION
AND SUBSIDIARIES**

White Plains, New York

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS**

Including Report of Independent
Registered Public Accounting Firm

As of August 31, 2023 (Unaudited) and
May 31, 2023 and for the Three Months
Ended August 31, 2023 and 2022 (Unaudited)

**FRMO CORPORATION
AND SUBSIDIARIES**

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Three Months Ended August 31, 2023 and 2022 (Unaudited)

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
FRMO Corporation and Subsidiaries

Results of Review of Interim Financial Statements

We have reviewed the accompanying interim condensed consolidated balance sheet of FRMO Corporation and Subsidiaries (the Company) as of August 31, 2023, and the related condensed consolidated statements of income, stockholders' equity and cash flows for the three month periods ended August 31, 2023 and 2022 (collectively referred to as the "interim financial statements"). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB) and in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of the Company as of May 31, 2023, and the related consolidated statements of income, stockholders' equity and cash flows for the year then ended (not presented herein), and in our report dated August 15, 2023, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of May 31, 2023, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

These interim financial statements are the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the relevant ethical requirements relating to our audit, which include standards of the American Institute of Certified Public Accountants (AICPA) Code of Professional Conduct. We conducted our reviews in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with standards of the PCAOB or in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Baker Tilly US, LLP

New York, New York
October 12, 2023

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**FRMO CORPORATION
AND SUBSIDIARIES**
CONDENSED CONSOLIDATED BALANCE SHEETS
As of August 31, 2023 and May 31, 2023

| <i>ASSETS</i> | August 31, 2023 (Unaudited) | May 31, 2023 |
|---|-----------------------------------|-----------------------|
| Current Assets | | |
| Cash and cash equivalents | \$ 38,996,855 | \$ 38,077,492 |
| Accounts receivable (due from related parties) | 3,791,025 | 3,214,132 |
| Prepaid income taxes | 569,189 | 158,004 |
| Equity securities, at fair value (cost of \$77,673,887 and \$77,876,311 at August 31, 2023 and May 31, 2023, respectively) | 225,846,092 | 159,728,999 |
| Other current assets | 159,584 | 167,297 |
| Total Current Assets | 269,362,745 | 201,345,924 |
| Digital mining assets, net of accumulated depreciation of \$1,124,439 and \$1,050,854 at August 31, 2023 and May 31, 2023, respectively | 1,340,007 | 1,330,754 |
| Investments in limited partnerships and other equity investments at fair value (cost of \$40,073,014 and \$39,021,622 at August 31, 2023 and May 31, 2023, respectively) | 91,501,384 | 70,656,050 |
| Investments in Securities Exchanges, at cost | 4,934,409 | 4,869,070 |
| Other investments, at cost | 480,940 | 484,409 |
| Investment in Horizon Kinetics LLC | 13,911,013 | 14,607,525 |
| Participation in Horizon Kinetics LLC Revenue Stream | 10,200,000 | 10,200,000 |
| Total Assets | \$ 391,730,498 | \$ 303,493,732 |
| <i>LIABILITIES AND STOCKHOLDERS' EQUITY</i> | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses | \$ 346,846 | \$ 322,631 |
| Current portion of mortgage note payable | 31,521 | 31,215 |
| Securities sold, not yet purchased (proceeds of \$9,723,132 and \$10,670,820 at August 31, 2023 and May 31, 2023, respectively) | 1,563,011 | 2,352,910 |
| Total Current Liabilities | 1,941,378 | 2,706,756 |
| Deferred tax liability | 24,497,790 | 16,003,942 |
| Mortgage payable, net of current portion | 660,628 | 668,625 |
| Total Liabilities | 27,099,796 | 19,379,323 |
| Stockholders' Equity | | |
| Stockholders' Equity Attributable to the Company | 201,638,342 | 169,282,758 |
| Noncontrolling interests | 162,992,360 | 114,831,651 |
| Total Stockholders' Equity | 364,630,702 | 284,114,409 |
| Total Liabilities and Stockholders' Equity | \$ 391,730,498 | \$ 303,493,732 |

See report of independent registered public accounting firm and notes to interim condensed consolidated financial statements.

