

**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, 2022 (Unaudited) and
May 31, 2022 and for the Three Months
Ended August 31, 2022 and 2021 (Unaudited)

**FRMO CORPORATION
AND SUBSIDIARIES**

TABLE OF CONTENTS

As of August 31, 2022 (Unaudited) and May 31, 2022 and for the
Three Months Ended August 31, 2022 and 2021 (Unaudited)

Review Report of Independent Registered Public Accounting Firm	1
Interim Condensed Consolidated Financial Statements	
Condensed Consolidated Balance Sheets	2
Condensed Consolidated Statements of Income (Loss)	3
Condensed Consolidated Statements of Stockholders' Equity	4
Condensed Consolidated Statements of Cash Flows	5
Notes to Condensed Consolidated Financial Statements	6 - 16

Report of Independent Registered Public Accounting Firm

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

Results of Review of Interim Financial Statements

We have reviewed the accompanying interim condensed consolidated balance sheet of FRMO Corporation and Subsidiaries (the Company) as of August 31, 2022, and the related condensed consolidated statements of income (loss), stockholders' equity and cash flows for the three month periods ended August 31, 2022 and 2021 (collectively referred to as the "interim financial statements"). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of the Company as of May 31, 2022, and the related consolidated statements of income, stockholders' equity and cash flows for the year then ended (not presented herein), and in our report dated August 12, 2022, 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, 2022, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

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

Baker Tilly US, LLP

New York, New York
October 13, 2022

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**FRMO CORPORATION
AND SUBSIDIARIES**
CONDENSED CONSOLIDATED BALANCE SHEETS
As of August 31, 2022 and May 31, 2022

<i>ASSETS</i>	August 31, 2022 (Unaudited)	May 31, 2022
Current Assets		
Cash and cash equivalents	\$ 36,022,381	\$ 33,289,454
Accounts receivable (due from related parties)	1,565,554	2,182,217
Prepaid income taxes	651,038	732,553
Equity securities, at fair value (cost of \$74,929,077 and \$74,399,681 at August 31, 2022 and May 31, 2022, respectively)	217,030,716	187,386,224
Other current assets	167,357	167,357
Total Current Assets	<u>255,437,046</u>	<u>223,757,805</u>
Cryptocurrency mining assets, net of accumulated depreciation of \$813,894 and \$711,134 at August 31, 2022 and May 31, 2022, respectively	1,529,558	1,632,318
Investments in limited partnerships and other equity investments at fair value (cost of \$38,469,427 and \$37,790,957 at August 31, 2022 and May 31, 2022, respectively)	84,835,842	82,629,581
Investments in Securities Exchanges, at cost	4,815,025	4,815,025
Other investments	546,124	546,124
Investment in Horizon Kinetics LLC	13,898,097	14,701,779
Participation in Horizon Kinetics LLC Revenue Stream	10,200,000	10,200,000
Total Assets	<u>\$371,261,692</u>	<u>\$338,282,632</u>
<i>LIABILITIES AND STOCKHOLDERS' EQUITY</i>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 153,002	\$ 181,535
Current portion of mortgage note payable	30,317	30,023
Securities sold, not yet purchased (proceeds of \$8,548,222 and \$8,554,778 at August 31, 2022 and May 31, 2022, respectively)	2,068,383	2,573,355
Total Current Liabilities	<u>2,251,702</u>	<u>2,784,913</u>
Deferred tax liability	22,373,674	20,470,439
Mortgage payable, net of current portion	692,149	699,840
Total Liabilities	<u>25,317,525</u>	<u>23,955,192</u>
Stockholders' Equity		
Stockholders' Equity Attributable to the Company	188,916,141	181,408,699
Noncontrolling interests	157,028,026	132,918,741
Total Stockholders' Equity	<u>345,944,167</u>	<u>314,327,440</u>
Total Liabilities and Stockholders' Equity	<u>\$371,261,692</u>	<u>\$338,282,632</u>

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

**FRMO CORPORATION
AND SUBSIDIARIES**

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)

