FRMO CORPORATION
AND SUBSIDIARIES

White Plains, New York

CONSOLIDATED FINANCIAL STATEMENTS

Including Report of Independent
Registered Public Accounting Firm

As of August 31, 2017 (Unaudited) and
May 31, 2017 and for the Three Months
Ended August 31, 2017 and 2016 (Unaudited)

FRMO CORPORATION
AND SUBSIDIARIES

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As of August 31, 2017 (Unaudited) and May 31, 2017 and for the
Three Months Ended August 31, 2017 and 2016 (Unaudited)

REVIEW REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
FRMO Corporation and Subsidiaries
White Plains, New York

We have reviewed the accompanying consolidated balance sheet of FRMO Corporation and Subsidiaries (the "Company") as of August 31, 2017, the related consolidated statements of income and comprehensive income for the three months ended August 31, 2017 and 2016, the consolidated statement of stockholders' equity for the three months ended August 31, 2017, and the consolidated statements of cash flows for the three months ended August 31, 2017 and 2016. These consolidated financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in the United States of America. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements as of August 31, 2017 and for the three months ended August 31, 2017 and 2016 referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of FRMO Corporation and Subsidiaries as of May 31, 2017 (presented herein) and, in our report dated August 29, 2017, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of May 31, 2017 is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

Emphasis of Matter

As discussed in Notes 2 and 3 to the financial statements, the Company has adopted the fair value election and Accounting Standards Update No. 2015-07 ("ASU No. 2015-07"), *"Disclosures for Investments in Certain Entities That Calculate Net Asset Value ("NAV") per Share (or Its Equivalent)*." This 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 and losses from assets subject to NAV and fair value are included as a component of current period net income. As a result of the adoption, the consolidated financial statements as of and for the three months ended August 31, 2016 were restated to comply with retrospective adoption. This has resulted in reclassifications between individual line items in the consolidated financial statements, but no impact on the Company's consolidated financial position, stockholders' equity or cash flows as of and for the three months ended August 31, 2016.

Baker Tilly Virchow Krause, LLP

New York, New York
October 12, 2017

CONSOLIDATED FINANCIAL STATEMENTS

FRMO CORPORATION
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
As of August 31, 2017 and May 31, 2017

ASSETS

	August 31, 2017 (Unaudited)	May 31, 2017
CURRENT ASSETS		
Cash and cash equivalents	$ 51,807,966	$ 51,125,142
Accounts receivable (including due from related party of $716,340 and $742,901 at August 31, 2017 and May 31, 2017, respectively)	716,889	742,901
Prepaid income taxes	-	338,735
Bond and equity securities, available for sale, at fair value (cost of $20,306,102 and $17,404,496 at August 31, 2017 and May 31, 2017, respectively)	21,683,366	18,932,596
Other current assets	187,996	138,357
Total Current Assets	74,396,217	71,277,731
Investment in South LaSalle Partners, LP at fair value (cost of $5,765,721 and $5,767,095 at August 31, 2017 and May 31, 2017, respectively)	5,820,782	5,742,784
Investment in Winland Electronics, Inc., at fair value (cost of $460,435)	773,062	738,956
Investments in limited partnerships, at fair value (cost of $16,845,209 and $16,146,650 at August 31, 2017 and May 31, 2017, respectively)	27,181,706	24,833,050
Investment in OneChicago LLC	246,000	246,000
Investment in Digital Currency Group, Inc.	76,261	76,261
Investment in CNSX Markets, Inc.	243,040	243,040
Investment in Miami International Holdings, Inc.	250,000	250,000
Investment in National Stock Exchange Holdings, Inc.	248,580	248,580
Investment in The Bermuda Stock Exchange	2,716,084	2,704,029
Investment in Horizon Kinetics LLC	11,084,328	10,772,524
Participation in Horizon Kinetics LLC Revenue Stream	10,200,000	10,200,000
TOTAL ASSETS	$ 133,236,060	$ 127,332,955

