

**FRMO CORPORATION
AND SUBSIDIARIES**

White Plains, New York

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS**

Including Report of Independent
Registered Public Accounting Firm

As of November 30, 2018 (Unaudited) and
May 31, 2018 and for the Three Months and Six Months
Ended November 30, 2018 and 2017 (Unaudited)

**FRMO CORPORATION
AND SUBSIDIARIES**

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Three Months and Six Months Ended November 30, 2018 and 2017 (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 November 30, 2018, the related condensed consolidated statements of income and comprehensive income for the three and six months ended November 30, 2018 and 2017, the condensed consolidated statement of stockholders' equity for the six months ended November 30, 2018, and the condensed consolidated statements of cash flows for the six months ended November 30, 2018 and 2017. 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 November 30, 2018 and for the three and six months ended November 30, 2018 and 2017 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, 2018 (not presented herein) and, in our report dated August 13, 2018, 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, 2018 is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

Baker Tilly Virchow Krause, LLP

New York, New York
January 11, 2019

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**FRMO CORPORATION
AND SUBSIDIARIES**
CONDENSED CONSOLIDATED BALANCE SHEETS
As of November 30, 2018 and May 31, 2018

<i>ASSETS</i>	November 30, 2018 <u>(Unaudited)</u>	May 31, 2018 <u></u>
Current Assets		
Cash and cash equivalents	\$ 51,384,195	\$ 53,617,453
Accounts receivable (due from related parties)	817,066	787,889
Prepaid income taxes	-	168,493
Equity securities, at fair value (cost of \$36,468,968 and \$27,594,316 at November 30, 2018 and May 31, 2018, respectively)	65,667,033	38,522,139
Other assets	<u>142,357</u>	<u>138,357</u>
Total Current Assets	<u>118,010,651</u>	<u>93,234,331</u>
Computer equipment, net of accumulated depreciation of \$38,181 and \$19,204 at November 30, 2018 and May 31, 2018, respectively	101,840	75,711
Investment in limited partnerships and other equity investments at fair value (cost of \$25,103,575 and \$24,115,881 at November 30, 2018 and May 31, 2018, respectively)	47,612,833	41,407,776
Investments in Stock Exchanges	3,577,170	3,708,637
Other investments	321,581	189,128
Investment in Horizon Kinetics LLC	12,137,913	11,623,979
Participation in Horizon Kinetics LLC Revenue Stream	10,200,000	10,200,000
Total Assets	<u><u>\$191,961,988</u></u>	<u><u>\$160,439,562</u></u>
<i>LIABILITIES AND STOCKHOLDERS' EQUITY</i>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 167,400	\$ 193,719
Income taxes payable	46,396	-
Securities sold, not yet purchased (proceeds of \$12,304,983 and \$11,123,013 at November 30, 2018 and May 31, 2018, respectively)	7,618,833	5,495,513
Total Current Liabilities	<u>7,832,629</u>	<u>5,689,232</u>
Deferred tax liability	8,612,947	7,756,622
Total Liabilities	<u>16,445,576</u>	<u>13,445,854</u>
Stockholders' Equity		
Stockholders' Equity Attributable to the Company	124,237,620	119,410,504
Noncontrolling interests	<u>51,278,792</u>	<u>27,583,204</u>
Total Stockholders' Equity	<u>175,516,412</u>	<u>146,993,708</u>
Total Liabilities and Stockholders' Equity	<u><u>\$191,961,988</u></u>	<u><u>\$160,439,562</u></u>