**FRMO CORPORATION
AND SUBSIDIARIES**

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

| | Three Months Ended | |
|--|----------------------|---------------------|
| | August 31, | |
| | 2023 | 2022 |
| | (Unaudited) | |
| REVENUE | | |
| Fees and other income | \$ 701,344 | \$ 760,336 |
| Dividends and interest income, net | 914,547 | 2,750,521 |
| Net realized gains (losses) from investments | 438,511 | (333,376) |
| Equity earnings (losses) from limited partnerships and limited liability companies | 768,892 | (96,630) |
| Unrealized gains from investments | <u>19,207,025</u> | <u>1,486,811</u> |
| Total revenue before unrealized gains from equity securities | 22,030,319 | 4,567,662 |
| Unrealized gains from equity securities | <u>67,095,123</u> | <u>29,670,800</u> |
| Total Revenue | <u>89,125,442</u> | <u>34,238,462</u> |
| OPERATING EXPENSES | | |
| General and administrative expenses | 288,910 | 362,857 |
| Depreciation | <u>73,585</u> | <u>102,760</u> |
| Total Expenses | <u>362,495</u> | <u>465,617</u> |
| Income from Operations before Provision for Income Taxes | 88,762,947 | 33,772,845 |
| Provision for Income Taxes | <u>8,293,618</u> | <u>2,259,757</u> |
| Net Income | 80,469,329 | 31,513,088 |
| Less net income attributable to noncontrolling interests | <u>48,139,344</u> | <u>24,034,416</u> |
| Net income attributable to the Company | <u>\$ 32,329,985</u> | <u>\$ 7,478,672</u> |
| NET INCOME PER COMMON SHARE | | |
| Basic and diluted | <u>\$ 0.73</u> | <u>\$ 0.17</u> |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING | | |
| Basic | <u>44,022,781</u> | <u>44,017,781</u> |
| Diluted | <u>44,030,469</u> | <u>44,029,921</u> |

See report of independent registered public accounting firm and notes to interim condensed consolidated financial statements.

**FRMO CORPORATION
AND SUBSIDIARIES**
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Three Months Ended August 31, 2023 and 2022 (Unaudited)

| | Common Stock | | Additional Paid-In Capital | Retained Earnings | Stockholders' Equity Attributable to the Company | Non- Controlling Interests | Total Stockholders' Equity |
|---|-------------------|------------------|----------------------------------|-----------------------|--|----------------------------------|----------------------------------|
| | Shares | Amount | | | | | |
| BALANCE - June 1, 2022 | 44,017,781 | \$ 44,017 | \$ 41,276,829 | \$ 140,087,853 | 181,408,699 | \$ 132,918,741 | \$ 314,327,440 |
| Non-cash Compensation | - | - | 25,800 | - | 25,800 | - | 25,800 |
| Capital Accounts of Consolidated Limited Liability Company | - | - | 2,970 | - | 2,970 | - | 2,970 |
| Net income | - | - | - | 7,478,672 | 7,478,672 | 24,034,416 | 31,513,088 |
| Capital contributed to consolidated subsidiary from noncontrolling interests | - | - | - | - | - | 74,869 | 74,869 |
| BALANCE - August 31, 2022 | <u>44,017,781</u> | <u>\$ 44,017</u> | <u>\$ 41,305,599</u> | <u>\$ 147,566,525</u> | <u>\$ 188,916,141</u> | <u>\$ 157,028,026</u> | <u>\$ 345,944,167</u> |
| | | | | | | | |
| | Common Stock | | Additional Paid-In Capital | Retained Earnings | Stockholders' Equity Attributable to the Company | Non- Controlling Interests | Total Stockholders' Equity |
| | Shares | Amount | | | | | |
| BALANCE - June 1, 2023 | 44,022,781 | \$ 44,022 | \$ 41,754,855 | \$ 127,483,881 | 169,282,758 | \$ 114,831,651 | \$ 284,114,409 |
| Non-cash Compensation | - | - | 25,800 | - | 25,800 | - | 25,800 |
| Capital Accounts of Consolidated Limited Liability Company | - | - | (201) | - | (201) | - | (201) |
| Net income | - | - | - | 32,329,985 | 32,329,985 | 48,139,344 | 80,469,329 |
| Capital contributed to consolidated subsidiary from noncontrolling interests | - | - | - | - | - | 21,365 | 21,365 |
| BALANCE - August 31, 2023 | <u>44,022,781</u> | <u>\$ 44,022</u> | <u>\$ 41,780,454</u> | <u>\$ 159,813,866</u> | <u>\$ 201,638,342</u> | <u>\$ 162,992,360</u> | <u>\$ 364,630,702</u> |

See report of independent registered public accounting firm and notes to interim condensed consolidated financial statements.

