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, 2023 and 2022

FRMO CORPORATION
AND SUBSIDIARIES

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Report of Independent Registered Public Accounting Firm

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

Opinions on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of FRMO Corporation and Subsidiaries (the Company) as of May 31, 2023 and 2022, the related consolidated statements of income, stockholders' equity and 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 present fairly, in all material respects, the financial position of the Company as of May 31, 2023 and 2022 and the results of its operations and its 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 the Company's 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. 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. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

Baker Tilly US, LLP

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

New York, New York
August 15, 2023

CONSOLIDATED FINANCIAL STATEMENTS

FRMO CORPORATION
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
As of May 31, 2023 and 2022

ASSETS

	May 31, 2023	May 31, 2022
Current Assets		
Cash and cash equivalents	$ 38,077,492	$ 33,289,454
Accounts receivable (due from related parties)	3,214,132	2,182,217
Prepaid income taxes	158,004	732,553
Equity securities, at fair value (cost of $74,174,176 and $74,399,681 at May 31, 2023 and 2022, respectively	159,728,999	187,386,224
Other current assets	167,297	167,357
Total Current Assets	201,345,924	223,757,805
Cryptocurrency mining assets, net of accumulated depreciation of $1,050,854 and $711,134 at May 31, 2023 and 2022, respectively	1,330,754	1,632,318
Investments in limited partnerships and other equity investments at fair value (cost of $39,021,622 and $37,790,957 at May 31, 2023 and 2022, respectively)	70,656,050	82,629,581
Investments in Securities Exchanges	4,869,070	4,815,025
Other investments, at cost	484,409	546,124
Investment in Horizon Kinetics LLC	14,607,525	14,701,779
Participation in Horizon Kinetics LLC Revenue Stream	10,200,000	10,200,000
Total Assets	$303,493,732	$338,282,632

LIABILITIES AND STOCKHOLDERS' EQUITY

	May 31, 2023	May 31, 2022
Current Liabilities		
Accounts payable and accrued expenses	$ 322,631	$ 181,535
Current portion of mortgage note payable	31,215	30,023
Securities sold, not yet purchased (proceeds of $10,670,820 and $8,554,778 at May 31, 2023 and 2022, respectively)	2,352,910	2,573,355
Total Current Liabilities	2,706,756	2,784,913
Deferred tax liability	16,003,942	20,470,439
Mortgage note payable, net of current portion	668,625	699,840
Total Liabilities	19,379,323	23,955,192
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 - 44,022,781 shares and 44,017,781 shares at at May 31, 2023 and 2022, respectively	44,022	44,017
Additional paid-in capital	41,754,855	41,276,829
Retained earnings	127,483,881	140,087,853
Stockholders' Equity Attributable to the Company	169,282,758	181,408,699
Noncontrolling interests	114,831,651	132,918,741
Total Stockholders' Equity	284,114,409	314,327,440
Total Liabilities and Stockholders' Equity	$303,493,732	$338,282,632

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

FRMO CORPORATION
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (LOSS)
For the Years Ended May 31, 2023 and 2022

	2023	2022
REVENUE		
Fees and other income	$ 3,221,561	$ 4,678,025
Dividends and interest income, net	5,081,547	1,645,601
Net realized losses from investments	(1,035,096)	(1,504,448)
Equity earnings from limited partnerships and limited liability companies	1,614,213	653,378
Unrealized losses from investments	(13,661,130)	(5,576,320)
Total revenue before unrealized (losses) gains from equity securities	(4,778,905)	(103,764)
Unrealized (losses) gains from equity securities	(28,368,182)	13,977,730
Total Revenue	(33,147,087)	13,873,966
OPERATING EXPENSES		
General and administrative expenses	1,497,408	1,081,545
Depreciation	339,720	298,942
Total Expenses	1,837,128	1,380,487
(Loss) Income from Operations before Provision for Income Taxes	(34,984,215)	12,493,479
Benefit from Income Taxes	(3,222,443)	(773,640)
Net (Loss) Income	(31,761,772)	13,267,119
Less net (loss) income attributable to noncontrolling interests	(19,157,800)	10,321,242
Net (Loss) Income Attributable to the Company	$ (12,603,972)	$ 2,945,877
NET (LOSS) INCOME PER COMMON SHARE		
Basic and diluted	$ (0.29)	$ 0.07
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING		
Basic	44,021,069	44,016,014
Diluted	44,021,069	44,034,813

