

**FRMO CORPORATION
AND SUBSIDIARIES**

White Plains, New York

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS**

Including Report of Independent
Registered Public Accounting Firm

As of August 31, 2020 (Unaudited) and
May 31, 2020 and for the Three Months
Ended August 31, 2020 and 2019 (Unaudited)

**FRMO CORPORATION
AND SUBSIDIARIES**

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Three Months Ended August 31, 2020 and 2019 (Unaudited)

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Review Report of Independent Registered Public Accounting Firm

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

We have reviewed the accompanying condensed consolidated balance sheet of FRMO Corporation and Subsidiaries (the "Company") as of August 31, 2020, the related condensed consolidated statements of income (loss) and comprehensive income (loss) for the three months ended August 31, 2020 and 2019, the condensed consolidated statement of stockholders' equity for the three months ended August 31, 2020, and the condensed consolidated statements of cash flows for the three months ended August 31, 2020 and 2019. These condensed 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 condensed 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 condensed consolidated financial statements as of August 31, 2020 and for the three months ended August 31, 2020 and 2019 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, 2020 (not presented herein) and, in our report dated August 14, 2020, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of May 31, 2020 is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

Baker Tilly US, LLP

New York, New York
October 15, 2020

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**FRMO CORPORATION
AND SUBSIDIARIES**
CONDENSED CONSOLIDATED BALANCE SHEETS
As of August 31, 2020 and May 31, 2020

<i>ASSETS</i>	August 31, 2020 (Unaudited)	May 31, 2020
Current Assets		
Cash and cash equivalents	\$ 36,327,555	\$ 38,443,507
Accounts receivable (due from related parties)	574,947	622,007
Prepaid income taxes	954,737	1,771,218
Equity securities, at fair value (cost of \$63,031,676 and \$57,253,157 at August 31, 2020 and May 31, 2020, respectively)	62,254,055	63,835,705
Other assets	142,357	142,357
Total Current Assets	100,253,651	104,814,794
Cryptocurrency mining assets, net of accumulated depreciation of \$269,664 and \$184,035 at August 31, 2020 and May 31, 2020, respectively	1,927,779	1,384,627
Investments in limited partnerships and other equity investments at fair value (cost of \$32,343,542 and \$32,086,514 at August 31, 2020 and May 31, 2020, respectively)	43,886,456	40,897,820
Investments in Securities Exchanges	5,061,025	5,061,025
Other investments	415,529	422,721
Investment in Horizon Kinetics LLC	11,413,726	10,876,157
Participation in Horizon Kinetics LLC Revenue Stream	10,200,000	10,200,000
Total Assets	\$173,158,166	\$173,657,144
<i>LIABILITIES AND STOCKHOLDERS' EQUITY</i>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 205,942	\$ 157,420
Current portion of mortgage payable	28,046	27,774
Securities sold, not yet purchased (proceeds of \$8,105,909 and \$5,394,275 at August 31, 2020 and May 31, 2020, respectively)	5,345,539	4,135,886
Total Current Liabilities	5,579,527	4,321,080
Deferred tax liability	6,207,906	6,700,817
Mortgage payable, net of current portion	751,625	751,027
Total Liabilities	12,539,058	11,772,924
Stockholders' Equity		
Stockholders' Equity Attributable to the Company	116,215,842	114,992,841
Noncontrolling interests	44,403,266	46,891,379
Total Stockholders' Equity	160,619,108	161,884,220
Total Liabilities and Stockholders' Equity	\$173,158,166	\$173,657,144

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

**FRMO CORPORATION
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CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
For the Three Months Ended August 31, 2020 and 2019