**FRMO CORPORATION
AND SUBSIDIARIES**
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended August 31, 2023 and 2022

| | August 31, | |
|--|----------------------|----------------------|
| | 2023 | 2022 |
| | (Unaudited) | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 80,469,329 | \$ 31,513,088 |
| Adjustments to reconcile net income to net cash flows from operating activities | | |
| Non-cash compensation | 25,800 | 25,800 |
| Net realized (gains) losses from investments | (438,511) | 333,376 |
| Equity earnings (losses) from limited partnerships and limited liability companies | (768,892) | 96,630 |
| Unrealized gains from investments subject to fair value valuation | (19,207,025) | (1,486,811) |
| Unrealized gains from equity securities | (67,095,123) | (29,670,800) |
| Non-cash fee revenue | (111,118) | (115,869) |
| Depreciation | 73,585 | 102,760 |
| Deferred income tax | 8,493,848 | 1,903,235 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (576,893) | 616,663 |
| Prepaid income taxes and other current assets | (403,472) | 81,515 |
| Accounts payable and accrued expenses | 24,215 | (28,534) |
| Net Cash Flows from Operating Activities | <u>485,743</u> | <u>3,371,053</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of investments | 2,175,098 | 1,867,975 |
| Purchases of investments | (1,429,862) | (1,864,162) |
| Proceeds from securities sold, not yet purchased | 51,877 | 239,850 |
| Purchases to cover securities previously sold | (37,523) | (405,632) |
| Distributions from limited partnerships | 19,623 | 131,220 |
| Other investments | (180,064) | (14,980) |
| Purchase of digital mining assets | (82,838) | - |
| Net Cash Flows from (used) in Investing Activities | <u>516,311</u> | <u>(45,729)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issuance of other consolidated subsidiary equity | 15,000 | 15,000 |
| Distributions to members of consolidated limited liability company | (90,000) | (600,000) |
| Other financing activities | (7,691) | (7,397) |
| Net Cash Flows used in Financing Activities | <u>(82,691)</u> | <u>(592,397)</u> |
| Net Change in Cash and Cash Equivalents | 919,363 | 2,732,927 |
| CASH AND CASH EQUIVALENTS, Beginning of Period | 38,077,492 | 33,289,454 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | <u>\$ 38,996,855</u> | <u>\$ 36,022,381</u> |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| Cash paid during the period for | | |
| Income taxes | \$ 210,843 | \$ 274,906 |
| Interest | \$ 14,615 | \$ 48,823 |
| NONCASH INVESTING ACTIVITIES | | |
| Investment acquired through the contribution of other investments | <u>\$ 76,541</u> | <u>\$ 531,620</u> |

See report of independent registered public accounting firm and notes to interim condensed consolidated financial statements.

FRMO CORPORATION AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of August 31, 2023 (Unaudited) and May 31, 2023 and for the
Three Months Ended August 31, 2023 and 2022 (Unaudited)

NOTE 1 - Nature of Business and Basis of Presentation

The interim condensed consolidated financial statements include the accounts of FRMO and its controlled subsidiaries (collectively referred to as the "Company"). As of August 31, 2023 and May 31, 2023, the Company held a 21.79% and 21.80% equity interest, respectively, in Horizon Kinetics Hard Assets LLC ("HKHA"), a company formed by Horizon Kinetics LLC ("Horizon") and certain officers, principal stockholders and directors of the Company. As of August 31, 2022, the Company held a 21.85% equity interest in HKHA. The Company also holds a 4.95% interest in Horizon and earns substantially all of its advisory fees from Horizon. Due to the common control and ownership between HKHA and the Company's principal stockholders and directors, HKHA has been consolidated within the Company's financial statements. The noncontrolling interest of 78.21% and 78.15% in HKHA has been presented as noncontrolling interest in the accompanying condensed consolidated financial statements for the periods ended August 31, 2023 and 2022, and 78.21% and 78.20% as of August 31, 2023 and May 31, 2023. Total stockholders' equity includes, as a separate item, the amount attributable to the noncontrolling interests. The Company maintains its corporate office in White Plains, New York.