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

**FRMO CORPORATION
AND SUBSIDIARIES**

CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	Three Months Ended		Six Months Ended	
	November 30,		November 30,	
	2018	2017	2018	2017
	(Unaudited)		(Unaudited)	
REVENUE				
Fees	\$ 500,034	\$ 524,993	\$ 1,042,216	\$ 964,105
Dividends and interest income, net	298,587	191,468	584,628	373,563
Net realized losses from investments	(372,966)	(140,713)	(405,817)	(186,191)
Equity earnings from partnerships and limited liability companies	949,677	514,908	1,662,750	1,564,247
Unrealized gains from investments subject to fair value valuation	1,696,656	4,173,044	5,214,353	5,936,618
Equity earnings from investment in The Bermuda Stock Exchange	54,322	4,606	117,113	16,662
Total revenue before unrealized gains from equity securities	3,126,310	5,268,306	8,215,243	8,669,004
Unrealized gains from equity securities	7,545,953	-	17,328,892	-
Total Revenue	<u>10,672,263</u>	<u>5,268,306</u>	<u>25,544,135</u>	<u>8,669,004</u>
OPERATING EXPENSES				
General and administrative expenses	395,713	221,699	685,627	406,914
Depreciation	10,529	4,678	18,978	4,678
Total Expenses	<u>406,242</u>	<u>226,377</u>	<u>704,605</u>	<u>411,592</u>
Income from Operations before Provision for Income Taxes	10,266,021	5,041,929	24,839,530	8,257,412
Provision for Income Taxes	330,107	1,978,165	1,619,476	3,019,574
Net Income	9,935,914	3,063,764	23,220,054	5,237,838
Less net income (loss) attributable to noncontrolling interests	9,351,917	(12,617)	19,424,934	(25,982)
Net Income Attributable to the Company	<u>\$ 583,997</u>	<u>\$ 3,076,381</u>	<u>\$ 3,795,120</u>	<u>\$ 5,263,820</u>
OTHER COMPREHENSIVE INCOME, NET OF TAX				
Net Income	\$ 9,935,914	\$ 3,063,764	\$ 23,220,054	\$ 5,237,838
Unrealized investment holding gains arising during the period	-	4,885,113	-	5,090,195
Income tax benefit related to items of other comprehensive income	-	121,127	-	263,617
Unrealized investment holding gains, net of tax	-	<u>5,006,240</u>	-	<u>5,353,812</u>
Comprehensive Income	9,935,914	8,070,004	23,220,054	10,591,650
Less comprehensive income attributable to noncontrolling interests	9,351,917	4,580,725	19,424,934	5,114,877
Comprehensive income attributable to the Company	<u>\$ 583,997</u>	<u>\$ 3,489,279</u>	<u>\$ 3,795,120</u>	<u>\$ 5,476,773</u>
NET INCOME PER COMMON SHARE				
Basic and diluted	<u>\$ 0.01</u>	<u>\$ 0.07</u>	<u>\$ 0.09</u>	<u>\$ 0.12</u>
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING				
Basic	<u>43,973,781</u>	<u>43,955,001</u>	<u>43,973,781</u>	<u>43,954,073</u>
Diluted	<u>44,021,101</u>	<u>43,955,001</u>	<u>44,022,432</u>	<u>44,005,034</u>

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

**FRMO CORPORATION
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CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the Six Months Ended November 30, 2018 (Unaudited)

	Redeemable Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Stockholders' Equity Attributable to the Company	Non-Controlling Interests	Total Stockholders' Equity
	Shares	Amount	Shares	Amount						
BALANCE - June 1, 2018, as reported	-	\$ -	43,973,781	\$ 43,973	\$ 32,527,939	\$ 3,730,184	\$ 83,108,408	\$ 119,410,504	\$ 27,583,204	\$ 146,993,708
Cumulative effect of adoption of updated accounting guidance for equity financial instruments at June 1, 2018	-	-	-	-	-	(3,294,504)	3,294,504	-	-	-
Balance, June 1, 2018, as adjusted	-	-	43,973,781	43,973	32,527,939	435,680	86,402,912	119,410,504	27,583,204	146,993,708
Equity Compensation	-	-	-	-	31,120	-	-	31,120	-	31,120
Non-cash Compensation	-	-	-	-	51,600	-	-	51,600	-	51,600
Capital Accounts of Consolidated Limited Liability Company	-	-	-	-	933,968	-	-	933,968	-	933,968
Change in Unrealized Gains	-	-	-	-	-	15,308	-	15,308	-	15,308
Net Income	-	-	-	-	-	-	3,795,120	3,795,120	19,424,934	23,220,054
Noncontrolling interests	-	-	-	-	-	-	-	-	4,270,654	4,270,654
BALANCE - November 30, 2018	-	\$ -	43,973,781	\$ 43,973	\$ 33,544,627	\$ 450,988	\$ 90,198,032	\$ 124,237,620	\$ 51,278,792	\$ 175,516,412

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 Six Months Ended November 30, 2018 and 2017