LIABILITIES AND STOCKHOLDERS' EQUITY

	August 31, 2017 (Unaudited)	May 31, 2017
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 205,214	$ 140,350
Income taxes payable	169,175	-
Securities sold, not yet purchased (proceeds of $10,069,453 and $8,941,666 at August 31, 2017 and May 31, 2017, respectively)	4,902,703	4,130,837
Total Current Liabilities	5,277,092	4,271,187
Deferred tax liability	9,233,492	8,842,027
Total Liabilities	14,510,584	13,113,214
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 - 43,953,155 shares	43,953	43,953
Additional paid-in capital	31,567,945	31,275,473
Accumulated other comprehensive income	2,717,802	2,904,955
Retained earnings	71,306,522	69,119,083
Stockholders' Equity Attributable to the Company	105,636,222	103,343,464
Noncontrolling interests	13,089,254	10,876,277
Total Stockholders' Equity	118,725,476	114,219,741
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 133,236,060	$ 127,332,955

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

FRMO CORPORATION
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	Three Months Ended August , 31	
	2017	2016
	(Unaudited)	
REVENUE		
Consultancy and advisory fees	$ 438,312	$ 501,685
Board fees	800	800
Dividends and interest income, net	182,095	120,517
Realized (losses) gains from investments	(45,478)	56,759
Income from partnerships and limited liability companies	1,049,339	96,480
Unrealized gain from investments subject to net asset valuation and fair value adjustments	1,763,574	945,325
Income from investment in The Bermuda Stock Exchange	12,056	28,984
Total Revenue	3,400,698	1,750,550
OPERATING EXPENSES		
Employee compensation and benefits	25,800	25,800
Professional fees	88,249	97,128
Other expenses	71,166	99,604
Total Expenses	185,215	222,532
Income from Operations before Provision for Income Taxes	3,215,483	1,528,018
Provision for income taxes	1,041,409	470,504
Net income	2,174,074	1,057,514
Less net (loss) income attributable to noncontrolling interests	(13,365)	60,407
Net Income Attributable to the Company	$ 2,187,439	$ 997,107
OTHER COMPREHENSIVE INCOME, NET OF TAX		
Net Income	$ 2,174,074	$ 1,057,514
Unrealized investment holding gains arising during the period	205,082	1,547,953
Income tax benefit (provision) related to items of other comprehensive income (loss)	142,490	(114,365)
Unrealized Investment Holding Gains, net of tax	347,572	1,433,588
Comprehensive Income	2,521,646	2,491,102
Less comprehensive income attributable to noncontrolling interests	534,152	588,876
Comprehensive Income Attributable to the Company	$ 1,987,494	$ 1,902,226
NET INCOME PER COMMON SHARE		
Basic and diluted	$ 0.05	$ 0.02
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING		
Basic	43,953,155	43,953,155
Diluted	43,996,620	43,999,239

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 Three Months Ended August 31, 2017 (Unaudited)

	Redeemable Preferred Stock		Common Stock		Additional Paid-In	Accumulated Other Comprehensive	Retained	Stockholders' Equity Attributable to the	Non-Controlling	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Income (Loss)	Earnings	Company	Interests	Equity
BALANCE - June 1, 2017	-	$ -	43,953,155	$ 43,953	$ 31,275,473	$ 2,904,955	$ 69,119,083	$ 103,343,464	$ 10,876,277	$ 114,219,741
Non-cash Compensation	-	-	-	-	25,800	-	-	25,800	-	25,800
Capital Accounts of Consolidated Limited Liability Company					266,672			266,672	-	266,672
Change in Unrealized (Losses)	-	-	-	-	-	(187,153)	-	(187,153)	534,152	346,999
Net Income (Loss)	-	-	-	-	-	-	2,187,439	2,187,439	(13,365)	2,174,074
Noncontrolling interests from consolidation of Horizon Kinetics Hard Assets LLC	-	-	-	-	-	-	-	-	1,692,190	1,692,190
BALANCE - AUGUST 31, 2017	-	$ -	43,953,155	$ 43,953	$ 31,567,945	$ 2,717,802	$ 71,306,522	$ 105,636,222	$ 13,089,254	$ 118,725,476