The accompanying interim unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information. The principles for interim condensed financial information do not require the inclusion of all the information and footnotes required by generally accepted accounting principles for complete financial statements. Therefore, these interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements as of and for the year ended May 31, 2023 and notes thereto. The accompanying interim condensed consolidated financial statements have not been audited by an independent registered public accounting firm in accordance with standards of the Public Company Accounting Oversight Board (United States) but, in the opinion of management, such financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the Company's interim financial position and results of operations. The results of operations for the three months ended August 31, 2023 may not be indicative of the results that may be expected for the year ending May 31, 2024.

NOTE 2 - Summary of Significant Accounting Policies

Subsequent Events

The Company has evaluated all subsequent events from the date of the interim condensed consolidated balance sheets through October 12, 2023, which represents the date these interim condensed consolidated financial statements are available to be issued.

NOTE 3 - Adoption of New Accounting Pronouncements

The Company has determined that no recently issued accounting pronouncements will have a material impact on its interim condensed consolidated financial position, results of operations and cash flows, or do not apply to its operations.

**FRMO CORPORATION
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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of August 31, 2023 (Unaudited) and May 31, 2023 and for the
Three Months Ended August 31, 2023 and 2022 (Unaudited)

NOTE 4 - Investments

Limited Partnerships and Equity Investments

The Company's investments in limited partnerships and equity investments consist of the following as of August 31, 2023 and May 31, 2023:

| | As of August 31, 2023 (Unaudited) | | |
|---|-----------------------------------|-------------------------|-------------------------|
| | Cost or (Proceeds) | Net Unrealized Gains | Estimated Fair Value |
| Equity Securities | \$ 77,673,887 | \$ 148,172,205 | \$ 225,846,092 |
| Investments in limited partnerships and other equity investments: | | | |
| Limited partnerships | | | |
| Investment in South LaSalle Partners, LP | \$ 5,442,957 | \$ 3,241,448 | \$ 8,684,405 |
| Investments in managed funds | | | |
| Horizon Multi-Strategy Fund, LP | 15,616,271 | 17,780,722 | 33,396,993 |
| CDK Partners, LP | 1,494,534 | 4,280,771 | 5,775,305 |
| Polestar Fund, LP | 15,044,605 | 24,166,816 | 39,211,421 |
| Multi-Disciplinary Fund, LP | 598,295 | 211,186 | 809,481 |
| Kinetics Institutional Partners, LP | 4,636 | 26,017 | 30,653 |
| Shepherd I, LP | 12,837 | 14,394 | 27,231 |
| Other | 3,241 | 389,578 | 392,819 |
| Total Investments in Managed Funds | 32,774,419 | 46,869,484 | 79,643,903 |
| Investment in Winland Holdings Corporation, 1,586,538 shares | 1,855,638 | 1,317,438 | 3,173,076 |
| Total investments in limited partnerships and other equity securities | \$ 40,073,014 | \$ 51,428,370 | \$ 91,501,384 |
| Securities sold, not yet purchased (liability) | \$ (10,681,289) | \$ 9,118,278 | \$ (1,563,011) |

**FRMO CORPORATION
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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of August 31, 2023 (Unaudited) and May 31, 2023 and for the
Three Months Ended August 31, 2023 and 2022 (Unaudited)

NOTE 4 - Investments (cont.)