	November 30,	
	2018 (Unaudited)	2017 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 23,220,054	\$ 5,237,838
Adjustments to reconcile net income to net cash flows from operating activities		
Non-cash compensation	51,600	51,600
Equity compensation	31,120	20,880
Net realized loss from investments	405,817	186,191
Equity earnings from partnerships and limited liability companies	(1,662,750)	(1,564,247)
Unrealized gains from investments subject to fair value valuation	(5,214,353)	(5,936,618)
Unrealized gains from equity securities	(17,328,892)	-
Equity earnings from investments in Stock Exchanges	(117,113)	(16,662)
Non-cash fee revenue	(25,712)	-
Depreciation	18,978	4,678
Deferred income tax expense	856,325	2,281,996
Changes in operating assets and liabilities:		
Accounts receivable	(29,177)	4,076
Prepaid income taxes	168,493	338,735
Other current assets	51,001	-
Accounts payable and accrued expenses	(26,319)	78,796
Income taxes payable	46,396	189,250
Net Cash Flows from Operating Activities	<u>445,468</u>	<u>876,513</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	743,418	665,040
Purchases of investments	(4,184,169)	(1,976,194)
Proceeds from securities sold, not yet purchased	5,415,146	2,920,281
Purchases to cover securities previously sold	(4,638,014)	(1,607,352)
Investment in limited partnerships and other equity investments	-	(20,000)
Other investments	(125,000)	(68,854)
Purchase of computer equipment	(45,107)	(69,146)
Net Cash Flows used in Investing Activities	<u>(2,833,726)</u>	<u>(156,225)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of other consolidated subsidiary equity	155,000	175,000
Proceeds from exercise of stock options	-	6,750
Net Cash Flows from Financing Activities	<u>155,000</u>	<u>181,750</u>
Net Change in Cash and Cash Equivalents	(2,233,258)	902,038
CASH AND CASH EQUIVALENTS, Beginning of Year	53,617,453	51,125,142
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 51,384,195</u>	<u>\$ 52,027,180</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for		
Income taxes	\$ 502,744	\$ 210,000
Interest	<u>\$ 204,713</u>	<u>\$ 64,317</u>
NONCASH INVESTING ACTIVITIES		
Investment acquired through the contribution of other investments	<u>\$ 5,064,932</u>	<u>\$ 3,501,929</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 November 30, 2018 (Unaudited) and May 31, 2018 and for the
Three Months and Six Months Ended November 30, 2018 and 2017 (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"). As of November 30 and May 31, 2018, the Company held a 13.91% and 12.92% 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 86.09% and 87.08% in HKHA has been eliminated from results of operations for the periods ended November 30 and May 31, 2018. 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, 2018 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 and six months ended November 30, 2018 may not be indicative of the results that may be expected for the year ending May 31, 2019.

NOTE 2 - Summary of Significant Accounting Policies

Investment Valuation

As of November 30, 2018 and May 31, 2018, investments in limited partnerships and limited liability companies are valued using data inputs from September 30, 2018 and March 31, 2018, respectively, the dates of the most current available information. Management reviews relevant market and related data to reconcile for the period from October 1 through November 30. Subsequent market volatility has not been reflected in these condensed consolidated financial statements.

Subsequent Events

The Company has evaluated all subsequent events from the date of the condensed consolidated balance sheets through January 11, 2019, which represents the date these condensed consolidated financial statements are available to be issued.

**FRMO CORPORATION
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As of November 30, 2018 (Unaudited) and May 31, 2018 and for the
Three Months and Six Months Ended November 30, 2018 and 2017 (Unaudited)

NOTE 3 - Adoption of New Accounting Pronouncements

In January 2016, the FASB issued ASU 2016-01 – Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities (“ASU 2016-01”). Effective June 1, 2018, the Company has early adopted the provisions of ASU 2016-01. The updated guidance requires equity investments, except those accounted for under the equity method of accounting or use the practical expedient, that have readily determinable fair value to be measured at fair value with any changes in fair value recognized in net income. Equity securities that do not have readily determinable fair values may be measured at estimated fair value or cost less impairment, if any, adjusted for subsequent observable price changes, with changes in the carrying value recognized in net income. A qualitative assessment for impairment is required for equity investments without readily determinable fair values. The updated guidance also eliminates the requirement to disclose the method and significant assumptions used to estimate the fair value of financial instruments measured at amortized cost on the balance sheet. The updated guidance was adopted for the quarter ended August 31, 2018. The adoption of this guidance resulted in the recognition of approximately \$3,295,000 of net after-tax unrealized gains on equity investments as a cumulative effect adjustment that increased retained earnings as of June 1, 2018 and decreased accumulated other comprehensive income (“AOCI”) by the same amount. At May 31, 2018, equity investments were classified as available-for-sale on the Company’s balance sheet. The updated guidance eliminated the available-for-sale balance sheet classification for equity investments. After adoption the Company now reports changes in the fair value of equity investments in net unrealized gains from equity securities in net income. Accordingly, for the three months and six months ended November 30, 2018, aggregate net unrealized gain from investments of approximately \$9,243,000 and \$22,543,000, respectively, reflected in net income included approximately \$7,546,000 and \$17,329,000, respectively, from the fair value change of equity securities.