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

FRMO CORPORATION
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CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended August 31, 2017 and 2016

	2017	2016
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 2,174,074	$ 1,057,514
Adjustments to reconcile net income to net cash flows from operating activities		
Non-cash compensation	25,800	25,800
Realized loss (gain) from investments	45,478	(56,759)
Income from partnerships and limited liability companies	(1,049,339)	(96,480)
Unrealized gain from investments subject to net asset valuation and fair value adjustments	(1,763,574)	(945,325)
Income from investment in The Bermuda Stock Exchange	(12,055)	(28,984)
Deferred income tax expense (benefit)	533,954	(79,904)
Changes in operating assets and liabilities:		
Accounts receivable (includes $26,561 and $2,222 from related parties) at August 31, 2017 and 2016, respectively)	26,012	14,073
Prepaid income taxes	338,735	414,974
Other current assets	(49,639)	-
Accounts payable and accrued expenses	64,864	33,212
Income taxes payable	169,175	-
Net Cash Flows from Operating Activities	503,485	338,121
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	293,255	763,643
Purchases - investments available for sale	(1,154,084)	271,518
Proceeds from securities sold, not yet purchased	1,666,558	76,853
Purchases to cover securities previously sold	(666,390)	(557,062)
Investments in limited partnerships	(20,000)	-
Net Cash Flows from Investing Activities	119,339	554,952
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of other equity-subsidiary	60,000	15,000
Net Cash Flows from Financing Activities	60,000	15,000
Net Change in Cash and Cash Equivalents	682,824	908,073
CASH AND CASH EQUIVALENTS - Beginning of Period	51,125,142	49,092,383
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 51,807,966	$ 50,000,456
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for		
Income taxes	$ -	$ 130,000
Interest	$ 30,129	$ 61,870
NONCASH INVESTING ACTIVITIES		
Investment acquired through the transfer of other investments	$ 1,898,290	$ 627,408

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

NOTE 1 - Nature of Business

FRMO Corporation ("FRMO") 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.

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 and Steven Bregman, 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.

Until April 30, 2011, the Company owned an 8.44% interest in Kinetics Advisers, LLC ("Kinetics Advisers"). Effective May 1, 2011, the members of Kinetics Advisers contributed all of their membership interests in Kinetics Advisers to Horizon Kinetics and, in exchange, Kinetics Advisers members received certain membership interests of Horizon Kinetics and Kinetics Advisers became a wholly-owned subsidiary of Horizon Kinetics (the "Exchange"). As a result of the Exchange, the Company exchanged its original 8.44% membership interest in Kinetics Advisers for a 0.47% membership interest in Horizon Kinetics and a receivable of approximately $4,814,000, which represented the Company's proportionate shares of fees that were earned and payable to Kinetics Advisers prior to the Exchange (see Note 4). On August 15, 2012, the Company transferred an interest in a revenue stream to Horizon Kinetics in exchange for A-1 units of Horizon Kinetics, increasing the Company's membership interest in Horizon Kinetics to 0.86%. On April 16, 2013, the Company entered into an agreement with Horizon Kinetics to exchange, on or before May 31, 2013, certain privately held units of Horizon Kinetics for common shares of the Company based upon pre-determined prices of each. On May 31, 2013, the Company issued 2,387,715 shares of its common stock to the individual Horizon Kinetics unit sellers in exchange for an additional 4.09% interest in Horizon Kinetics. As a result of the Exchange and subsequent transactions discussed above, FRMO increased its interest in Horizon Kinetics from 0.86% to 4.95% (see Note 5).

Effective June 1, 2013, the Company earns substantially all of its advisory fees from Horizon Kinetics as a result of an amendment of its product-specific revenue interests (see Note 4). For the three months ended August 31, 2017 and 2016, 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.