| | As of May 31, 2023 | | |
|---|-----------------------|----------------------------|-------------------------|
| | Cost or (Proceeds) | Net Unrealized Gains | Estimated Fair Value |
| Equity Securities | \$ 77,876,311 | \$ 81,852,688 | \$159,728,999 |
| Investments in limited partnerships and other equity investments: | | | |
| Limited partnerships | | | |
| Investment in South LaSalle Partners, LP | \$ 5,551,425 | \$ 3,008,160 | \$ 8,559,585 |
| Investments in managed funds | | | |
| Horizon Multi-Strategy Fund, LP | 15,195,225 | 9,828,876 | 25,024,101 |
| CDK Partners, LP | 1,375,367 | 2,898,502 | 4,273,869 |
| Polestar Fund, LP | 14,603,543 | 13,969,021 | 28,572,564 |
| Multi-Disciplinary Fund, LP | 594,128 | 112,340 | 706,468 |
| Kinetics Institutional Partners, LP | 8,111 | 14,613 | 22,724 |
| Shepherd I, LP | 15,735 | 4,252 | 19,987 |
| Other | 2,514 | 248,286 | 250,800 |
| Total Investments in Managed Funds | 31,794,623 | 27,075,890 | 58,870,513 |
| Investment in Winland Holdings Corporation, 1,500,443 shares | 1,675,574 | 1,550,378 | 3,225,952 |
| Total investments in limited partnerships and other equity securities | \$ 39,021,622 | \$ 31,634,428 | \$ 70,656,050 |
| Securities sold, not yet purchased (liability) | \$(10,670,820) | \$ 8,317,910 | \$ (2,352,910) |

Investments in Unconsolidated Entities

Investment in Securities Exchanges

Investments in securities exchanges are carried at cost and consist of the following as of August 31, 2023 (unaudited) and May 31, 2023:

| | August 31, 2023 (Unaudited) | May 31, 2023 |
|------------------------------------|-----------------------------------|-----------------|
| Miami International Holdings, Inc. | \$ 4,691,369 | \$ 4,626,030 |
| CNSX Markets, Inc. | 243,040 | 243,040 |
| Total securities exchanges | \$ 4,934,409 | \$ 4,869,070 |

The Company holds a less than a 2.00% interest in these stock exchanges.

**FRMO CORPORATION
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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As of August 31, 2023 (Unaudited) and May 31, 2023 and for the
Three Months Ended August 31, 2023 and 2022 (Unaudited)

NOTE 4 - Investments (cont.)

Other Investments

The following are the Company's other investments as of August 31, 2023 and May 31, 2023:

| | August 31, 2023 | May 31, 2023 |
|--|--------------------|-----------------|
| | (Unaudited) | |
| Cryptocurrency Mining Entities | | |
| Consensus Mining and Seigniorage Corporation | \$ 389,700 | \$ 393,169 |
| HM Tech, LLC | 14,979 | 14,979 |
| Total cryptocurrency mining entities | 404,679 | 408,148 |
| Digital Currency Group, Inc. | 76,261 | 76,261 |
| Total other investments | \$ 480,940 | \$ 484,409 |

The Company holds a 7.434% interest in HM Tech, LLC and is accounted for under the equity method of accounting. The Company holds a less than a 1.00% interest in each of the other investments, which are carried at cost.

Investment Concentration

The following are the approximate amounts of the Company's investments in equity securities held directly and indirectly, through its various investments in managed funds, amounting to greater than 10% of stockholders' equity attributable to the Company ("Equity"). None of the Company's other direct or indirect investments were greater than 10% of Equity as of August 31, 2023 and May 31, 2023.

| Investment | As of August 31, 2023 | | As of May 31, 2023 | |
|--------------|-----------------------|----------------------|--------------------|----------------------|
| | Amount | Percent of Equity | Amount | Percent of Equity |
| | (Unaudited) | | | |
| Investment A | \$ 115,734,000 | 57.4% | \$ 78,849,000 | 46.6% |

**FRMO CORPORATION
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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of August 31, 2023 (Unaudited) and May 31, 2023 and for the
Three Months Ended August 31, 2023 and 2022 (Unaudited)

NOTE 4 - Investments (cont.)

