FRMO CORPORATION
AND SUBSIDIARIES

White Plains, New York

CONSOLIDATED FINANCIAL STATEMENTS

Including Report of Independent
Registered Public Accounting Firm

As of and for the Years Ended May 31, 2020 and 2019

FRMO CORPORATION
AND SUBSIDIARIES

TABLE OF CONTENTS
As of and for the Years Ended May 31, 2020 and 2019

Report of Independent Registered Public Accounting Firm

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

Opinions on the Financial Statements

We have audited the accompanying consolidated balance sheets of FRMO Corporation and Subsidiaries (the Company) as of May 31, 2020 and 2019, the related consolidated statements of (loss) income and comprehensive (loss) income, consolidated statement of stockholders' equity, and consolidated statements of cash flows for the years then ended, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of FRMO Corporation and Subsidiaries as of May 31, 2020 and 2019 and the consolidated results of their operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audits included consideration of its internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. We believe that our audits provide a reasonable basis for our opinion.

Baker Tilly US, LLP

We have served as the Company's auditor since 2001.

New York, New York
August 14, 2020

CONSOLIDATED FINANCIAL STATEMENTS

FRMO CORPORATION
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of May 31, 2020 and 2019

ASSETS

	May 31, 2020	May 31, 2019
Current Assets		
Cash and cash equivalents	$ 38,443,507	$ 53,080,680
Accounts receivable (due from related parties)	622,007	760,619
Prepaid income taxes	1,771,218	736,436
Equity securities, at fair value (cost of $57,253,157 and $43,731,538 at May 31, 2020 and 2019, respectively)	63,835,705	63,564,512
Other assets	142,357	142,357
Total Current Assets	104,814,794	118,284,604
Cryptocurrency mining assets, net of accumulated depreciation of $184,035 and $62,335 at May 31, 2020 and 2019, respectively	1,384,627	94,998
Investments in limited partnerships and other equity investments at fair value (cost of $32,086,514 and $26,208,639 at May 31, 2020 and 2019, respectively)	40,897,820	47,513,033
Investments in Securities Exchanges	5,061,025	3,641,522
Other investments	422,721	452,458
Investment in Horizon Kinetics LLC	10,876,157	11,487,950
Participation in Horizon Kinetics LLC Revenue Stream	10,200,000	10,200,000
Total Assets	$173,657,144	$191,674,565

LIABILITIES AND STOCKHOLDERS' EQUITY

	May 31, 2020	May 31, 2019
Current Liabilities		
Accounts payable and accrued expenses	$ 157,420	$ 161,157
Current portion of mortgage note payable	27,774	-
Securities sold, not yet purchased (proceeds of $5,394,277 and $11,581,064 at May 31, 2020 and 2019, respectively)	4,135,886	8,133,244
Total Current Liabilities	4,321,080	8,294,401
Deferred tax liability	6,700,817	8,383,113
Mortgage note payable, net of current portion	751,027	-
Total Liabilities	11,772,924	16,677,514
Stockholders' Equity		
Redeemable preferred stock - $.001 par value; Authorized - 2,000,000 shares; no shares outstanding	-	-
Common stock - $0.001 par value, authorized 90,000,000 shares Issued and outstanding - 44,032,781 shares and 43,976,781 shares at at May 31, 2020 and 2019, respectively	44,032	43,976
Additional paid-in capital	37,965,027	34,792,027
Retained earnings	76,983,782	91,548,254
Stockholders' Equity Attributable to the Company	114,992,841	126,384,257
Noncontrolling interests	46,891,379	48,612,794
Total Stockholders' Equity	161,884,220	174,997,051
Total Liabilities and Stockholders' Equity	$173,657,144	$191,674,565

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

FRMO CORPORATION
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME
For the Years Ended May 31, 2020 and 2019

	2020	2019
REVENUE		
Fees	$ 2,263,888	$ 2,026,637
Dividends and interest income, net	2,355,757	1,713,973
Net realized (losses) gains from investments	(4,393,668)	2,518,726
Equity earnings from partnerships and limited liability companies	5,519,295	2,560,430
Unrealized (losses) gains from investments subject to fair value valuation	(12,558,883)	3,839,264
Equity earnings from investment in The Bermuda Stock Exchange	111,408	181,465
Total revenue before unrealized gains (losses) from equity securities	(6,702,203)	12,840,495
Unrealized (losses) gains from equity securities	(15,439,851)	6,725,464
Total Revenue	(22,142,054)	19,565,959
OPERATING EXPENSES		
General and administrative expenses	1,215,785	1,289,437
Depreciation	121,699	43,132
Total Expenses	1,337,484	1,332,569
(Loss) Income from Operations before Provision for Income Taxes	(23,479,538)	18,233,390
(Benefit from) Provision for Income Taxes	(152,356)	1,025,742
Net (Loss) Income	(23,327,182)	17,207,648
Less net (loss) income attributable to noncontrolling interests	(8,762,710)	12,497,986
Net (Loss) Income Attributable to the Company	$ (14,564,472)	$ 4,709,662
OTHER COMPREHENSIVE (LOSS) INCOME, NET OF TAX		
Net (Loss) Income and Other Comprehensive (Loss) Income	$ (23,327,182)	$ 17,207,648
Less comprehensive (loss) income attributable to noncontrolling interests	(8,762,710)	12,497,986
Comprehensive (loss) income attributable to the Company	$ (14,564,472)	$ 4,709,662
NET (LOSS) INCOME PER COMMON SHARE		
Basic and diluted	$ (0.33)	$ 0.11
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING		
Basic	44,032,781	43,974,940
Diluted	44,032,781	44,016,535