In addition, the Company receives consulting fees pursuant to an agreement with Santa Monica Partners, LP, whose manager is a director and stockholder of the Company.

NOTE 1 - Nature of Business (cont.)

Noncontrolling Interests

Horizon Kinetics Hard Assets LLC

Horizon Kinetics Hard Assets LLC (“HKHA”) is a New York limited liability company formed by Horizon, and certain officers, principal stockholders and directors of the Company for the purpose of investing in companies that own ‘hard assets’ with intrinsic value such as commodities including oil, natural gas, precious metals as well as land assets including industrial and commercial real estate, and other similar assets.

From November 1, 2015 through August 31, 2017, the Company acquired an interest in HKHA by contributing securities with a fair market value of $1,562,223. As of August 31, 2017 and May 31, 2017 the Company holds a 12.14% and 11.80% interest, respectively, in HKHA.

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 in accordance with the Company’s consolidation policy. The noncontrolling interest of 87.86% and 88.20% in HKHA has been eliminated as of August 31, 2017 and May 31, 2017, respectively.

NOTE 2 - Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of FRMO and its controlled subsidiaries (collectively referred to as the "Company"). Noncontrolling interests on the consolidated financial statements represent the portion of a subsidiary in which the Company does not have direct equity ownership. The Company maintains its corporate office in White Plains, New York.

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 was 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 August 31, 2017 and May 31, 2017, the Company had balances in excess of federally insured limits on deposit with financial institutions. At August 31, 2017, the Company had: (1) three accounts with balances of approximately $11,561,000, $36,203,000 and $1,330,000 at one financial institution, and (2) one account with a balance of approximately $2,714,000 at another 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 *"Investments - Debt and Equity Securities"*, which requires that fixed-maturity and equity securities that have readily determined fair values be segregated into categories based upon the Company's intention for those securities. Accordingly, the Company has classified its debt and equity securities as available-for-sale. The Company may sell its available-for-sale securities in response to changes in interest rates, risk/reward characteristics, liquidity needs, or other factors.

Debt and 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, net of tax effects, reported as a separate component of comprehensive income in stockholders' equity. Realized gains and losses are determined on the specific identification method.

Investments that the Company has the specific intent and ability to hold until maturity are carried at amortized cost.

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. The Company will record an impairment charge if and when it believes any investment has experienced a decline that is other than temporary.

As of August 31, 2017 and May 31, 2017, investments in limited partnerships and limited liability companies are valued using data inputs from June 30, 2017 and March 31, 2017, respectively, the dates of the most current available information.

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

Investment Valuation (cont.)

Investments in limited partnerships are recorded in accordance with 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 the consolidated statements of income and comprehensive income in unrealized gain from investments subject to net asset valuation and fair value adjustments.

The Company elected the fair value method to value its investment in Winland Electronics, Inc. The fair value is evaluated quarterly based on quoting activity. Changes to fair value are included in the consolidated statements of income and comprehensive income in unrealized gain from investments subject to net asset valuation and fair value adjustments.

Investments in Unconsolidated Entities

The Company evaluates investments in other entities for consolidation. The Company considers the percentage interest in the joint venture, evaluation of control and whether a variable interest entity 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 allocated shares of pass-through income or loss items ("Net Income"). 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 allocated Net Income in these items are reported as a single line item in the consolidated statements of income and comprehensive income as income 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 gain from investments subject to net asset valuation.

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 resulting from any capital events.

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 the carrying value of the investment, 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.

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

Use of Estimates

The preparation of 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 August 31, 2017 and May 31, 2017 since, in the opinion of management, all of its accounts are deemed collectible.

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.

Other Comprehensive Income

Other comprehensive income refers to revenues, expenses, gains, and losses net of income taxes that, under U.S. GAAP, are included in comprehensive income but are excluded from net income as these amounts are recorded directly as an adjustment to stockholders' equity and consist primarily of unrealized gains (losses) on available for sale investments.

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 revenues 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 February 28/29.