The following are the approximate amounts of Investment A included in the Company's investments in equity securities, and investments in limited partnerships and other equity investments (together, "Investments") held directly and indirectly, through its various investments in managed funds, amounting to greater than 10% of Investments. None of the Company's other direct or indirect investments were greater than 10% of Investments as of August 31, 2023 and May 31, 2023.

| Investment | As of August 31, 2023 | | As of May 31, 2023 | |
|--|-----------------------|------------------------|--------------------|------------------------|
| | Amount | Percent of Investments | Amount | Percent of Investments |
| | (Unaudited) | | | |
| Equity securities | \$ 213,584,000 | 94.6% | \$ 146,790,000 | 91.9% |
| Investments in limited partnerships and other equity investments | \$ 55,461,000 | 60.6% | \$ 37,985,000 | 53.8% |

The following are the approximate amounts of Investment A included in the Company's unrealized gains from investments and unrealized gains from equity securities (together, "Unrealized Gains") held directly and indirectly, through its various investments in managed funds, amounting to greater than 10% of Unrealized Gains. None of the Company's other direct or indirect investments were greater than 10% of Unrealized Gains for the three months ended August 31, 2023 and 2022.

| Unrealized (Loss) Gain | Three Months Ended August 31, 2023 | | Three Months Ended August 31, 2022 | |
|------------------------|------------------------------------|--------------------------------------|------------------------------------|--------------------------------------|
| | Amount | Percent of Unrealized (Losses) Gains | Amount | Percent of Unrealized (Losses) Gains |
| | (Unaudited) | | | |
| Investments | \$ 17,475,000 | 91.0% | \$ 8,060,000 | 542.1% |
| Equity securities | \$ 66,516,000 | 99.1% | \$ 30,568,000 | 103.0% |

**FRMO CORPORATION
AND SUBSIDIARIES**

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of August 31, 2023 (Unaudited) and May 31, 2023 and for the
Three Months Ended August 31, 2023 and 2022 (Unaudited)

NOTE 5 - Fair Value Measurements

The following tables present information about the Company's assets and liabilities that are measured at fair value on a recurring basis as of August 31, 2023 and May 31, 2023, and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair values.

| | As of August 31, 2023 (Unaudited) | | | | |
|---|---|---|--|---|--|
| | Fair Value Measurements at Reporting Date Using | | | | |
| | | Quoted Prices | | | Significant Unobservable Inputs (Level 3) |
| | | Investments Measured at Net Asset Value | in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | |
| Total | | | | | |
| Assets (at fair value): | | | | | |
| Money Market Mutual Funds included in Cash and Cash Equivalents | \$ 38,561,172 | \$ - | \$ 38,561,172 | \$ - | \$ - |
| Other Investments: | | | | | |
| Equity Securities | \$ 225,846,092 | \$ - | \$ 225,846,092 | \$ - | \$ - |
| Investment in Limited Partnerships and other Equity Investments | 91,501,384 | 88,328,308 | - | 3,173,076 | - |
| Total Other Investments | \$ 317,347,476 | \$ 88,328,308 | \$ 225,846,092 | \$ 3,173,076 | \$ - |
| Liabilities (at fair value): | | | | | |
| Common Stocks | \$ 1,563,011 | \$ - | \$ 1,563,011 | \$ - | \$ - |

**FRMO CORPORATION
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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As of August 31, 2023 (Unaudited) and May 31, 2023 and for the
Three Months Ended August 31, 2023 and 2022 (Unaudited)

NOTE 5 - Fair Value Measurements (cont.)

| | As of May 31, 2023 | | | |
|---|---|--|---|--|
| | Fair Value Measurements at Reporting Date Using | | | |
| | Investments Measured at Net Asset Total | Quoted Prices | | |
| | | in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets (at fair value): | | | | |
| Money Market Mutual Funds included in Cash and Cash Equivalents | \$ 37,044,809 | \$ - | \$ 37,044,809 | \$ - |
| Other Investments: | | | | |
| Equity Securities | \$ 159,728,999 | \$ - | \$ 159,728,999 | \$ - |
| Investment in Limited Partnerships and other Equity Investments | 70,656,050 | 67,430,098 | - | 3,225,952 |
| Total Other Investments | \$ 230,385,049 | \$ 67,430,098 | \$ 159,728,999 | \$ 3,225,952 |
| Liabilities (at fair value): | | | | |
| Common Stocks | \$ 2,352,910 | \$ - | \$ 2,352,910 | \$ - |

**FRMO CORPORATION
AND SUBSIDIARIES**

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of August 31, 2023 (Unaudited) and May 31, 2023 and for the
Three Months Ended August 31, 2023 and 2022 (Unaudited)

NOTE 6 - Income Taxes

The Company files a consolidated federal income tax return and a combined state/city tax return with its wholly-owned subsidiary, Fromex Equities Corp. HKHA, included in consolidated net income (loss) before taxes, is a pass-through entity subject to K-1 reporting and is not included in the Company's consolidated income tax return. Pass-through income allocated to the Company is based on the Company's ownership percentage as of August 31, 2023 and May 31, 2023, which was 21.79% and 21.80% respectively. Income tax attributable to the remaining noncontrolling interest of 78.21% and 78.20% represents a permanent difference related to "consolidation of noncontrolling interests" in the reconciliation table below of federal statutory rate to effective tax rate.