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

FRMO CORPORATION
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the Years Ended May 31, 2020 and 2019

	Redeemable Preferred Stock		Common Stock		Additional Paid-In	Retained	Stockholders' Equity Attributable to the	Non-Controlling	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Earnings	Company	Interests	Equity
BALANCE - June 1, 2018	-	$ -	43,973,781	$ 43,973	$ 32,527,939	$ 86,838,592	$ 119,410,504	$ 27,583,204	$ 146,993,708
Equity Compensation	-	-	-	-	31,120	-	31,120	-	31,120
Exercise of Stock Options	-	-	3,000	3	8,247	-	8,250	-	8,250
Non-cash Compensation	-	-	-	-	103,200	-	103,200	-	103,200
Capital Accounts of Consolidated									
Limited Liability Company	-	-	-	-	2,121,521	-	2,121,521	-	2,121,521
Net Income	-	-	-	-	-	4,709,662	4,709,662	12,497,986	17,207,648
Noncontrolling contributions	-	-	-	-	-	-	-	8,531,604	8,531,604
BALANCE - May 31, 2019	-	-	43,976,781	43,976	34,792,027	91,548,254	126,384,257	48,612,794	174,997,051
Equity Compensation	-	-	-	-	23,040	-	23,040	-	23,040
Exercise of Stock Options	-	-	56,000	56	111,144	-	111,200	-	111,200
Non-cash Compensation	-	-	-	-	103,200	-	103,200	-	103,200
Capital Accounts of Consolidated							-		
Limited Liability Company	-	-	-	-	2,935,616	-	2,935,616	-	2,935,616
Net Loss	-	-	-	-	-	(14,564,472)	(14,564,472)	(8,762,710)	(23,327,182)
Noncontrolling contributions	-	-	-	-	-	-	-	7,041,295	7,041,295
BALANCE - May 31, 2020	-	$ -	44,032,781	$ 44,032	$ 37,965,027	$ 76,983,782	$ 114,992,841	$ 46,891,379	$ 161,884,220

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

FRMO CORPORATION
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended May 31, 2020 and 2019

	May 31, 2020	May 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income	$ (23,327,182)	$ 17,207,648
Adjustments to reconcile net (loss) income to net cash flows from operating activities		
Non-cash compensation	103,200	103,200
Equity compensation	23,040	31,120
Net realized loss (gain) from investments	4,393,668	(2,518,726)
Equity earnings from partnerships and limited liability companies	(5,519,295)	(2,560,430)
Unrealized losses (gains) from investments subject to fair value valuation	12,558,883	(3,839,264)
Unrealized losses (gains) from equity securities	15,439,851	(6,725,464)
Equity earnings from investments in Securities Exchanges	(111,408)	(181,465)
Non-cash fee revenue	(332,050)	(81,695)
Depreciation	121,699	43,132
Deferred income tax (benefit) expense	(1,682,296)	626,491
Changes in operating assets and liabilities:		
Accounts receivable	138,612	27,270
Prepaid income taxes	(1,034,782)	(567,943)
Other current assets	-	51,000
Accounts payable and accrued expenses	(3,737)	(32,562)
Net Cash Flows provided by Operating Activities	768,203	1,582,312
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,318,328	1,568,218
Purchases of investments	(4,074,297)	(6,581,316)
Proceeds from securities sold, not yet purchased	9,046,993	8,055,556
Purchases to cover securities previously sold	(21,191,556)	(5,107,374)
Distributions from limited partnerships	30,563	
Other investments	(249,080)	(270,000)
Purchase of cryptocurrency mining assets	(611,328)	(62,419)
Net Cash Flows used in Investing Activities	(15,730,377)	(2,397,335)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on mortgage payable	(21,199)	-
Proceeds from issuance of other consolidated subsidiary equity	235,000	270,000
Proceeds from exercise of stock options	111,200	8,250
Net Cash Flows from Financing Activities	325,001	278,250
Net Change in Cash and Cash Equivalents	(14,637,173)	(536,773)
CASH AND CASH EQUIVALENTS, Beginning of Period	53,080,680	53,617,453
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 38,443,507	$ 53,080,680
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for		
Income taxes	$ 2,535,058	$ 972,744
Interest	$ 352,813	$ 410,307
NONCASH INVESTING ACTIVITIES		
Cryptocurrency mining assets acquired through mortgage financing	$ 800,000	$ -
Investment acquired through the contribution of other investments	$ 9,741,908	$ 10,382,969

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

FRMO CORPORATION
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended May 31, 2020 and 2019

NOTE 1 - Nature of Business and Basis of Presentation

FRMO Corporation ("FRMO" or the "Company") was incorporated in 1993 under the laws of the State of Delaware. In January 2001, FRMO spun off its operations in a transaction accounted for as a reverse pooling of interests. Since that time, FRMO has focused its activities on making strategic investments in public and private companies and providing advisory services to its clients and customers.