	Three Months Ended	
	August 31,	
	2022	2021
	(Unaudited)	
REVENUE		
Fees and other income	\$ 760,336	\$ 1,117,334
Dividends and interest income, net	2,750,521	388,670
Net realized losses from investments	(333,376)	(172,497)
Equity losses from limited partnerships and limited liability companies	(96,630)	(963,178)
Unrealized gains from investments	1,486,811	2,541,563
Total revenue before unrealized losses from equity securities	4,567,662	2,911,892
Unrealized gains (losses) from equity securities	29,670,800	(7,078,362)
Total Revenue	34,238,462	(4,166,470)
OPERATING EXPENSES		
General and administrative expenses	362,857	243,469
Depreciation	102,760	64,982
Total Expenses	465,617	308,451
Income (Loss) from Operations before Provision for Income Taxes	33,772,845	(4,474,921)
Provision for Income Taxes	2,259,757	1,819,145
Net Income (Loss)	31,513,088	(6,294,066)
Less net income (loss) attributable to noncontrolling interests	24,034,416	(7,254,783)
Net income attributable to the Company	\$ 7,478,672	\$ 960,717
NET INCOME PER COMMON SHARE		
Basic and diluted	\$ 0.17	\$ 0.02
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING		
Basic	44,017,781	44,012,781
Diluted	44,029,921	44,031,575

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

**FRMO CORPORATION
AND SUBSIDIARIES**
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Three Months Ended August 31, 2022 and 2021 (Unaudited)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Stockholders' Equity Attributable to the Company	Non- Controlling Interests	Total Stockholders' Equity
	Shares	Amount					
BALANCE - June 1, 2021	44,012,781	\$ 44,012	\$ 40,718,916	\$ 137,141,976	177,904,904	\$ 121,008,871	\$ 298,913,775
Non-cash Compensation	-	-	25,800	-	25,800	-	25,800
Capital Accounts of Consolidated Limited Liability Company	-	-	165,012	-	165,012	-	165,012
Net income (loss)	-	-	-	960,717	960,717	(7,254,783)	(6,294,066)
Capital contributed to consolidated subsidiary from noncontrolling interests	-	-	-	-	-	667,347	667,347
BALANCE - August 31, 2021	<u>44,012,781</u>	<u>\$ 44,012</u>	<u>\$ 40,909,728</u>	<u>\$ 138,102,693</u>	<u>\$ 179,056,433</u>	<u>\$ 114,421,435</u>	<u>\$ 293,477,868</u>
	Common Stock		Additional Paid-In Capital	Retained Earnings	Stockholders' Equity Attributable to the Company	Non- Controlling Interests	Total Stockholders' Equity
	Shares	Amount					
BALANCE - June 1, 2022	44,017,781	\$ 44,017	\$ 41,276,829	\$ 140,087,853	181,408,699	\$ 132,918,741	\$ 314,327,440
Non-cash Compensation	-	-	25,800	-	25,800	-	25,800
Capital Accounts of Consolidated Limited Liability Company	-	-	2,970	-	2,970	-	2,970
Net income	-	-	-	7,478,672	7,478,672	24,034,416	31,513,088
Capital contributed to consolidated subsidiary from noncontrolling interests	-	-	-	-	-	74,869	74,869
BALANCE - August 31, 2022	<u>44,017,781</u>	<u>\$ 44,017</u>	<u>\$ 41,305,599</u>	<u>\$ 147,566,525</u>	<u>\$ 188,916,141</u>	<u>\$ 157,028,026</u>	<u>\$ 345,944,167</u>

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

**FRMO CORPORATION
AND SUBSIDIARIES**
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended August 31, 2022 and 2021