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

FRMO CORPORATION
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CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the Years Ended May 31, 2023 and 2022

	Common Stock		Additional Paid-In	Retained	Stockholders' Equity Attributable to the	Non-Controlling	Total Stockholders'
	Shares	Amount	Capital	Earnings	Company	Interests	Equity
BALANCE - May 31, 2021	44,012,781	$ 44,012	$ 40,718,916	$ 137,141,976	$ 177,904,904	$ 121,008,871	$ 298,913,775
Equity Compensation	-	-	44,240	-	44,240	-	44,240
Exercise of Stock Options	5,000	5	45,895	-	45,900	-	45,900
Non-cash Compensation	-	-	103,200	-	103,200	-	103,200
Capital Accounts of Consolidated Limited Liability Company	-	-	364,578	-	364,578	-	364,578
Net Income	-	-	-	2,945,877	2,945,877	10,321,242	13,267,119
Capital contributed to consolidated subsidiary from noncontrolling interests	-	-	-	-	-	1,588,628	1,588,628
BALANCE - May 31, 2022	44,017,781	44,017	41,276,829	140,087,853	181,408,699	132,918,741	314,327,440
Equity Compensation	-	-	84,320	-	84,320	-	84,320
Exercise of Stock Options	5,000	5	39,895	-	39,900	-	39,900
Non-cash Compensation	-	-	103,200	-	103,200	-	103,200
Capital Accounts of Consolidated Limited Liability Company	-	-	250,611	-	- 250,611	-	250,611
Net loss	-	-	-	(12,603,972)	(12,603,972)	(19,157,800)	(31,761,772)
Capital contributed to consolidated subsidiary from noncontrolling interests	-	-	-	-	-	1,070,710	1,070,710
BALANCE - May 31, 2023	44,022,781	$ 44,022	$ 41,754,855	$ 127,483,881	$ 169,282,758	$ 114,831,651	$ 284,114,409

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, 2023 and 2022

	May 31, 2023	May 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income	$ (31,761,772)	$ 13,267,119
Adjustments to reconcile net income to net cash flows from operating activities		
Non-cash compensation	103,200	103,200
Equity compensation	84,320	44,240
Net realized loss from investments	1,035,096	1,504,448
Equity earnings from limited partnerships and limited liability companies	(1,614,213)	(653,378)
Unrealized losses from investments subject to fair value valuation	13,661,130	5,576,320
Unrealized losses (gains) from equity securities	28,368,182	(13,977,730)
Non-cash fee revenue	(381,563)	(1,538,658)
Depreciation	339,720	298,942
Deferred income tax benefit	(4,466,497)	(303,560)
Changes in operating assets and liabilities:		
Accounts receivable	(1,031,915)	(201,955)
Prepaid income taxes	574,549	(732,553)
Other current assets	60	-
Accounts payable and accrued expenses	141,097	(1,174)
Income taxes payable	-	(2,037,514)
Net Cash Flows from Operating Activities	5,051,394	1,347,747
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,215,351	5,217,043
Purchases of investments	(2,312,466)	(2,134,978)
Proceeds from securities sold, not yet purchased	2,436,778	400,394
Purchases to cover securities previously sold	(782,302)	(5,211,155)
Distributions and proceeds from limited partnerships	190,143	38,633
Other investments	(172,581)	(511,268)
Purchase of cryptocurrency mining assets	(38,156)	(545,061)
Net Cash Flows from (used in) Investing Activities	536,767	(2,746,392)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on mortgage payable	(30,023)	(28,876)
Proceeds from issuance of other consolidated subsidiary equity	60,000	60,000
Distributions to members of consolidated limited liability company	(870,000)	(360,000)
Proceeds from exercise of stock options	39,900	45,900
Net Cash Flows used in Financing Activities	(800,123)	(282,976)
Net Change in Cash and Cash Equivalents	4,788,038	(1,681,621)
CASH AND CASH EQUIVALENTS, Beginning of Year	33,289,454	34,971,075
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 38,077,492	$ 33,289,454
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for		
Income taxes	$ 644,906	$ 2,299,862
Interest	$ 132,196	$ 128,499
NONCASH INVESTING ACTIVITIES		
Investment acquired through the contribution of other investments	$ 1,941,179	$ 2,174,175

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

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.