Management is experienced in the analysis of public and private companies and securities within a framework of identifying investment strategies and techniques that reduce risk. The Company endeavors to identify and participate in operating assets, particularly in the early stages of the expression of their ultimate value, in ways that are calculated to increase the value of the stockholders' interest in FRMO. Such assets are expected to include, but are not limited to, those whose values and earnings are based on intellectual capital. Of the many varieties of capital upon which investors have earned returns, ranging from real estate to silicon, perhaps the highest returns on capital have been earned on intellectual capital. It is the goal of FRMO to maximize its return on this form of asset. The identification of any business opportunities will follow the process employed by Horizon Kinetics, LLC ("Horizon" or "Horizon Kinetics"), to select and evaluate investment opportunities and strategies. Horizon was co-founded by Murray Stahl, Steven Bregman and Peter Doyle, officers and principal stockholders of the Company. Horizon is an investment advisory and independent research firm, the research activities serving primarily institutional investors. Horizon provides in-depth analysis of information-poor, under-researched companies and strategies to identify the complex or overlooked situations that can offer an advantage to the investor.

The consolidated financial statements include the accounts of FRMO and its controlled subsidiaries. The Company holds a 4.95% interest in Horizon Kinetics LLC and earns substantially all of its advisory fees from Horizon. As of May 31, 2020 and 2019, the Company held a 19.23% and 15.49% equity interest in Horizon Kinetics Hard Assets LLC ("HKHA"), a company formed by Horizon and certain officers, principal stockholders and directors of the Company. 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 80.77% and 84.51% in HKHA has been eliminated from results of operations for the periods ended May 31, 2020 and 2019. 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 Company earns substantially all of its consulting and advisory fees from Horizon Kinetics as a result of an amendment of its product-specific revenue interests (see Note 4). For the years ended May 31, 2020 and 2019, fees earned by the Company include fees earned from Horizon Kinetics and other fees derived from assets managed by other parties based on the research of Horizon Kinetics. The Company earns consulting fees pursuant to an agreement with Santa Monica Partners, LP, whose manager is a director and stockholder of the Company.

NOTE 2 - Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements represent the consolidation of the accounts of FRMO and its subsidiaries in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). All intercompany accounts and transactions have been eliminated in consolidation. Investments in unconsolidated companies (generally 20 to 50 percent ownership), in which the Company has the ability to exercise significant influence but neither has a controlling interest nor is the primary beneficiary, are accounted for under the equity method of accounting. Investments in entities in which the Company does not have the ability to exercise significant influence are accounted for under the cost method of accounting. Under certain criteria indicated in Accounting Standards Codification ("ASC") 810, *Consolidation*, a partially-owned affiliate would be consolidated when it has less than a 50% ownership if the Company is the primary beneficiary of that entity.

NOTE 2 - Summary of Significant Accounting Policies (cont.)

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. At May 31, 2020 and 2019, the Company had balances in excess of federally insured limits on deposit with financial institutions. At May 31, 2020 the Company had: (1) three accounts with balances of approximately $25,320,000, $8,342,000 and $2,033,000 at one large global financial institution, and (2) one account with a balance of approximately $2,637,000 at another large global financial institution. The Company has not experienced any losses in such accounts, and management believes that it is not exposed to any significant credit risk on cash and cash equivalents.

Credit Risk

In the normal course of business, substantially all of the Company's securities transactions, money balances, and security positions are transacted with one broker. The Company is subjected to credit risk to the extent any broker with which it conducts business is unable to fulfill contractual obligations on its behalf. The Company's management monitors the financial condition of such broker and does not anticipate any losses from such counterparty.

Investment Valuation

The Company accounts for its investments in marketable securities in accordance with ASU 2016-01 "*Financial Instruments"*, which requires that equity investments, including limited partnership interests, except those accounted for under the equity method of accounting, that have readily determinable fair value to be measured at fair value with any changes in fair value recognized in net income.

Equity marketable securities are reported at their estimated fair values based on quoted market prices or a recognized pricing service, with unrealized gains and losses, included in unrealized gains from equity securities in the consolidated statements of income and comprehensive income. Realized gains and losses are determined on the specific identification method. Equity securities that do not have readily determinable fair values may be measured at estimated fair value or cost less impairment, if any, adjusted for subsequent observable price changes, with changes in the carrying value recognized in net income.

The estimated fair values of financial instruments are determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates, when presented herein, are not necessarily indicative of the amounts that the Company could realize in a sale. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates, and yield curves, and quoted prices for identical or similar instruments in markets that are not active. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and includes situations where there is little, if any, market activity for the asset or liability. The Company does not have Level 3 assets or liabilities.