	August 31,	
	2022	2021
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 31,513,088	\$ (6,294,066)
Adjustments to reconcile net income (loss) to net cash flows from operating activities		
Non-cash compensation	25,800	25,800
Net realized losses from investments	333,376	172,497
Equity earnings from limited partnerships and limited liability companies	96,630	963,178
Unrealized gains from investments subject to fair value valuation	(1,486,811)	(2,541,563)
Unrealized (gains) losses from equity securities	(29,670,800)	7,078,362
Non-cash fee revenue	(115,869)	(468,549)
Depreciation	102,760	64,982
Deferred income tax	1,903,235	577,762
Changes in operating assets and liabilities:		
Accounts receivable	616,663	301,678
Prepaid income taxes	81,515	-
Accounts payable and accrued expenses	(28,534)	87,537
Income taxes payable	-	1,051,480
Net Cash Flows from Operating Activities	<u>3,371,053</u>	<u>1,019,098</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,867,975	2,416,724
Purchases of investments	(1,864,162)	(819,028)
Proceeds from securities sold, not yet purchased	239,850	142,660
Purchases to cover securities previously sold	(405,632)	(2,250,808)
Distributions from limited partnerships	131,220	38,633
Other investments	(14,980)	(7,659)
Purchase of cryptocurrency mining assets	-	(100,000)
Net Cash Flows used in Investing Activities	<u>(45,729)</u>	<u>(579,478)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of other consolidated subsidiary equity	15,000	15,000
Distributions to members of consolidated limited liability company	(600,000)	(90,000)
Other financing activities	(7,397)	(7,114)
Net Cash Flows used in Financing Activities	<u>(592,397)</u>	<u>(82,114)</u>
Net Change in Cash and Cash Equivalents	2,732,927	357,506
CASH AND CASH EQUIVALENTS, Beginning of Period	33,289,454	34,971,075
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 36,022,381</u>	<u>\$ 35,328,581</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for		
Income taxes	\$ 274,906	\$ 189,862
Interest	\$ 48,823	\$ 35,474
NONCASH INVESTING ACTIVITIES		
Investment acquired through the contribution of other investments	<u>\$ 531,620</u>	<u>\$ 887,559</u>

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

FRMO CORPORATION AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of August 31, 2022 (Unaudited) and May 31, 2022 and for the
Three Months Ended August 31, 2022 and 2021 (Unaudited)

NOTE 1 - Nature of Business and Basis of Presentation

The interim condensed consolidated financial statements include the accounts of FRMO and its controlled subsidiaries (collectively referred to as the "Company"). As of August 31, 2022 and May 31, 2022, the Company held a 21.85% and 21.88% equity interest in Horizon Kinetics Hard Assets LLC ("HKHA"), a company formed by Horizon Kinetics LLC ("Horizon") and certain officers, principal stockholders and directors of the Company. As of August 31, 2021, the Company held a 21.98% equity interest in HKHA. The Company also holds a 4.95% interest in Horizon and earns substantially all of its advisory fees from Horizon. Due to the common control and ownership between HKHA and the Company's principal stockholders and directors, HKHA has been consolidated within the Company's financial statements. The noncontrolling interest of 78.15% and 78.02% in HKHA has been presented as noncontrolling interest in the accompanying condensed consolidated financial statements for the periods ended August 31, 2022 and 2021, and 78.15% and 78.12% as of August 31, 2022 and May 31, 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 accompanying interim unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information. The principles for interim condensed financial information do not require the inclusion of all the information and footnotes required by generally accepted accounting principles for complete financial statements. Therefore, these interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements as of and for the year ended May 31, 2022 and notes thereto. The accompanying interim condensed consolidated financial statements have not been audited by an independent registered public accounting firm in accordance with standards of the Public Company Accounting Oversight Board (United States) but, in the opinion of management, such financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the Company's interim financial position and results of operations. The results of operations for the three months ended August 31, 2022 may not be indicative of the results that may be expected for the year ending May 31, 2023.

NOTE 2 - Summary of Significant Accounting Policies

Subsequent Events

The Company has evaluated all subsequent events from the date of the interim condensed consolidated balance sheets through October 13, 2022, which represents the date these interim condensed consolidated financial statements are available to be issued.

NOTE 3 - Adoption of New Accounting Pronouncements

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

**FRMO CORPORATION
AND SUBSIDIARIES**

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As of August 31, 2022 (Unaudited) and May 31, 2022 and for the
Three Months Ended August 31, 2022 and 2021 (Unaudited)

NOTE 4 - Investments

Limited Partnerships and Equity Investments

The Company's investments in limited partnerships and equity investments consist of the following as of August 31, 2022 and May 31, 2022:

	As of August 31, 2022 (Unaudited)		
	Cost or (Proceeds)	Unrealized Gains	Estimated Fair Value
Equity Securities	\$ 74,929,077	\$142,101,639	\$ 217,030,716
Investments in limited partnerships and other equity securities:			
Limited partnerships			
Investment in South LaSalle Partners, LP	\$ 5,558,087	\$ 3,326,778	\$ 8,884,865
Investments in managed funds			
Horizon Multi-Strategy Fund, LP	\$ 15,036,256	\$ 14,613,417	\$ 29,649,673
CDK Partners, LP	1,385,195	3,747,485	5,132,680
Polestar Fund, LP	14,396,441	22,486,350	36,882,791
Multi-Disciplinary Fund, LP	552,958	204,399	757,357
Kinetics Institutional Partners, LP	7,455	20,881	28,336
Shepherd I, LP	14,191	10,537	24,728
Other	871	111,836	112,707
Total Investments in Managed Funds	31,393,367	41,194,905	72,588,272
Investment in Winland Holdings Corporation, 1,424,392 shares	1,517,973	1,844,732	3,362,705
Total investments in limited partnerships and other equity securities	\$ 38,469,427	\$ 46,366,415	\$ 84,835,842
Securities sold, not yet purchased (liability)	\$ (8,544,778)	\$ 6,476,395	\$ (2,068,383)

**FRMO CORPORATION
AND SUBSIDIARIES**

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As of August 31, 2022 (Unaudited) and May 31, 2022 and for the
Three Months Ended August 31, 2022 and 2021 (Unaudited)

NOTE 4 - Investments (cont.)

	As of May 31, 2022		
	Cost or (Proceeds)	Unrealized Gains	Estimated Fair Value
Equity Securities	<u>\$ 74,399,681</u>	<u>\$ 112,986,543</u>	<u>\$ 187,386,224</u>
Investments in limited partnerships and other equity securities:			
Limited partnerships			
Investment in South LaSalle Partners, LP	<u>\$ 5,561,379</u>	<u>\$ 3,231,739</u>	<u>\$ 8,793,118</u>
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	<u>39</u>	<u>54,835</u>	<u>54,874</u>
Total Investments in Managed Funds	<u>30,726,585</u>	<u>38,996,148</u>	<u>69,722,733</u>
Investment in Winland Holdings Corporation, 1,418,528 shares	<u>1,502,993</u>	<u>2,610,737</u>	<u>4,113,730</u>
Total investments in limited partnerships and other equity securities	<u>\$ 37,790,957</u>	<u>\$ 44,838,624</u>	<u>\$ 82,629,581</u>
Securities sold, not yet purchased (liability)	<u>\$ (8,548,222)</u>	<u>\$ 5,974,867</u>	<u>\$ (2,573,355)</u>

Investments in Unconsolidated Entities

Investment in Securities Exchanges

Investments in securities exchanges are carried at cost and consist of the following as of August 31, 2022 (unaudited) and May 31, 2022:

Miami International Holdings, Inc.	\$ 4,322,905
CNSX Markets, Inc.	243,040
American Financial Exchange, LLC	<u>249,080</u>
Total securities exchanges	<u>\$ 4,815,025</u>

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

**FRMO CORPORATION
AND SUBSIDIARIES**

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As of August 31, 2022 (Unaudited) and May 31, 2022 and for the
Three Months Ended August 31, 2022 and 2021 (Unaudited)

NOTE 4 - Investments (cont.)

Other Investments

The following are the Company's other investments as of August 31, 2022 (unaudited) and May 31, 2022:

Cryptocurrency Mining Entities	
Consensus Mining and Seigniorage Corporation	\$ 454,884
HM Tech, LLC	<u>14,979</u>
Total cryptocurrency mining entities	469,863
Digital Currency Group, Inc.	<u>76,261</u>
Total other investments	<u>\$ 546,124</u>

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 the other investments, which are carried at cost.

Investment Concentration

The following are the approximate amounts of the Company's investments in equity securities held directly and indirectly, through its various investments in managed funds, amounting to greater than 10% of stockholders' equity attributable to the Company ("Equity"). None of the Company's other direct or indirect investments were greater than 10% of Equity as of August 31, 2022 and May 31, 2022.