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, 2023 and 2022, the Company held a 21.80% and 21.88% 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 78.20% and 78.12% in HKHA has been presented as noncontrolling interest in the accompanying consolidated financial statements for the years ended May 31, 2023 and 2022, and as of May 31, 2023 and 2022. 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, 2023 and 2022, 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.

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 acquired to be cash equivalents. At May 31, 2023 and 2022, the Company had balances in excess of federally insured limits on deposit with financial institutions. At May 31, 2023 the Company had: (1) three accounts with balances of approximately $23,853,000, $8,103,000 and $5,089,000 at one large global financial institution, and (2) one account with a balance of approximately $816,000 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 equity 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 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. 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.

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 in the consolidated statements of 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 limited 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, 2023, due to 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, 2023 and 2022 since, in the opinion of management, all of its accounts are deemed collectible. Accounts receivable as of May 31, 2023 and 2022 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, consulting fees and cryptocurrency mining revenue. The accrual method of accounting is used to record fee income, which is recognized when the advisory and consulting services are performed. The Company’s cryptocurrency mining assets include computer equipment that participates in validation of the cryptocurrency network by solving algorithms in exchange for a reward. The Company receives cryptocurrency, as its proportional share of network rewards, on a daily basis. The value of the cryptocurrency received for the reward is based on the market price of cryptocurrency at 4:00 pm New York time on the day the reward is received.

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, 2023 and 2022 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, 2020 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, 2023 and 2022.

Subsequent Events

The Company has evaluated all subsequent events from the date of the consolidated balance sheets through August 15, 2023, which represents the date these 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 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 was approximately $2,665,000 and $2,884,000, representing approximately 83% and 62% of "fees" included in operations for the years ended May 31, 2023 and 2022.

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, 2023 and 2022, income taxes of approximately $3,330,000 and $3,340,000, 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 equity investments consist of the following as of May 31, 2023 and 2022:

	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)

FRMO CORPORATION
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended May 31, 2023 and 2022

NOTE 5 - Investments (cont.)

	As of May 31, 2022		
	Cost or (Proceeds)	Net Unrealized Gains	Estimated Fair Value
Equity Securities	$ 74,399,681	$112,986,543	$187,386,224
Investments in limited partnerships and other equity investments:			
Limited partnerships			
Investment in South LaSalle Partners, LP	$ 5,561,379	$ 3,231,739	$ 8,793,118
Investments in managed funds			
Horizon Multi-Strategy Fund, LP	14,768,374	15,061,473	29,829,847
CDK Partners, LP	1,347,099	3,724,889	5,071,988
Polestar Fund, LP	14,042,007	19,909,532	33,951,539
Multi-Disciplinary Fund, LP	548,242	214,389	762,631
Kinetics Institutional Partners, LP	7,201	19,331	26,532
Shepherd I, LP	13,623	11,699	25,322
Other	39	54,835	54,874
Total Investments in Managed Funds	30,726,585	38,996,148	69,722,733
Investment in Winland Holdings Corporation, 1,418,528 shares	1,502,993	2,610,737	4,113,730
Total investments in limited partnerships and other equity securities	$ 37,790,957	$ 44,838,624	$ 82,629,581
Securities sold, not yet purchased (liability)	$ (8,548,222)	$ 5,974,867	$ (2,573,355)

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, 2023 and 2022:

	May 31, 2023	May 31, 2022
Miami International Holdings, Inc.	$ 4,626,030	$ 4,322,905
CNSX Markets, Inc.	243,040	243,040
American Financial Exchange, LLC	-	249,080
Total securities exchanges	$ 4,869,070	$ 4,815,025

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

Other Investments

The following are the Company's other investments as of May 31, 2023 and 2022:

	May 31, 2023	May 31, 2022
Cryptocurrency Mining Entities		
Consensus Mining and Seigniorage Corporation	$ 393,169	$ 454,884
HM Tech, LLC	14,979	14,979
Total cryptocurrency mining entities	408,148	469,863
Digital Currency Group, Inc.	76,261	76,261
Total other investments	$ 484,409	$ 546,124

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.