As of May 31, 2020 and 2019, investments in limited partnerships and limited liability companies are valued using data inputs from March 31, 2020 and 2019, respectively, the dates of the most current available information. Management reviews relevant market and related data to reconcile for the period from April 1 through May 31. Because of its significance, subsequent market volatility has been reflected in these consolidated financial statements as of May 31, 2020.

NOTE 2 - Summary of Significant Accounting Policies (cont.)

Investments in managed funds are recorded at fair value using the practical expedient and in accordance with Accounting Standards Update ("ASU") No. 2015-07, "*Disclosures for Investments in Certain Entities That Calculate Net Asset Value ("NAV") per Share (or Its Equivalent),*" which removes the requirement to categorize within the fair value hierarchy all investments measured using the net asset value per share as a practical expedient and related disclosures. Changes in unrealized gains from assets subject to NAV are included in unrealized gains from investments recorded at fair value in the consolidated statements of income and comprehensive income.

The Company regularly reviews its investments to evaluate the necessity of recording impairment losses for declines in the fair value of investments.

Investments in Unconsolidated Entities

The Company evaluates investments in other entities for consolidation. The Company considers the percentage interest in the entity, evaluation of control and whether a variable interest entity ("VIE") exists when determining if the investment qualifies for consolidation. Investments in limited liability companies that have separate ownership accounts for each investor greater than three to five percent are accounted for under the equity method of accounting.

For investments in unconsolidated entities utilizing the equity method of accounting, the investment is recorded initially at cost, and subsequently adjusted for all realized income (loss) and all the Company's proportionate share of income or loss ("Equity Earnings"). The Net Income of each investor is allocated in accordance with the provisions of the operating agreement of the entity. The allocation provisions in these agreements may differ from the ownership interest held by each investor. The Company's Equity Earnings in these items are reported as a single line item in operations as equity earnings from partnerships and limited liability companies. The unrealized gains and losses of these entities are also reflected in the investment and are included in unrealized gains (losses) from investments.

For investments in unconsolidated entities utilizing the cost method of accounting, the investment is recorded initially at cost, and subsequently adjusted for cash contributions and distributions.

On a quarterly basis, the Company assesses whether the value of its investments in unconsolidated entities has been impaired. An investment is impaired only if management's estimate of the fair value of the investment is less than its carrying value, and such decline in value is deemed to be other than temporary. The ultimate realization of the Company's investment in partially owned entities is dependent on a number of factors including the performance of that entity and market conditions. If the Company determines that a decline in the value of a partially owned entity is other than temporary, it will record an impairment charge.

Cryptocurrency Mining Assets

Cryptocurrency mining assets consists of building and computer equipment utilized in the Company's cryptocurrency mining operations and are reported at cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. The Company estimates the useful life for computer equipment is three years, and building is 39 years.

The Company reviews its real estate asset to evaluate the necessity of recording impairment losses for market changes due to declines in the estimated fair value of the property. In evaluating potential impairment, management considers the current estimated fair value compared to the carrying value of the asset. At May 31, 2020, due the recent acquisition, the fair value of the real estate asset is estimated to be equal to or in excess of the carrying value.

NOTE 2 - Summary of Significant Accounting Policies (cont.)

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable and Allowance for Doubtful Accounts

In the normal course of business, the Company provides unsecured credit to customers, performs credit evaluations of these customers, and maintains reserves for potential credit losses. In determining the amount of allowance for doubtful accounts, management considers historical credit losses, the past due status of receivables, payment history, and other customer-specific information. The past due status of a receivable is based on its contractual terms. Expected credit losses are recorded as an allowance for doubtful accounts. Receivables are written off when management determines they are uncollectible. An allowance for doubtful accounts is not provided as of May 31, 2020 and 2019 since, in the opinion of management, all of its accounts are deemed collectible. Accounts receivable as of May 31, 2020 and 2019 are comprised 100% from one related party.

Securities Sold, not yet purchased

Securities sold, not yet purchased, or securities sold short, represent obligations of the Company to deliver the specified security, and thereby create a liability to repurchase the security in the market at then prevailing prices. Securities sold, not yet purchased are recorded as a liability at fair value.

Revenue Recognition

The Company primarily generates revenue through advisory and consulting fees. The accrual method of accounting is used to record fee income, which is recognized when the advisory and consulting services are performed.

Security transactions are recorded based on a trade date. Dividend income is recognized on the ex-dividend date, and interest income is recognized on an accrual basis. Discounts and premiums on securities purchased are amortized over the life of the respective securities. Realized gains and losses from security transactions are recorded on a specific identification basis.

Revenue from the Company's interest in Horizon Kinetics' gross revenue stream is earned primarily on a month-by-month basis. The Company's share of annual incentive fees earned by Horizon Kinetics, if any, are included in the quarter ended in February when the incentive fees are determinable.

Income from investments measured at fair value are as follows:

Revenue from investments carried at fair value is earned based upon FRMO's allocated share of each investment's proportionate share of changes in unrealized gains and losses to its partners on a calendar year basis.

NOTE 2 - Summary of Significant Accounting Policies (cont.)

Research

Research expenditures, consisting of investment research, are expensed as incurred.