Investment	As of August 31, 2022		As of May 31, 2022	
	Amount	Percent of Equity	Amount	Percent of Equity
	(unaudited)			
Investment A	\$ 109,342,000	57.9%	\$ 92,563,000	51.0%
Investment B	\$ 11,540,000	6.1%	\$ 18,238,000	10.1%

**FRMO CORPORATION
AND SUBSIDIARIES**

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As of August 31, 2022 (Unaudited) and May 31, 2022 and for the
Three Months Ended August 31, 2022 and 2021 (Unaudited)

NOTE 5 - Fair Value Measurements

The following tables present information about the Company's assets and liabilities that are measured at fair value on a recurring basis as of August 31, 2022 and May 31, 2022, and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair values.

	As of August 31, 2022 (Unaudited)				
	Fair Value Measurements at Reporting Date Using				
	Total	Quoted Prices			
		Investments	in Active	Significant	Significant
		Measured	Markets	Other	Significant
at		for Identical	Observable	Unobservable	
Net Asset	Assets	Inputs	Inputs		
Value	(Level 1)	(Level 2)	(Level 3)		
Assets (at fair value):					
Money Market Mutual Funds included in Cash and Cash Equivalents	\$ 34,751,189	\$ -	\$ 34,751,189	\$ -	\$ -
Other Investments:					
Equity Securities	\$ 217,030,716	\$ -	\$ 217,030,716	\$ -	\$ -
Investment in Limited Partnerships and other Equity Investments	84,835,842	81,473,137	-	3,362,705	-
Total Other Investments	\$ 301,866,558	\$ 81,473,137	\$ 217,030,716	\$ 3,362,705	\$ -
Liabilities (at fair value):					
Common Stocks	\$ 2,068,383	\$ -	\$ 2,068,383	\$ -	\$ -

**FRMO CORPORATION
AND SUBSIDIARIES**

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As of August 31, 2022 (Unaudited) and May 31, 2022 and for the
Three Months Ended August 31, 2022 and 2021 (Unaudited)

NOTE 5 - Fair Value Measurements (cont.)

	As of May 31, 2022			
	Fair Value Measurements at Reporting Date Using			
	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)
Total				
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	\$ -

**FRMO CORPORATION
AND SUBSIDIARIES**

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of August 31, 2022 (Unaudited) and May 31, 2022 and for the
Three Months Ended August 31, 2022 and 2021 (Unaudited)

NOTE 6 - Income Taxes

The Company files a consolidated federal income tax return and a combined state/city tax return with its wholly-owned subsidiary, Fromex Equities Corp. HKHA, included in consolidated net income (loss) before taxes, is a pass-through entity subject to K-1 reporting and is not included in the Company's consolidated income tax return. Pass-through income allocated to the Company is based on the Company's ownership percentage as of August 31, 2022 and May 31, 2022, which was 21.85% and 21.88% respectively. Income tax attributable to the remaining noncontrolling interest of 78.15% and 78.12% 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 interim condensed consolidated financial statements taken as a whole for the respective periods.

The provision for income taxes is comprised of the following:

	Three Months Ended	
	August 31,	
	2022	2021
	(Unaudited)	
Current		
Federal	\$ 146,956	\$ 678,595
State and City	209,566	562,791
Total Current	356,522	1,241,386
Deferred		
Federal	1,903,235	577,759
State and City	-	-
Total Deferred	1,903,235	577,759
Total Provision for Income Taxes	\$ 2,259,757	\$ 1,819,145

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.

**FRMO CORPORATION
AND SUBSIDIARIES**

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of August 31, 2022 (Unaudited) and May 31, 2022 and for the
Three Months Ended August 31, 2022 and 2021 (Unaudited)

NOTE 6 - Income Taxes (cont.)