The Company records adjustments related to prior years' taxes during the period when they are identified, generally when the tax returns are filed. The effect of these adjustments on the current and prior periods (during which the differences originated) is evaluated based upon quantitative and qualitative factors and are considered in relation to the interim condensed consolidated financial statements taken as a whole for the respective periods.

The provision for (benefit from) income taxes is comprised of the following:

| | Three Months Ended August 31, | |
|----------------------------------|----------------------------------|--------------|
| | 2023 | 2022 |
| | (Unaudited) | |
| Current | | |
| Federal | \$ (125,994) | \$ 146,956 |
| State and City | (74,236) | 209,566 |
| Total Current | (200,230) | 356,522 |
| Deferred | | |
| Federal | 8,493,848 | 1,903,235 |
| State and City | - | - |
| Total Deferred | 8,493,848 | 1,903,235 |
| Total Provision for Income Taxes | \$ 8,293,618 | \$ 2,259,757 |

The provision for income taxes includes estimated amounts for income and loss items derived from pass through entities. The actual amounts are determined upon completion of the Company's tax return and may differ from the amounts presented above due to the variable nature of these items.

Deferred tax assets and liabilities are determined using the enacted tax rates applicable to the period the temporary differences are expected to be recovered. The net deferred income taxes on the balance sheets reflect temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and income tax purposes, tax effected at a various rates depending on whether the temporary differences are subject to federal taxes, state and city taxes, or both.

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NOTE 6 - Income Taxes (cont.)

The tax effects of temporary differences which give rise to the deferred tax liability consist of the following as of August 31, 2023 and May 31, 2023:

| | August 31, 2023 (Unaudited) | May 31, 2023 |
|--|-----------------------------------|-----------------|
| Deferred Tax Asset | | |
| Capital loss carry forward | \$ 25,946 | \$ 198,819 |
| Total deferred tax asset | 25,946 | 198,819 |
| Deferred Tax Liability | | |
| Investments in limited partnerships | 115,108 | 32,409 |
| Investment in unconsolidated limited liability companies | 132,660 | 132,660 |
| Deferral of gain from like-kind exchange | 3,329,673 | 3,329,673 |
| Unrealized gain from equity securities and investments in managed funds | 20,946,295 | 12,708,019 |
| Total deferred tax liability | 24,523,736 | 16,202,761 |
| Net Deferred Tax Liability | \$ (24,497,790) | \$ (16,003,942) |

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NOTE 6 - Income Taxes (cont.)

A reconciliation of the federal statutory rate to the effective tax rate is as follows for the three months ended August 31, 2023 and 2022:

| | Three Months Ended | | | |
|---|--------------------|--------|---------------|--------|
| | August 31, | | | |
| | 2023 | | 2022 | |
| | (Unaudited) | | (Unaudited) | |
| Income before taxes | \$ 88,762,947 | 100.0% | \$ 33,772,845 | 100.0% |
| Computed expected tax expense | \$ 18,640,219 | 21.0% | \$ 7,092,297 | 21.0% |
| State and City taxes, net of federal benefit | (58,646) | -0.1% | 165,557 | 0.5% |
| Permanent differences | (179,872) | -0.2% | 33,895 | 0.1% |
| Other | 113 | 0.0% | 102 | 0.0% |
| Provision for income taxes before consolidation of noncontrolling interests | 18,401,814 | 20.7% | 7,291,851 | 21.6% |
| Permanent differences related to consolidation of non controlling interests | (10,108,196) | -11.4% | (5,032,094) | -14.9% |
| Total provision for income taxes | \$ 8,293,618 | 9.3% | \$ 2,259,757 | 6.7% |

(Percent components may not sum due to rounding)

NOTE 7 – Mortgage Payable

On November 8, 2019, the Company acquired a building located in North Carolina to be used in certain business operations for \$1,050,000. The building was purchased subject to an \$800,000 mortgage with a 3.9% interest rate with a maturity date of November 6, 2024. The mortgage is also collateralized by an assignment of all rents received from the building. The building is rented to a related party, subject to a lease that calls for \$11,450 per month in rent through November 2024.