Stock-based Compensation

The Company records compensation expense associated with equity-based compensation in accordance with guidance established by U.S. GAAP. Equity award compensation expense for the years ended May 31, 2020 and 2019 is the estimated fair value of the grants amortized on a straight-line basis over the service period for the entire portion of the award less an estimate for anticipated forfeitures.

Income Taxes

The Company files a consolidated federal income tax return with its wholly-owned subsidiary. Material differences between the financial reporting and the tax reporting of the Company's revenue, assets, and liabilities are included in deferred tax assets or liabilities. The income tax provisions and liability for income taxes are based on enacted tax laws and statutory tax rates applicable to the respective periods.

Deferred income tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is not recognized for differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred income tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The Company follows the relevant provisions of U.S. GAAP concerning uncertainties in income taxes, which clarifies the accounting for uncertainty in tax positions and requires that the Company recognize in its consolidated financial statements the impact of an uncertain tax position, if that position has a more-likely-than-not chance of not being sustained on audit, based on the technical merits of that position.

All interest and penalties are expensed as incurred. Tax returns for the years ended May 31, 2017 and forward are still subject to examination. The Company has evaluated its tax position and determined that no provision for uncertainty in income taxes is necessary as of May 31, 2020 and 2019.

NOTE 2 - Summary of Significant Accounting Policies (cont.)

Subsequent Events

The Company has evaluated all subsequent events from the date of the consolidated balance sheets through August 14, 2020, which represents the date these consolidated financial statements are available to be issued.

The recent outbreak of the coronavirus, also known as "COVID-19", has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures have had and will continue to have a material adverse impact on global economic conditions as well as on the Company's business activities. The extent to which COVID-19 may impact the Company's revenue will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in the United States and other countries to contain and treat the disease. These events are highly uncertain and, as such, the Company cannot determine their financial impact at this time. No adjustments have been made to the amounts reported in these consolidated financial statements as a result of this matter.

NOTE 3 - Adoption of New Accounting Pronouncements

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

NOTE 4 - Participation Interest

In 2013, the Company amended the terms of its product-specific revenue interests in the following products managed by Horizon Kinetics and its subsidiaries: (i) a mutual fund, (ii) two private investment funds, (iii) a consultative relationship with an institutional investor and, (iv) an institutional separate account. Since then, FRMO now receives a single revenue interest (the "Revenue Interest") equal to 4.199% of the gross revenues of Horizon Kinetics. Horizon Kinetics is considered a VIE of the Company due to this revenue interest. See Note 5 for additional disclosures relating to this VIE. This revenue interest now represents approximately 79% and 93% of "fees" included in operations for the years ended May 31, 2020 and 2019.

The 4.199% Revenue Interest had an estimated fair value of $10,200,000 as determined by an independent valuation and is shown as "Participation in Horizon Kinetics LLC revenue stream" in the consolidated balance sheets. This participation interest is a non-amortizing indefinite life intangible asset that was recorded at cost and is assessed for impairment at least annually.

As a result of this transaction, the Company realized a gain of approximately $10,057,000 in 2013. As of May 31, 2020 and 2019, income taxes of approximately $3,391,000 and $2,780,000, respectively, on the gain are deferred pursuant to Section 1031 of the Internal Revenue Code relating to "like-kind exchanges" and are included in "Deferred tax liability" in the consolidated balance sheets.

NOTE 5 - Investments

Limited Partnerships and Limited Liability Companies and Equity Investments

The Company's investments in limited partnerships and limited liability companies and equity investments consist of the following as of May 31, 2020 and 2019:

	As of May 31, 2020		
	Cost or (Proceeds)	Unrealized Gains (Losses)	Estimated Fair Value
Equity Securities	$ 57,253,157	$ 6,582,548	$ 63,835,705
Investments in limited partnerships and other equity securities:			
Limited partnerships			
Investment in South LaSalle Partners, LP	$ 5,778,028	$ 324,245	$ 6,102,273
Investments in managed funds			
Horizon Multi-Strategy Fund, LP	$ 11,152,033	$ 2,863,025	$ 14,015,058
CDK Partners, LP	1,316,481	1,114,339	2,430,820
Polestar Fund, LP	12,811,294	4,568,797	17,380,091
Multi-Disciplinary Fund, LP	553,341	15,919	569,260
Kinetics Institutional Partners, LP	4,070	9,162	13,232
Shepherd I, LP	10,832	1,092	11,924
Total Investments in Managed Funds	25,848,051	8,572,334	34,420,385
Investment in Winland Holdings Corporation	460,435	(85,273)	375,162
Total investments in limited partnerships and other equity securities	$ 32,086,514	$ 8,811,306	$ 40,897,820
Securities sold, not yet purchased (liability)	$ (5,394,277)	$ 1,258,391	$ (4,135,886)

NOTE 5 - Investments (cont.)