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

Revenue Recognition (cont.)

Income (loss) from investments subject to Net Asset Valuation and fair value adjustments:

Investment Partnerships

Revenue is earned based upon FRMO's allocated share of each investment partnership's pass-through of changes in unrealized gains and losses to its partners on a calendar year basis.

Investments Subject to Fair Value Adjustments

Revenue is earned based upon the change in unrealized gains and losses from investments subject to fair value election.

Income from The Bermuda Stock Exchange is earned based upon FRMO's allocated share of net income on a calendar year basis.

Research

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

Stock-based Compensation

The Company records compensation expense associated with stock options and other equity-based compensation in accordance with guidance established by U.S. GAAP. Stock option compensation expense for the three months ended August 31, 2017 and 2016 is the estimated fair value of options granted amortized on a straight-line basis over the requisite 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.

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

Income Taxes (cont.)

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 related interest and penalties would be expensed as incurred. Tax returns for the years ended May 31, 2014 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 August 31, 2017 and May 31, 2017.

Reclassifications

As a result of the adoption of Accounting Standards Update ("ASU") 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* (ASU No. 2015-07) and fair value election, the consolidated statement of income and comprehensive income, and consolidated statement of cash flows for the three months ended August 31, 2016 were restated to comply with retrospective adoption of this ASU (see Note 3, “New Accounting Pronouncements”).

Subsequent Events

The Company has evaluated all subsequent events from the date of the consolidated balance sheets through October 12, 2017, which represents the date these consolidated financial statements are available to be issued.

NOTE 3 - Adoption of New Accounting Pronouncements

Disclosures for Investments in Certain Entities That Calculate Net Asset Value (“NAV”) per Share (or Its Equivalent) and fair value adjustments

The Company elected to adopt the guidance issued in 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. The Company retrospectively adopted ASU No. 2015-07 effective May 31, 2017. The Company does not record changes in unrealized gains, net of taxes as other comprehensive income for assets subject to NAV, and now records such changes as a component of net income, with the related deferred income tax, in the consolidated statements of income and comprehensive income.

NOTE 3 - Adoption of New Accounting Pronouncements (cont.)

Disclosures for Investments in Certain Entities That Calculate Net Asset Value ("NAV") per Share (or Its Equivalent) and fair value adjustments (cont.)

The consolidated statement of income and comprehensive income for the three months ended August 31, 2016 was restated to comply with the retrospective adoption as follows:

	Three Months Ended August 31, 2016		
	Previously Reported	Effect of Adoption	Retrospective Application of Adoption
REVENUE			
Unrealized loss from assets subject to net asset valuation and fair value adjustments	$ -	$ 945,325	$ 945,325
Other revenue	805,225	-	805,225
Total Revenue	805,225	945,325	1,750,550
Total Expenses	222,532	-	222,532
Income from Operations before Provision for Income Taxes	582,693	945,325	1,528,018
Provision for income taxes (see Note 7)	100,333	370,171	470,504
Net income	482,360	575,154	1,057,514
Less net loss attributable to noncontrolling interests	60,407	-	60,407
Net Income Attributable to the Company	$ 421,953	$ 575,154	$ 997,107
OTHER COMPREHENSIVE INCOME, NET OF TAX			
Net income	$ 482,360	$ 575,154	$ 1,057,514
Unrealized investment holding gains (losses) arising during the period	2,493,278	(945,325)	1,547,953
Income tax benefit (provision) related to items of other comprehensive income	(484,536)	370,171	(114,365)
Unrealized investment holding gains (losses), net of tax	2,008,742	(575,154)	1,433,588
Comprehensive Income	2,491,102	-	2,491,102
Less comprehensive income attributable to noncontrolling interests	588,876	-	588,876
Comprehensive Income Attributable to the Company	$ 1,902,226	$ -	$ 1,902,226
EARNINGS PER COMMON SHARE			
Basic and diluted	$ 0.01	$ 0.01	$ 0.02
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING			
Basic	43,953,155	-	43,953,155
Diluted	43,999,239	-	43,999,239

NOTE 3 - Adoption of New Accounting Pronouncements (cont.)