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.

NOTE 5 - Investments (cont.)

As of May 31, 2023 and 2022, significant financial information relating to the Company's investment in Horizon consists of the following:

	As of May 31, 2023 (Unaudited)	As of May 31, 2022 (Unaudited)
Equity Investment	$ 14,607,525	$ 14,701,779
Ownership %	4.95%	4.95%
Equity Earnings (Loss)	$ 403,806	$ (811,672)
Accounts Receivable	$ 3,053,833	$ 2,124,968

The Company's equity investment in Horizon includes adjustments related to acquisition fair market valuation.

Horizon's summarized significant financial data is as follows:

Balance Sheet Data:	As of March 31, 2023 (Unaudited)	As of March 31, 2022 (Unaudited)
Goodwill and Other Intangible Assets	$ 64,429,937	$ 66,137,615
Other Assets	$ 134,986,973	$ 138,268,627
Liabilities	$ 6,749,247	$ 6,688,805
Equity	$ 192,667,663	$ 197,717,437

	Years Ended March 31,	
Income Statement Data:	2023 (Unaudited)	2022 (Unaudited)
Revenue (1)	$ 64,814,358	$ 40,818,000
Expenses	$ 52,779,971	$ 45,391,671
Other Income (Loss)	$ 3,741,670	$ (9,256,657)
Net Income (Loss)	$ 15,776,056	$ (13,830,328)

(1) Revenue includes annual earned incentive fees of $4,089,276 and $16,249,362 for the years ended March 31, 2023 and 2022, respectively.

NOTE 5 - Investments (cont.)

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 May 31, 2023 and 2022.

	As of May 31, 2023		As of May 31, 2022	
Investment	Amount	Percent of Equity	Amount	Percent of Equity
Investment A	$ 78,849,000	46.6%	$ 92,563,000	51.0%
Investment B	$ 14,270,000	8.4%	$ 18,238,000	10.1%

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 May 31, 2023 and 2022.

	As of May 31, 2023		As of May 31, 2022	
Investment	Amount	Percent of Investments	Amount	Percent of Investments
Equity securities	$ 146,790,000	91.9%	$ 174,007,000	92.9%
Investments in limited partnerships and other equity investments	$ 37,985,000	53.8%	$ 44,261,000	53.6%

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

	Year Ended May 31, 2023		Year Ended May 31, 2022	
Unrealized (Loss) Gain	Amount	Percent of Unrealized (Losses) Gains	Amount	Percent of Unrealized (Losses) Gains
Investments (1)	$ (6,662,000)	48.8%	$ 4,454,420	-79.9%
Equity securities	$ (30,038,000)	105.9%	$ 12,829,000	91.8%

(1) For the year ended May 31, 2022, consolidated unrealized (losses) from investments were $(5,576,320), resulting in a negative concentration percentage.

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, 2023 and 2022, 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, 2023				
		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	$ 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	$ -	$ -

NOTE 6 - Fair Value Measurements (cont.)

	As of May 31, 2022				
		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	$ 32,697,079	$ -	$ 32,697,079	$ -	$ -
Other Investments:					
Equity Securities	$ 187,386,224	$ -	$ 187,386,224	$ -	$ -
Investment in Limited Partnerships and other Equity Investments	82,629,581	78,515,851	-	4,113,730	-
Total Other Investments	$ 270,015,805	$ 78,515,851	$ 187,386,224	$ 4,113,730	$ -
Liabilities (at fair value):					
Common Stocks	$ 2,573,355	$ -	$ 2,573,355	$ -	$ -

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 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, 2023 and 2022, which was 21.80% and 21.88% respectively. Income tax attributable to the remaining noncontrolling interest of 78.20% and 77.12% 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 a decrease of $936,115 and $2,746,201 to the provision for income taxes during the years ended May 31, 2023 and 2022, respectively. 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 7.49% and 1.84% of income before taxes for the years ended May 31, 2022 and 2021.