The following table presents contractual payments of the Company's obligation under this mortgage as of August 31, 2023:

| For the Period Ending May 31, | Total |
|--------------------------------------|-------------------|
| | (Unaudited) |
| 2024 (Remainder of fiscal year) | \$ 23,524 |
| 2025 | 668,625 |
| Total | <u>\$ 692,149</u> |

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As of August 31, 2023 (Unaudited) and May 31, 2023 and for the
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NOTE 8 - Net Income Per Common Share and Per Common Share Equivalent

Basic and diluted earnings per common share is calculated by dividing net income allocated to common stock by the weighted average common shares outstanding during the period. The weighted average number of shares of common stock used in the calculation of diluted earnings per share is adjusted for the dilutive effects of potential common shares including the assumed exercise of vested stock options based on the treasury stock method. Assumed exercise or conversion of potential common shares is only when the weighted average market price for the period exceeds the exercise price and the conversion price, and that the entity records earnings from continuing operations, as the inclusion of such adjustments would otherwise be anti-dilutive to earnings per share from continuing operations.

Potential common shares consist of unexercised stock options of 65,000 and 56,000 for the three months ended August 31, 2023 and 2022, respectively.

As of August 31, 2023 and May 31, 2023 there were 32,000 and 40,000 vested options with an exercise price below the weighted average market price of the Company's common stock during the period.

The reconciliation of the weighted average number of common shares used in the calculation of basic and diluted earnings per common share follows for the three months ended August 31:

| | Three Months Ended August 31, | |
|---|----------------------------------|------------|
| | 2023 | 2022 |
| | (Unaudited) | |
| Weighted Average Common Shares outstanding | 44,022,781 | 44,017,781 |
| Effect of Dilutive Securities, common share equivalents: | | |
| Exercise of stock options | 7,688 | 12,140 |
| Dilutive Potential Common Share Equivalents | 44,030,469 | 44,029,921 |

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NOTE 9 - Stockholders' Equity

Redeemable Preferred Stock

The number of authorized Series R preferred shares is 5,000 with a par value of \$.001 per share. These shares are each convertible to 1,000 shares of the Company's common stock at the option of either the Company or the holder. There were no shares of preferred stock outstanding as of August 31, 2023 and May 31, 2023.

Stock Options

A summary of option activity as of August 31, 2023, and changes during the three months then ended, is as follows:

| <i>Stock Options</i> (Unaudited) | Number of Shares | Weighted Average Exercise Price Per Share | Weighted Average Remaining Contractual Term | Aggregate Intrinsic Value |
|--|---------------------|--|---|---------------------------------|
| Outstanding at June 1, 2022 | 65,000 | \$ 7.48 | 3.77 | \$ 59,040 |
| Granted | - | \$ - | - | \$ - |
| Exercised | - | \$ - | - | \$ - |
| Forfeited | - | \$ - | - | \$ - |
| Outstanding at August 31, 2023 | <u>65,000</u> | <u>\$ 7.48</u> | <u>3.52</u> | <u>\$ 54,880</u> |
| Vested and Exercisable at August 31, 2023 | <u>65,000</u> | <u>\$ 7.48</u> | <u>3.52</u> | <u>\$ 54,880</u> |

All stock options were vested as of August 31, 2023 and May 31, 2023.

The aggregate intrinsic value of options outstanding and options exercisable at August 31, 2023 and May 31, 2023 is calculated as the difference between the exercise price of the underlying options and the market price of FRMO's common stock for the shares that had exercise prices that were lower than the \$7.45 and \$7.58 closing price of FRMO's common stock on August 31, 2023 and May 31, 2023, respectively.

As of August 31, 2023, there was no unrecognized compensation cost related to unvested options.