	2020	2019
	(Unaudited)	
REVENUE		
Fees	\$ 437,778	\$ 531,820
Dividends and interest income, net	83,813	328,723
Net realized (losses) gains from investments	(1,445,502)	22,616
Equity earnings from partnerships and limited liability companies	651,091	1,316,050
Unrealized gains (losses) from investments subject to fair value valuation	2,903,163	(1,380,820)
Equity earnings from investment in The Bermuda Stock Exchange	-	40,291
Total revenue before unrealized losses from equity securities	2,630,343	858,680
Unrealized losses from equity securities	(5,858,189)	(4,846,718)
Total Revenue	(3,227,846)	(3,988,038)
OPERATING EXPENSES		
General and administrative expenses	328,547	334,793
Depreciation	85,629	14,769
Total Expenses	414,176	349,562
Loss from Operations before Provision for Income Taxes	(3,642,022)	(4,337,600)
Provision for Income Taxes	630,093	1,233,009
Net Loss	(4,272,115)	(5,570,609)
Less net loss attributable to noncontrolling interests	(4,454,356)	(5,351,747)
Net Income (Loss) Income Attributable to the Company	\$ 182,241	\$ (218,862)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX		
Net Loss and Other Comprehensive Loss	\$ (4,272,115)	\$ (5,570,609)
Less comprehensive loss attributable to noncontrolling interests	(4,454,356)	(5,351,747)
Comprehensive income (loss) attributable to the Company	\$ 182,241	\$ (218,862)
NET INCOME (LOSS) PER COMMON SHARE		
Basic and diluted	\$ 0.00	\$ (0.00)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING		
Basic	44,032,781	43,983,335
Diluted	44,033,825	43,983,335

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

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CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the Three Months Ended August 31, 2020 (Unaudited)

	Redeemable Preferred Stock		Common Stock		Additional Paid-In Capital	Retained Earnings	Stockholders' Equity Attributable to the Company	Non-Controlling Interests	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
BALANCE - June 1, 2020	-	\$ -	44,032,781	\$ 44,032	\$ 37,965,027	\$ 76,983,782	114,992,841	\$ 46,891,379	\$ 161,884,220
Non-cash Compensation	-	-	-	-	25,800	-	25,800	-	25,800
Capital Accounts of Consolidated Limited Liability Company	-	-	-	-	1,014,960	-	1,014,960	-	1,014,960
Net income (loss)	-	-	-	-	-	182,241	182,241	(4,454,356)	(4,272,115)
Noncontrolling contributions	-	-	-	-	-	-	-	1,966,243	1,966,243
BALANCE - August 31, 2020	-	\$ -	44,032,781	\$ 44,032	\$ 39,005,787	\$ 77,166,023	\$ 116,215,842	\$ 44,403,266	\$ 160,619,108

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

**FRMO CORPORATION
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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended August, 31, 2020 and 2019

	August 31,	
	2020	2019
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (4,272,115)	\$ (5,570,609)
Adjustments to reconcile net loss to net cash flows from operating activities		
Non-cash compensation	25,800	25,800
Net realized loss (gain) from investments	1,445,502	(22,616)
Equity earnings from partnerships and limited liability companies	(651,091)	(1,316,050)
Unrealized (gains) losses from investments subject to fair value valuation	(2,903,163)	1,380,820
Unrealized losses from equity securities	5,858,189	4,846,718
Equity earnings from investments in Securities Exchanges	-	(40,291)
Non-cash fee revenue	(65,855)	(72,101)
Depreciation	85,629	14,769
Deferred income tax benefit	(492,911)	(566,887)
Changes in operating assets and liabilities:		
Accounts receivable	47,060	(15,865)
Prepaid income taxes	816,481	736,436
Other current assets	-	(249,080)
Accounts payable and accrued expenses	48,522	67,782
Income taxes payable	-	967,402
Net Cash Flows (used in) provided by Operating Activities	<u>(57,952)</u>	<u>186,228</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	517,072	150,060
Purchases of investments	(5,335,703)	(1,456,733)
Proceeds from securities sold, not yet purchased	3,373,632	2,428,068
Purchases to cover securities previously sold	(90)	(79,542)
Purchase of cryptocurrency mining assets	(628,781)	(19,901)
Net Cash Flows (used in) provided Investing Activities	<u>(2,073,870)</u>	<u>1,021,952</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of stock options	-	105,350
Other financing activities	15,870	15,000
Net Cash Flows from Financing Activities	<u>15,870</u>	<u>120,350</u>
Net Change in Cash and Cash Equivalents	(2,115,952)	1,328,530
CASH AND CASH EQUIVALENTS, Beginning of Period	38,443,507	56,080,680
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 36,327,555</u>	<u>\$ 57,409,210</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for		
Income taxes	\$ 306,485	\$ 96,000
Interest	\$ 55,584	\$ 104,737
NONCASH INVESTING ACTIVITIES		
Investment acquired through the contribution of other investments	<u>\$ 2,966,203</u>	<u>\$ 2,960,441</u>