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

	August 31, 2022 <u>(Unaudited)</u>	May 31, 2022 <u>(Unaudited)</u>
Deferred Tax Liability		
Investments in limited partnerships	\$ (157)	\$ 420
Investment in unconsolidated limited liability companies	132,660	132,660
Deferral of gain from like-kind exchange	3,339,319	3,339,319
Unrealized gain from equity securities and investments in managed funds	<u>18,901,852</u>	<u>16,998,040</u>
Total Deferred Tax Liability	<u>\$ 22,373,674</u>	<u>\$ 20,470,439</u>

A reconciliation of the federal statutory rate to the effective tax rate is as follows for the three months ended August 31, 2022 and 2021:

	Three Months Ended August 31,			
	2022 <u>(Unaudited)</u>		2021 <u>(Unaudited)</u>	
Income (loss) before taxes	<u>\$ 33,772,845</u>	<u>100.00%</u>	<u>\$ (4,474,921)</u>	<u>100.00%</u>
Computed expected tax expense (benefit)	\$ 7,092,297	21.00%	\$ (939,733)	21.00%
State and City taxes, net of federal benefit	165,557	0.49%	444,605	-9.94%
Permanent differences	33,895	0.10%	762,797	-17.05%
Other	102	0.00%	40	0.00%
Income taxes before consolidation of noncontrolling interests	7,291,851	21.59%	267,709	-5.99%
Permanent differences related to consolidation of noncontrolling interests	<u>(5,032,094)</u>	<u>-14.90%</u>	<u>1,551,436</u>	<u>-34.67%</u>
Total provision for income taxes	<u>\$ 2,259,757</u>	<u>6.69%</u>	<u>\$ 1,819,145</u>	<u>-40.66%</u>

**FRMO CORPORATION
AND SUBSIDIARIES**

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of August 31, 2022 (Unaudited) and May 31, 2022 and for the
Three Months Ended August 31, 2022 and 2021 (Unaudited)

NOTE 7 – Mortgage Payable

On November 8, 2019, the Company acquired a building located in North Carolina to be used in certain business operations for \$1,050,000. The building was purchased subject to an \$800,000 mortgage with a 3.9% interest rate with a maturity date of November 6, 2024. 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 payments of the Company's obligation under this mortgage as of August 31, 2022:

<u>For the Period Ending May 31,</u>	<u>Total</u>
	(Unaudited)
2023 (Remainder of fiscal year)	\$ 22,626
2024	31,215
2025	668,625
Total	<u>\$ 722,466</u>

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 for the three months ended August 31, 2022 and 2021.

As of August 31, 2022 and May 31, 2022 there were 48,000 and 56,000 vested options with an exercise price below the weighted average market price of the Company's common stock during the period.

**FRMO CORPORATION
AND SUBSIDIARIES**

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As of August 31, 2022 (Unaudited) and May 31, 2022 and for the
Three Months Ended August 31, 2022 and 2021 (Unaudited)

NOTE 8 - Net Income Per Common Share and Per Common Share Equivalent (cont.)

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

	Three Months Ended	
	August 31,	
	2022	2021
	(Unaudited)	
Weighted Average Common Shares		
Outstanding	44,017,781	44,012,781
Effect of Dilutive Securities, common share equivalents:		
Exercise of stock options	<u>12,140</u>	<u>18,794</u>
 Dilutive Potential Common Share Equivalents	 <u>44,029,921</u>	 <u>44,031,575</u>

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, 2022 and May 31, 2022.

**FRMO CORPORATION
AND SUBSIDIARIES**

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As of August 31, 2022 (Unaudited) and May 31, 2022 and for the
Three Months Ended August 31, 2022 and 2021 (Unaudited)

NOTE 9 - Stockholders' Equity (cont.)

Stock Options

A summary of option activity as of August 31, 2022, and changes during the three months then ended, is as follows:

<i>Stock Options</i> (Unaudited)	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at June 1, 2022	56,000	\$ 7.10	3.36	\$ 145,440
Granted	-	\$ -	-	\$ -
Exercised	-	\$ -	-	\$ -
Forfeited	-	\$ -	-	\$ -
Outstanding at August 31, 2022	<u>56,000</u>	<u>\$ 7.10</u>	<u>3.10</u>	<u>\$ 111,840</u>
Vested and Exercisable at August 31, 2022	<u>56,000</u>	<u>\$ 7.10</u>	<u>3.10</u>	<u>\$ 111,840</u>

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

The aggregate intrinsic value of options outstanding and options exercisable at August 31, 2022 and May 31, 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 \$8.80 and \$9.50 closing price of FRMO's common stock on August 31, 2022 and May 31, 2022, respectively.

As of August 31, 2022, there was no unrecognized compensation cost related to unvested options.