NOTE 7 - Income Taxes (cont.)

The (benefit from) provision for income taxes is comprised of the following for the years ended May 31:

	Years Ended May 31, 2023	Years Ended May 31, 2022
Current		
Federal	$ 629,327	$ (235,050)
State and City	614,727	(235,030)
Total Current	1,244,054	(470,080)
Deferred		
Federal	(4,446,793)	(261,302)
State and City	(19,704)	(42,258)
Total Deferred	(4,466,497)	(303,560)
Total Benefit from Income Taxes	$ (3,222,443)	$ (773,640)

The current year provision for income taxes include 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.

NOTE 7 - Income Taxes (cont.)

The tax effects of temporary differences which give rise to the net deferred tax liability consist of the following as of May 31, 2023 and 2022:

	May 31, 2023	May 31, 2022
Deferred Tax Asset		
Capital loss carry forward	$ 198,819	$ -
Total deferred tax asset	198,819	-
Deferred Tax Liability		
Investments in limited partnerships	32,409	420
Investment in unconsolidated limited liability companies	132,660	132,660
Deferral of gain from like-kind exchange	3,329,673	3,339,319
Unrealized gain from equity securities and investments in managed funds	12,708,019	16,998,040
Total deferred tax liability	16,202,761	20,470,439
Net Deferred Tax Liability	$ (16,003,942)	$ (20,470,439)

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

	2023		2022	
(Loss) income before taxes	$ (34,984,215)	100.00%	$ 12,493,479	100.00%
Computed expected federal (benefit) tax expense	$ (7,346,685)	21.00%	$ 2,623,631	21.00%
State and City taxes, net of federal benefit	801,848	-2.29%	822,386	6.58%
Decrease in allocation of income to State and City	(7,974)	0.02%	(33,384)	-0.27%
True-up of prior year tax	(936,115)	2.68%	(2,746,201)	-21.98%
Permanent differences	179,300	-0.51%	669,325	5.36%
Other	616	0.00%	125	0.00%
(Benefit from) provision for income taxes before consolidation of noncontrolling interests	(7,309,010)	20.90%	1,335,882	10.69%
Permanent differences related to consolidation of noncontrolling interests	4,086,567	-11.68%	(2,109,522)	-16.88%
Total (benefit from) provision for income taxes	$ (3,222,443)	9.22%	$ (773,640)	-6.19%

NOTE 8 – 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. A balloon payment of $655,255 is due at maturity. 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, 2023:

For the Year Ending May 31,	Total
2024	$ 31,215
2025	668,625
Total	$ 699,840

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 65,000 and 56,000 for years ended May 31, 2023 and 2022, respectively.

As of May 31, 2023 and 2022 there were 40,000 and 48,000 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:

	2023	2022
Weighted Average Common Shares Outstanding	44,021,069	44,016,014
Effect of Dilutive Securities, common share equivalents:		
Exercise of stock options	-	18,799
Dilutive Potential Common Share Equivalents	44,021,069	44,034,813

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, 2023 and 2022.

Stock Options

A summary of option activity as of May 31, 2023, and changes during the year 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, 2022	56,000	$ 7.10	3.36	$ 145,440
Granted	17,000	$ 9.00	6.36	$ -
Exercised	(5,000)	$ 7.98	-	$ 9,600
Forfeited	(3,000)	$ 7.98	-	$ -
Outstanding at May 31, 2023	65,000	$ 7.48	3.77	$ 59,040
Vested and Exercisable at May 31, 2023	65,000	$ 7.48	3.77	$ 59,040

All stock options were vested as of May 31, 2023 and 2022.

The aggregate intrinsic value of options outstanding and options exercisable at May 31, 2023 and 2022 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 $7.58 and $9.50 closing price of FRMO's common stock on May 31, 2023 and 2022, respectively.

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