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

FRMO CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As of August 31, 2020 (Unaudited) and May 31, 2020 and for the
Three Months Ended August 31, 2020 and 2019 (Unaudited)

NOTE 1 - Nature of Business and Basis of Presentation

The condensed consolidated financial statements include the accounts of FRMO and its controlled subsidiaries (collectively referred to as the "Company"). The Company holds a 4.95% interest in Horizon Kinetics LLC and earns substantially all of its advisory fees from Horizon. As of August 31, 2020 and May 31, 2020, the Company held a 20.33% and 19.23% 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 79.67% and 80.77% in HKHA has been eliminated from results of operations for the periods ended August 31, 2020 and May 31, 2020. Total stockholders' equity includes as a separate item the amount attributable to the noncontrolling interests. The Company maintains its corporate office in White Plains, New York.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information. The principles for condensed interim financial information do not require the inclusion of all the information and footnotes required by generally accepted accounting principles for complete financial statements. Therefore, these condensed consolidated financial statements should be read in conjunction with the consolidated financial statements as of and for the year ended May 31, 2020 and notes thereto. The accompanying condensed consolidated financial statements have not been audited by an independent registered public accounting firm in accordance with standards of the Public Company Accounting Oversight Board (United States) but, in the opinion of management, such financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the Company's financial position and results of operations. The results of operations for the three months ended August 31, 2020 may not be indicative of the results that may be expected for the year ending May 31, 2021.

NOTE 2 - Summary of Significant Accounting Policies

Investment Valuation

As of August 31, 2020 and May 31, 2020, investments in limited partnerships and limited liability companies are valued using data inputs from June 30, 2020 and March 31, 2020, respectively, the dates of the most current available information. Management reviews relevant market and related data to reconcile for the period from July 1 through August 31. Because of its significance, subsequent market volatility has been reflected in these condensed consolidated financial statements as of August 31, 2020.

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 August 31, 2020, 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.

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

Subsequent Events

The Company has evaluated all subsequent events from the date of the condensed consolidated balance sheets through October 15, 2020, which represents the date these condensed consolidated financial statements are available to be issued.

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

NOTE 3 - Adoption of New Accounting Pronouncements

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

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NOTE 4 - Investments

Limited Partnerships and Limited Liability Companies and Equity Investments

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

	As of August 31, 2020 (Unaudited)		
	Cost or (Proceeds)	Unrealized Gains (Losses)	Estimated Fair Value
Equity Securities	\$ 63,031,676	\$ (777,621)	\$ 62,254,055
Investments in limited partnerships and other equity securities:			
Limited partnerships			
Investment in South LaSalle Partners, LP	\$ 5,723,767	\$ 2,570,668	\$ 8,294,435
Investments in managed funds			
Horizon Multi-Strategy Fund, LP	\$ 11,162,479	\$ 3,607,329	\$ 14,769,808
CDK Partners, LP	1,335,456	1,163,580	2,499,036
Polestar Fund, LP	13,099,137	4,038,927	17,138,064
Multi-Disciplinary Fund, LP	544,504	40,518	585,022
Kinetics Institutional Partners, LP	6,910	6,285	13,195
Shepherd I, LP	10,854	1,930	12,784
Total Investments in Managed Funds	26,159,340	8,858,569	35,017,909
Investment in Winland Holdings Corporation	460,435	113,677	574,112
Total investments in limited partnerships and other equity securities	\$ 32,343,542	\$ 11,542,914	\$ 43,886,456
Securities sold, not yet purchased (liability)	\$ (8,105,909)	\$ 2,760,370	\$ (5,345,539)

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As of August 31, 2020 (Unaudited) and May 31, 2020 and for the
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NOTE 4 - Investments (cont.)

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As of August 31, 2020 (Unaudited) and May 31, 2020 and for the
Three Months Ended August 31, 2020 and 2019 (Unaudited)

NOTE 4 - Investments (cont.)