	As of May 31, 2019		
	Cost or (Proceeds)	Unrealized Gains	Estimated Fair Value
Equity Securities	$ 43,731,538	$ 19,832,974	$ 63,564,512
Investments in limited partnerships and other equity securities:			
Limited partnerships			
Investment in South LaSalle Partners, LP	$ 5,753,268	$ 1,673,937	$ 7,427,205
Investments in managed funds			
Horizon Multi-Strategy Fund, LP	$ 6,464,011	$ 10,148,441	$ 16,612,452
CDK Partners, LP	1,435,786	1,446,042	2,881,828
Polestar Fund, LP	11,478,409	7,793,533	19,271,942
Multi-Disciplinary Fund, LP	596,586	10,645	607,231
Kinetics Institutional Partners, LP	9,879	6,246	16,125
Shepherd I, LP	10,265	3,871	14,136
Total Investments in Managed Funds	19,994,936	19,408,778	39,403,714
Investment in Winland Holdings Corporation	460,435	221,679	682,114
Total investments in limited partnerships and other equity securities	$ 26,208,639	$ 21,304,394	$ 47,513,033
Securities sold, not yet purchased (liability)	$(11,581,064)	$ 3,447,820	$ (8,133,244)

The Company's investment capital in South LaSalle Partners, LP may be withdrawn as of the last day of each calendar quarter by providing the general partner with 60 days advance written notice. The general partner, in its sole discretion, may permit withdrawals at other times or otherwise modify or waive such withdrawal conditions and requirements, including any notice period, for any or all of the limited partners at any time without notice to or the consent of the limited partners. An entity, related by common ownership, is a member of both the general partner and the Manager of South LaSalle Partners, LP.

The Company's investment capital in the Horizon Multi-Strategy Fund, LP may be withdrawn on 45 days prior written notice to the general partner, and the Company may redeem all or part of its capital account on the last day of each calendar quarter. Redemptions may be settled in cash or, at the discretion of the general partner, through in-kind distributions of portfolio securities, the fair market value of which would satisfy the redemption request. An entity, related by common ownership, is a member of both the general partner and the manager of Horizon Multi-Strategy Fund, LP.

The Company's investment capital in CDK Partners, LP (formerly known as Croupier Fund, LP) may be withdrawn as of the last day of each month by providing the general partner with 60 days advance written notice. The general partner, in its sole discretion, may permit withdrawals at other times or otherwise modify or waive such withdrawal conditions and requirements. All withdrawal amounts may be paid in cash or in kind (or a combination thereof), in the general partner's sole discretion.

NOTE 5 - Investments (cont.)

The Company's investment capital in Polestar Fund, LP may be withdrawn as of the last day of each month (or such other dates as the general partner in its discretion shall determine) by providing the general partner with 45 days advance written notice, with the minimum amount to be withdrawn of $100,000. The general partner may, in its sole discretion, allow redemptions that do not comply with the above requirements; however, such redemptions may be subject to a penalty equal to up to 2% of the redemption amount requested. All withdrawal amounts may be paid in cash or in kind (or a combination thereof), in the general partner's sole discretion. An entity, related by common ownership, is a member of both the general partner and the manager of Polestar Fund, LP.

The Company's investment in the Multi-Disciplinary Fund, LP may be withdrawn as of the last business day of any calendar quarter upon at least 45 days advance written notice to the general partner, and in such other amounts and at such other times as the general partner may determine in its sole discretion. The minimum amount to be withdrawn is $50,000. Partial withdrawals may not be made without the general partner's consent if they would reduce the investor's capital account balance below $100,000. All withdrawals shall be deemed made prior to the commencement of the following calendar quarter. The general partner has discretion to waive or vary these terms. An entity, related by common ownership, is a member of both the general partner and the manager of Multi-Disciplinary Fund, LP.

The Company's investment in Kinetics Institutional Partners, LP may be withdrawn upon 20 days prior notice to the general partner, on the last business day of each calendar month at the then net asset value, less any applicable accrued incentive allocations as of the previous valuation date, or at such other times at the general partner's discretion, to make a partial or total withdrawal from the Company's capital accounts (subject to the right of the general partner, in its sole discretion, to waive such withdrawal restrictions).

The Company's investment in Shepherd I, LP may be withdrawn on 45 days prior written notice to the general partner, in whole or in part, from the Company's capital account, as adjusted for net profits and net losses, as of the last business day of June and December of each year, subject to a minimum transaction amount of $10,000 (or the balance of the capital account if less than $10,000) or at such other times and in such other amounts as the general partner shall determine in its sole discretion. Without the consent of the general partner, which may be given or withheld in its sole discretion, no partial withdrawal may be made that would reduce the Company's residual balance in its capital account below $250,000. All redemptions will take into account the applicable performance allocation, if any, due to the general partner. Withdrawals are not permitted unless the interest has been held for at least six months as of the withdrawal date. The general partner, in its sole discretion, may waive any of these withdrawal requirements.

The Company's investment in Winland Holdings Corporation is recorded as a non-current asset due to its limited trading activity and the possible inability of the Company to sell all of the shares owned within a one-year period.

NOTE 5 - Investments (cont.)