Disclosures for Investments in Certain Entities That Calculate Net Asset Value ("NAV") per Share (or Its Equivalent) and fair value adjustments (cont.)

The adoption of ASU No. 2015-07 did not have any impact on the Company's consolidated cash flows or current income taxes.

Other Accounting Pronouncements

The Company has determined that all other recently issued accounting pronouncements will not 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

By agreement dated April 16, 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. The transaction was consummated at the close of business on May 31, 2013 and commenced on June 1, 2013. FRMO now receives a single revenue interest (the "Revenue Interest") equal to 4.199% of the gross revenues of Horizon Kinetics. On May 31, 2013, 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 as of August 31, 2017 and May 31, 2017. Revenue from this transaction is recorded as "Consultancy and advisory fees" in the consolidated statements of income and comprehensive income (loss) for the three months ended August 31, 2017 and 2016 and represents substantially all of the consulting and advisory fees for such periods.

As a result of this transaction, the Company realized a gain of approximately $10,057,000 in 2013. Income taxes of approximately $4,235,000 and $4,396,000 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 as of August 31, 2017 and May 31, 2017.

NOTE 5 - Investments

Limited Partnerships and Limited Liability Companies, Bonds and Equity Investments

The Company's investments in limited partnerships and limited liability companies, bonds and equity investments consist of the following as of August 31, 2017 and May 31, 2017:

	As of August 31, 2017		
	Cost or (Proceeds)	Unrealized Gains (Losses)	Fair Value
Investments Subject to Net Asset Valuation			
Investments in limited partnerships:			
Investment in South LaSalle Partners, LP	$ 5,765,721	$ 55,061	$ 5,820,782
Investments in other limited partnerships			
Horizon Multi-Strategy Fund, LP	6,965,271	4,177,591	11,142,862
CDK Partners, LP	1,052,111	645,039	1,697,150
Polestar Fund, LP	8,237,077	5,522,958	13,760,035
Multi-Disciplinary Fund, LP	570,837	(8,878)	561,959
Kinetics Institutional Partners, LP	9,914	(25)	9,889
Shepherd I, LP	9,999	(188)	9,811
Total Investments in Other Limited Partnerships	16,845,209	10,336,497	27,181,706
Total Investments Subject to Net Asset Valuation	$ 22,610,930	$ 10,391,558	$ 33,002,488
Investment Subject to Fair Value Adjustments			
Investment in Winland Electronics, Inc.	$ 460,435	$ 312,627	$ 773,062
Bond and Equity Securities Available for Sale	$ 20,306,102	$ 1,377,264	$ 21,683,366
Securities Sold, not yet purchased (liability)	$ (10,069,453)	$ 5,166,750	$ (4,902,703)

NOTE 5 - Investments (cont.)

Limited Partnerships and Limited Liability Companies, Bonds and Equity Investments (cont.)

	As of May 31, 2017		
	Cost or (Proceeds)	Unrealized Gains (Losses)	Fair Value
Investments Subject to Net Asset Valuation			
Investments in limited partnerships:			
Investment in South LaSalle Partners, LP	$ 5,767,095	$ (24,311)	$ 5,742,784
Investments in other limited partnerships			
Horizon Multi-Strategy Fund, LP	6,864,680	2,796,314	9,660,994
CDK Partners, LP	1,018,608	467,518	1,486,126
Polestar Fund, LP	7,694,638	5,444,742	13,139,380
Multi-Disciplinary Fund, LP	568,724	(22,174)	546,550
Total Investments in Other Limited Partnerships	16,146,650	8,686,400	24,833,050
Total Investments Subject to Net Asset Valuation	$ 21,913,745	$ 8,662,089	$ 30,575,834
Investment Subject to Fair Value Adjustments			
Investment in Winland Electronics, Inc.	$ 460,435	$ 278,521	$ 738,956
Bond and Equity Securities Available for Sale	$ 17,404,496	$ 1,528,100	$ 18,932,596
Securities Sold, not yet purchased (liability)	$ (8,941,666)	$ 4,810,829	$ (4,130,837)

The Company's limited partnerships interests are all under 50%. South LaSalle Partners, LP owns 14.2% of the seats on the Minneapolis Grain Exchange.