Investments in Unconsolidated Entities

Investment in Securities Exchanges

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

	August 31, 2020	May 31, 2020
	(Unaudited)	
Miami International Holdings, Inc.	\$ 4,322,905	\$ 4,322,905
OneChicago, LLC	246,000	246,000
CNSX Markets, Inc.	243,040	243,040
American Financial Exchange, LLC	249,080	249,080
Total securities exchanges	\$ 5,061,025	\$ 5,061,025

The Company holds a 1.41% interest in CNSX Markets, Inc. and less than a 1.00% interest in other stock exchanges.

Other Investments

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

	August 31, 2020	May 31, 2020
	(Unaudited)	
Cryptocurrency Mining Entities		
HK Cryptocurrency Mining, LLC	\$ 33,120	\$ 38,886
Horatio Mining, LLC	53,900	54,706
HK Cryptocurrency Mining II, LLC	127,631	128,919
HM Tech, LLC	124,617	123,949
Total cryptocurrency mining entities	339,268	346,460
Digital Currency Group, Inc.	76,261	76,261
Total other investments	\$ 415,529	\$ 422,721

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NOTE 4 - Investments (cont.)

Investments under the Equity Method of Accounting

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

Investment Concentration

As of August 31, 2020 and May 31, 2020, the Company had one investment in an equity security held directly and indirectly, through its various investments in managed funds, amounting to approximately \$27,503,000 and \$28,247,000, respectively, which represents 23.7% and 24.6%, respectively, of stockholders' equity attributable to the Company ("Equity"). None of the Company's other direct or indirect investments were greater than 10% of Equity.

NOTE 5 - Fair Value Measurements

The following tables present information about the Company's assets and liabilities that are measured at fair value on a recurring basis as of August 31, 2020 and May 31, 2020, and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair values.

	As of August 31, 2020 (Unaudited)					
	Fair Value Measurements at Reporting Date Using					
		Quoted Prices				
		Investments Measured at Net Asset Value	in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Total						
Assets (at fair value):						
Money Market Mutual Funds included in Cash and Cash Equivalents	\$ 34,274,259	\$ -	\$ 34,274,259	\$ -	\$ -	
Other Investments:						
Equity Securities	\$ 62,254,055	\$ -	\$ 62,254,055	\$ -	\$ -	
Investment in Limited Partnerships and other Equity Investments	43,886,456	43,312,344	-	574,112	-	
Total Other Investments	\$ 106,140,511	\$ 43,312,344	\$ 62,254,055	\$ 574,112	\$ -	
Liabilities (at fair value):						
Common Stocks	\$ 5,345,539	\$ -	\$ 5,345,539	\$ -	\$ -	

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NOTE 5 - Fair Value Measurements (cont.)

	As of May 31, 2020					
	Fair Value Measurements at Reporting Date Using					
	Total	Quoted Prices				
		Investments Measured at Net Asset Value	in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets (at fair value):						
Money Market Mutual Funds included in Cash and Cash Equivalents	\$ 35,694,672	\$ -	\$ 35,694,672	\$ -	\$ -	
Other Investments:						
Equity Securities	\$ 63,835,705	\$ -	\$ 63,835,705	\$ -	\$ -	
Investment in Limited Partnerships and other Equity Investments	40,897,820	40,522,658	-	375,162	-	
Total Other Investments	\$ 104,733,525	\$ 40,522,658	\$ 63,835,705	\$ 375,162	\$ -	
Liabilities (at fair value):						
Common Stocks	\$ 4,135,886	\$ -	\$ 4,135,886	\$ -	\$ -	

NOTE 6 - Income Taxes

The Company files a consolidated federal income tax return and a combined state/city tax return with its wholly-owned subsidiary, Fromex Equities Corp. HKHA, included in consolidated net income (loss) before taxes is a pass-through entity subject to K-1 reporting and is not included in the Company's consolidated income tax return. Pass-through income allocated to the Company is based on the Company's ownership percentage as of August 31, 2020 and 2019, which was 20.33% and 17.34% respectively. Income tax attributable to the remaining noncontrolling interest of 79.67% and 82.66% 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 condensed consolidated financial statements taken as a whole for the respective periods.

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As of August 31, 2020 (Unaudited) and May 31, 2020 and for the
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NOTE 6 - Income Taxes (cont.)