Investments in Unconsolidated Entities

Investment in Securities Exchanges

Investments in securities exchanges consist of the following as of May 31, 2020 and 2019:

	May 31, 2020	May 31, 2019
Miami International Holdings, Inc.	$ 4,322,905	$ 250,000
The Bermuda Stock Exchange	-	2,902,482
OneChicago, LLC	246,000	246,000
CNSX Markets, Inc.	243,040	243,040
American Financial Exchange, LLC	249,080	-
Total securities exchanges	$ 5,061,025	$ 3,641,522

On September 23, 2019, the Bermuda Monetary Authority authorized the transfer of the Company's shares in The Bermuda Stock Exchange to Miami International Holdings, Inc. ("MIH") in exchange for 603,393 shares of common stock of MIH. The transaction was completed on October 23, 2019, resulting in a realized gain of $1,059,015. The Company's ownership interest in MIH is approximately 1.00%.

Through October 23, 2019, the Company held a 40.08% interest in the Bermuda Stock Exchange, and currently holds a 1.41% interest in CNSX Markets, Inc. and less than a 1.00% interest in other stock exchanges.

Other Investments

The following are the Company's other investments as of May 31, 2020 and 2019:

	May 31, 2020	May 31, 2019
Cryptocurrency Mining Entities		
HK Cryptocurrency Mining, LLC	$ 38,886	$ 56,467
Horatio Mining, LLC	54,706	48,621
HK Cryptocurrency Mining II, LLC	128,919	126,109
HM Tech, LLC	123,949	145,000
Total cryptocurrency mining entities	346,460	376,197
Digital Currency Group, Inc.	76,261	76,261
Total other investments	$ 422,721	$ 452,458

NOTE 5 - Investments (cont.)

Investments under the Equity Method of Accounting

The Company's investment in Horizon is accounted for under the equity method of accounting. This investment has been reviewed for impairment with none being noted. The Company's prior investment in the Bermuda Stock Exchange was accounted for under the equity method of accounting.

As of May 31, 2020 and 2019, the Company's investment in Horizon consists of the following:

	As of May 31, 2020	As of May 31, 2019
Equity Held	$ 10,876,157	$ 11,487,950
Ownership %	4.95%	4.95%
Total (Loss) Revenue for year ended May 31	$ (428,531)	$ 298,311
Receivable at May 31	$ 622,008	$ 760,620

Summarized financial information of the Company's investment in Horizon is as follows:

Balance Sheet Data:	As of May 31, 2020	As of May 31, 2019
Goodwill and Intangible Assets	$ 69,552,973	$ 71,260,651
Other Assets	$ 54,530,555	$ 72,943,165
Liabilities	$ 4,712,877	$ 4,670,539
Equity	$ 119,370,651	$ 139,533,277

	Years Ended May 31,	
Income Statement Data:	2020	2019
Revenue	$ 43,423,744	$ 45,299,916
Expenses	$ 39,632,305	$ 34,545,911
Net Unrealized Gain (Loss)	$ (16,646,065)	$ 363,332
Net Income (Loss)	$ (12,854,626)	$ 11,117,337

Investment Concentration

As of May 31, 2020 and 2019, the Company had one investment in an equity security held directly and indirectly, through its various investments in managed funds, amounting to approximately $28,247,000 and $26,562,000, respectively, which represents 24.6% and 21.0%, respectively, of stockholders' equity attributable to the Company ("Equity"). None of the Company's other direct or indirect investments were greater than 10% of Equity.

NOTE 6 - 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 May 31, 2020 and 2019, and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair values.

In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

In accordance with the fair value accounting requirements, companies may choose to measure eligible financial instruments and certain other items at fair value. The Company has elected the fair value option for its investments on an investment-by-investment basis at the time each investment is initially recognized in the financial statements or upon an event that gives rise to a new basis of accounting for these items. The Company has elected the fair value option for its investment in Winland Holdings Corporation.

	As of May 31, 2020				
		Fair Value Measurements at Reporting Date Using			
	Total	Investments Measured at Net Asset Value	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	$ 35,694,672	$ -	$ 35,694,672	$ -	$ -
Other Investments:					
Equity Securities	$ 63,835,705	$ -	$ 63,835,705	$ -	$ -
Investment in Limited Partnerships and other Equity Investments	40,897,820	40,522,658	-	375,162	-
Total Other Investments	$ 104,733,525	$ 40,522,658	$ 63,835,705	$ 375,162	$ -
Liabilities (at fair value):					
Common Stocks	$ 4,135,886	$ -	$ 4,135,886	$ -	$ -

NOTE 6 - Fair Value Measurements (cont.)

	As of May 31, 2019				
		Fair Value Measurements at Reporting Date Using			
	Total	Investments Measured at Net Asset Value	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	$ 48,481,777	$ -	$ 48,481,777	$ -	$ -
Other Investments:					
Equity Securities	$ 63,564,512	$ -	$ 63,564,512	$ -	$ -
Investment in Limited Partnerships and other Equity Investments	47,513,033	46,830,919	-	682,114	-
Total Other Investments	$ 111,077,545	$ 46,830,919	$ 63,564,512	$ 682,114	$ -
Liabilities (at fair value):					
Common Stocks	$ 8,133,244	$ -	$ 8,133,244	$ -	$ -

NOTE 7 - 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 May 31, 2020 and 2019, which was 19.23% and 15.49% respectively. Income tax attributable to the remaining noncontrolling interest of 80.77% and 84.51% 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 consolidated financial statements taken as a whole for the respective periods. These adjustments resulted in an increase of $1,340,359 to the provision for income taxes for the year ended May 31, 2020 and a decrease of $286,090 to the provision for income taxes for the year ended May 31, 2019. These adjustments are listed as "True-up of prior year tax" in the reconciliation table below of federal statutory rate to effective tax rate, and are primarily related to pass through items from investment partnerships and allocations of state and city income subject to taxation. These adjustments to prior year income taxes represent 7.35% and 1.83% of income before taxes for the years ended May 31, 2019 and 2018.