The Company's investment in Winland Electronics, Inc. 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.

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.

NOTE 5 - Investments (cont.)

Limited Partnerships and Limited Liability Companies, Bonds and Equity Investments (cont.)

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.

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 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 Kinetics Institutional Partners, LP may be withdrawn upon 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).

NOTE 5 - Investments (cont.)

Investments in Unconsolidated Entities

The following are the Company's investments in unconsolidated entities accounted for using the cost method of accounting:

OneChicago, LLC

The Company holds less than a 1.00% interest in OneChicago, LLC. The Company acquired 5 units of OneChicago, LLC for $246,000 on June 18, 2015.

Digital Currency Group, Inc.

The Company holds less than a 1.00% in Digital Currency Group, Inc. The Company acquired 353 shares of Digital Currency Group, Inc. for $76,261 on February 26, 2016.

CNSX Markets, Inc.

The Company holds a 1.41% interest in CNSX Markets, Inc. The Company acquired 380,000 shares of CNSX Markets, Inc. for $243,040 on January 21, 2016.

Miami International Holdings, Inc.

The Company holds less than a 1.00% interest in Miami International Holdings, Inc. The Company acquired 50,000 shares of Miami International Holdings, Inc. for $250,000 on May 5, 2016.

National Stock Exchange Holdings, Inc.

The Company holds less than a 1.00% interest in National Stock Exchange Holdings, Inc. The Company acquired 21 shares of National Stock Exchange Holdings, Inc. for $248,580 on September 16, 2016.

The following are the Company's investments in unconsolidated entities accounted for using the equity method of accounting:

The Bermuda Stock Exchange

Pursuant to an offer to the members of the Bermuda Stock Exchange ("BSX"), the Company acquired 509,114 shares of BSX (37.57%) for a total consideration of $2,370,515 on April 16, 2014. On February 27, 2015, FRMO acquired an additional 33,940 shares of BSX from existing shareholders for $154,521. The additional shares purchased increased FRMO's investment in BSX to 40.08% effective March 2, 2015.

Horizon Kinetics LLC

The Company holds a 4.95% interest in Horizon Kinetics (see Note 1).

NOTE 5 - Investments (cont.)

Securities Sold, not yet purchased (liability)

Securities sold, not yet purchased, or securities sold short, consist of equity securities that the Company has borrowed and sold. The Company is required to "cover" its short sales in the future by purchasing the security at prevailing market prices and delivering it to the counterparty from which it borrowed the security. The Company is exposed to loss in the event that the price at which a security may have to be purchased to cover a short sale exceeds the price at which the borrowed security was sold short. Securities sold, not yet purchased are recorded as a liability at fair value. A gain, limited to the price at which the Company sold the investment short, or a loss, unlimited in amount, will be recognized upon the cover of the short sale.

NOTE 6 - Fair Value Measurements

The Company follows "Fair Value Measurements" for its financial assets and liabilities that are re-measured and reported at fair value at each reporting period, and non-financial assets and liabilities that are re-measured and reported at fair value at least annually.

The following tables present information about the Company's assets and liabilities that are measured at fair value on a recurring basis as of August 31, 2017 and May 31, 2017, and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair values. 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.

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 Electronics, Inc.

NOTE 6 - Fair Value Measurements (cont.)