The provision for income taxes is comprised of the following for the three months ended August 31,:

	Three Months Ended	
	August 31,	
	2020	2019
	(Unaudited)	
Current		
Federal	\$ 511,285	\$ 1,345,654
State and City	611,719	454,242
Total Current	<u>1,123,004</u>	<u>1,799,896</u>
Deferred		
Federal	156,952	(585,898)
State and City	(649,863)	19,011
Total Deferred	<u>(492,911)</u>	<u>(566,887)</u>
Total Provision for Income Taxes	<u>\$ 630,093</u>	<u>\$ 1,233,009</u>

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

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

	August 31,	May 31,
	2020	2020
	(Unaudited)	
Deferred Tax Liability		
Investments in limited partnerships	\$ 7,601	\$ 1,324,677
Investment in unconsolidated limited liability companies	132,660	132,660
Deferral of gain from like-kind exchange	3,390,962	3,390,962
Unrealized gain from investments	<u>2,676,683</u>	<u>1,852,518</u>
Total Deferred Tax Liability	<u>\$ 6,207,906</u>	<u>\$ 6,700,817</u>

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NOTE 6 - Income Taxes (cont.)

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

	2020	2019
Loss before taxes	\$ (3,642,022) 100.00%	\$ (4,337,600) 100.00%
Computed expected tax expense	\$ (764,825) 21.00%	\$ (910,896) 21.00%
State and City taxes, net of federal benefit	483,258 -13.27%	358,850 -8.27%
Permanent differences	(280,488) 7.70%	420,661 -9.70%
Other	38 0.00%	4,768 -0.11%
(Benefit from) income taxes before consolidation of noncontrolling interests	(562,017) 15.43%	(126,617) 2.92%
Permanent differences related to consolidation of noncontrolling interests	1,192,110 -32.73%	1,359,626 -31.35%
Total provision for income taxes	\$ 630,093 -17.30%	\$ 1,233,009 -28.43%

NOTE 7 – Mortgage Payable

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

The following table presents contractual payments of the Company's obligation under this mortgage as of August 31, 2020:

For the Year Ending May 31,	Total
	(Unaudited)
Remainder of fiscal year	\$ 20,931
2022	28,876
2023	30,023
2024	31,215
2025	668,626
Total	779,671

**FRMO CORPORATION
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As of August 31, 2020 (Unaudited) and May 31, 2020 and for the
Three Months Ended August 31, 2020 and 2019 (Unaudited)

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

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

Potential common shares consist of unexercised stock options of 56,000 and 51,000 for the three months ended August 31, 2020 and 2019.

As of August 31, 2020 and 2019 there were 8,000 and 27,000 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 three months ended August 31:

	2020	2019
	(Unaudited)	
Weighted Average Common Shares Outstanding	44,032,781	43,983,335
Effect of Dilutive Securities, common share equivalents:		
Exercise of stock options	1,044	-
Dilutive Potential Common Share Equivalents	44,033,825	43,983,335

**FRMO CORPORATION
AND SUBSIDIARIES**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As of August 31, 2020 (Unaudited) and May 31, 2020 and for the
Three Months Ended August 31, 2020 and 2019 (Unaudited)

NOTE 9 - Stockholders' Equity

Redeemable Preferred Stock

The number of authorized Series R preferred shares is 5,000 with a par value of \$.001 per share. These shares are each convertible to 1,000 shares of the Company's common stock at the option of either the Company or the holder. There were no shares of preferred stock outstanding as of August 31, 2020 and May 31, 2020.

Stock Options

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

<i>Stock Options</i> (Unaudited)	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at June 1, 2020	56,000	\$ 6.95	3.36	\$ -
Granted	-	\$ -	-	\$ -
Exercised	-	\$ -	-	\$ -
Forfeited	-	\$ -	-	\$ -
Outstanding at August 31, 2020	<u>56,000</u>	<u>\$ 6.95</u>	<u>3.10</u>	<u>\$ 18,640</u>
Vested and Exercisable at August 31, 2020	<u>56,000</u>	<u>\$ 6.95</u>	<u>3.10</u>	<u>\$ 18,640</u>

All stock options were vested as of August 31, 2020 and May 31, 2019.

The aggregate intrinsic value of options outstanding and options exercisable at August 31, 2020 and May 31, 2020 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 \$6.41 and \$4.80 closing price of FRMO's common stock on August 31, 2020 and May 31, 2020, respectively.

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