NOTE 7 - Income Taxes (cont.)

The provision for income taxes is comprised of the following for the years ended May 31:

	Years Ended May 31, 2020	Years Ended May 31, 2019
Current		
Federal	$ 628,832	$ 360,772
State and City	901,108	38,479
Total Current	1,529,940	399,251
Deferred		
Federal	(2,920,081)	604,133
State and City	1,237,785	22,358
Total Deferred	(1,682,296)	626,491
Total Provision for Income Taxes	$ (152,356)	$ 1,025,742

Deferred tax assets and liabilities are determined using the enacted tax rates applicable to the period the temporary differences are expected to be recovered. Accordingly, the current period income tax provision is affected by the enactment of new tax rates. 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.

The tax effects of temporary differences which give rise to the deferred tax liability consist of the following as of May 31, 2020 and 2019:

	May 31, 2020	May 31, 2019
Deferred Tax Liability		
Investments in limited partnerships	$ 1,324,677	$ 622,616
Investment in unconsolidated limited liability companies	132,660	230,672
Deferral of gain from like-kind exchange	3,390,962	2,779,555
Unrealized gain from investments	1,852,518	4,750,270
Total Deferred Tax Liability	$ 6,700,817	$ 8.383.113

NOTE 7 - Income Taxes (cont.)

A reconciliation of the federal statutory rate to the effective tax rate is as follows for the years ended May 31, 2020 and 2019:

	2020		2019	
(Loss) income before taxes	$ (23,479,538)	100.00%	$ 18,233,390	100.00%
Computed expected tax expense	$ (4,930,703)	21.00%	$ 3,829,012	21.00%
State and City taxes, net of federal benefit	343,573	-1.46%	139,119	0.76%
Increase in allocation of income to State and City	529,665	-2.26%	(101,953)	-0.56%
True-up of prior year tax	1,340,359	-5.71%	(285,738)	-1.57%
Permanent differences	(126,894)	0.54%	(378,683)	-2.08%
Other	246	0.00%	-	0.00%
(Benefit from) provision for income taxes before consolidation of noncontrolling interests	(2,843,754)	12.11%	3,201,757	17.55%
Permanent differences related to consolidation of noncontrolling interests	2,691,398	-11.46%	(2,176,015)	-11.93%
Total (benefit from) provision for income taxes	$ (152,356)	0.65%	$ 1,025,742	5.62%

NOTE 8 – Mortgage Payable

On November 8, 2019, the Company acquired a building to be used in certain business operations for $1,050,000 located in North Carolina. 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 principal payments of the Company’s obligation under this mortgage as of May 31, 2020:

For the Year Ending May 31,	Total
2021	$ 27,774
2022	28,876
2023	30,023
2024	31,215
2025	660,913
Total	$ 778,801

NOTE 9 - 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 56,000 and 104,000 for years ended May 31, 2020 and 2019.

As of May 31, 2020 and 2019 there were 8,000 and 72,000 vested options, respectively, 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 years ended May 31:

	2020	2019
Weighted Average Common Shares Outstanding	44,020,024	43,974,940
Effect of Dilutive Securities,		
common share equivalents:		
Exercise of stock options	-	41,595
Dilutive Potential Common Share Equivalents	44,020,024	44,016,535

NOTE 10 - Noncash Compensation

Noncash compensation expense represents a notional salary allocation for the Company's senior officers. The officers of the Company are responsible for all of the Company's operations and have agreed to not draw any cash salaries for an indefinite period. Noncash compensation expense is recorded as an increase to additional paid-in capital.

NOTE 11 - 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 May 31, 2020 and 2019.

Stock Options

A summary of option activity as of May 31, 2020, and changes during the nine months then ended, is as follows:

Stock Options	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at June 1, 2019	104,000	$ 4.34	2.06	$ 329,040
Granted	8,000	$ 6.10	6.36	$ -
Exercised	(56,000)	$ 1.99	-	$ 290,200
Forfeited	-	$ -	-	$ -
Outstanding at May 31, 2020	56,000	$ 6.95	3.36	$ -
Vested and Exercisable at May 31, 2020	56,000	$ 6.95	3.36	$ -

All stock options granted during the years ended May 31, 2020 were vested as of grant date. All stock options were vested as of May 31, 2020 and 2019.

The aggregate intrinsic value of options outstanding and options exercisable at May 31, 2020 and 2019 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 $4.80 and $7.25 closing price of FRMO's common stock on May 31, 2020 and 2019, respectively.

As of May 31, 2020, there was no unrecognized compensation cost related to unvested options.