	As of August 31, 2017				
		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	$ 49,094,164	$ -	$ 49,094,164	$ -	$ -
Other Investments					
Bond and Equity Securities	$ 22,456,428	$ -	$ 21,683,366	$ 773,062	$ -
Investments in Unconsolidated Limited Partnerships	33,002,488	33,002,488	-	-	-
Total Other Investments	$ 55,458,916	$ 33,002,488	$ 21,683,366	$ 773,062	$ -
Liabilities (at fair value):					
Common Stocks	$ 4,902,703	$ -	$ 4,902,703	$ -	$ -

	As of May 31, 2017				
		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	$ 48,854,581	$ -	$ 48,854,581	$ -	$ -
Other Investments					
Bond and Equity Securities	$ 19,671,552	$ -	$ 18,932,596	$ 738,956	$ -
Investments in Unconsolidated Limited Partnerships	30,575,834	30,575,834	-	-	-
Total Other Investments	$ 50,247,386	$ 30,575,834	$ 18,932,596	$ 738,956	$ -
Liabilities (at fair value):					
Common Stocks	$ 4,130,837	$ -	$ 4,130,837	$ -	$ -

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.

The provision for (benefit from) income taxes is comprised of the following for the three months ended August 31:

	2017	2016
Current:		
Federal	$ 408,004	$ 515,066
State and City	99,451	34,339
Total Current	507,455	549,405
Deferred		
Federal	786,261	53,471
State and City	(252,307)	(132,372)
Total Deferred	533,954	(78,901)
Total Provision for Income Taxes	$ 1,041,409	$ 470,504

The tax effects of temporary differences which give rise to the deferred tax liability consist of the following as of August 31, 2017 and May 31, 2017:

	August 31, 2017	May 31, 2017
Deferred Tax Liability		
Investments in limited partnerships	$ -	$ 20,568
Investment in unconsolidated limited liability companies	285,663	283,089
Deferral of gain from like-kind exchange	4,235,096	4,396,011
Unrealized gain from investments subject to net asset valuation included in net income	4,299,222	3,586,360
Unrealized gain from investments included in other comprehensive income	413,511	555,999
Total Deferred Tax Liability	$ 9,233,492	$ 8,842,027

NOTE 8 - Net Income Per Common Share and Per Common Share Equivalent

Basic and diluted earnings per common share is calculated by dividing net income allocated to common stock by the weighted average common shares outstanding during the period. The weighted average number of shares of common stock used in the calculation of diluted earnings per share is adjusted for the dilutive effects of potential common shares including the assumed exercise of vested stock options based on the treasury stock method and the assumed conversion of convertible preferred stock. 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 the following for the three months ended August 31:

	2017	2016
Stock Options	111,626	103,626

As of August 31, 2017 and 2016 there were 79,626 vested options with an exercise price below the weighted average market price of the Company's common stock during the period.

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

	2017	2016
Weighted Average Common Shares Outstanding	43,953,155	43,953,155
Effect of Dilutive Securities,		
common share equivalents:		
Exercise of stock options	43,465	46,084
Dilutive Potential Common Share Equivalents	43,996,620	43,999,239

NOTE 9 - Noncash Compensation

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

NOTE 10 - 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. The Company is required to redeem them at $1,000 per share upon the request of a holder. These shares have one vote per share on all matters that common stock can vote upon. Upon liquidation, there is preference to the extent of $1,000 per share. No dividends may be paid on common stock unless a dividend per share of 1,000% of common stock dividends is paid on the preferred stock. There were no shares of preferred stock outstanding as of August 31, 2017 and May 31, 2017.

Stock Options

A summary of option activity as of August 31, 2017, and changes during the three 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, 2017	111,626	$ 3.50	3.12	$ 189,079
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
Outstanding at August 31, 2017	111,626	$ 3.50	2.86	$ 260,361
Vested and Exercisable at August 31, 2017	111,626	$ 3.50	2.86	$ 260,361

All stock options were vested as of August 31, 2017 and May 31, 2017.

The aggregate intrinsic value of options outstanding and options exercisable at August 31, 2017 and May 31, 2017 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 $5.25 and $4.40 closing price of FRMO's common stock on August 31, 2017 and May 31, 2017, respectively.

As of August 31, 2017, there was no unrecognized compensation cost related to unvested options.