The Company has determined that all other recently issued accounting pronouncements will not 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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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As of November 30, 2018 (Unaudited) and May 31, 2018 and for the
Three Months and Six Months Ended November 30, 2018 and 2017 (Unaudited)

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 November 30, 2018 and May 31, 2018:

	As of November 30, 2018 (Unaudited)		
	Cost or (Proceeds)	Unrealized Gains (Losses)	Fair Value
Equity Securities	\$ 36,468,968	\$ 29,198,065	\$ 65,667,033
Investments in limited partnerships and other equity securities:			
Limited partnerships			
Investment in South LaSalle Partners, LP	\$ 5,759,180	\$ 808,876	\$ 6,568,056
Investments in managed funds			
Horizon Multi-Strategy Fund, LP	\$ 7,634,774	\$ 9,169,336	\$ 16,804,110
CDK Partners, LP	1,131,189	1,773,220	2,904,409
Polestar Fund, LP	9,509,744	10,615,086	20,124,830
Multi-Disciplinary Fund, LP	588,153	(5,586)	582,567
Kinetics Institutional Partners, LP	9,843	7,868	17,711
Shepherd I, LP	10,257	4,044	14,301
Total Investments in Managed Funds	18,883,960	21,563,968	40,447,928
Investment in Winland Holdings Corporation	460,435	136,414	596,849
Total investments in limited partnerships and other equity securities	\$ 25,103,575	\$ 22,509,258	\$ 47,612,833
Securities sold, not yet purchased (liability)	\$(12,304,983)	\$ 4,686,150	\$ (7,618,833)

**FRMO CORPORATION
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As of November 30, 2018 (Unaudited) and May 31, 2018 and for the
Three Months and Six Months Ended November 30, 2018 and 2017 (Unaudited)

NOTE 4 - Investments (cont.)

	As of May 31, 2018		
	Cost or (Proceeds)	Unrealized Gains	Fair Value
Equity Securities	\$ 27,594,316	\$ 10,927,823	\$ 38,522,139
Investments in limited partnerships and other equity securities:			
Limited partnerships			
Investment in South LaSalle Partners, LP	\$ 5,766,100	\$ 496,274	\$ 6,262,374
Investments in managed funds			
Horizon Multi-Strategy Fund, LP	7,404,988	7,184,641	14,589,629
CDK Partners, LP	1,163,817	1,287,583	2,451,400
Polestar Fund, LP	8,719,529	7,999,522	16,719,051
Multi-Disciplinary Fund, LP	580,852	4,530	585,382
Kinetics Institutional Partners, LP	9,819	4,223	14,042
Shepherd I, LP	10,341	2,495	12,836
Total Investments in Managed Funds	17,889,346	16,482,994	34,372,340
Investment in Winland Holdings Corporation	460,435	312,627	773,062
Total investments in limited partnerships and other equity securities	\$ 24,115,881	\$ 17,291,895	\$ 41,407,776
Securities sold, not yet purchased (liability)	\$(11,123,013)	\$ 5,627,500	\$ (5,495,513)

Investments in Unconsolidated Entities

Investment in Stock Exchanges

Investments in stock exchanges consist of the following as of November 30, 2018 and May 31, 2018:

	November 30, 2018 (Unaudited)	May 31, 2018
The Bermuda Stock Exchange	\$ 2,838,130	\$ 2,721,017
OneChicago, LLC	246,000	246,000
CNSX Markets, Inc.	243,040	243,040
Miami International Holdings, Inc.	250,000	250,000
National Stock Exchange Holdings, Inc.	-	248,580
Total stock exchanges	\$ 3,577,170	\$ 3,708,637

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As of November 30, 2018 (Unaudited) and May 31, 2018 and for the
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NOTE 4 - Investments (cont.)

Other Investments

The following are the Company's other investments as of November 30, 2018 and May 31, 2018:

	November 30, 2018 <u>(Unaudited)</u>	May 31, 2018 <u></u>
Cryptocurrency Mining Entities		
HK Cryptocurrency Mining, LLC	\$ 68,854	\$ 62,867
HK Cryptocurrency Mining II, LLC	125,000	-
Horatio Mining, LLC	<u>51,466</u>	<u>50,000</u>
Total cryptocurrency mining entities	245,320	112,867
Digital Currency Group, Inc.	<u>76,261</u>	<u>76,261</u>
Total other investments	<u>\$ 321,581</u>	<u>\$ 189,128</u>

Investment Concentration

As of November 30, 2018 and May 31, 2018, the Company had one investment in an equity security held directly and indirectly, through its various investments in limited partnerships and limited liability companies, amounting to 22.2% and 12.6%, 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.

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As of November 30, 2018 (Unaudited) and May 31, 2018 and for the
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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 November 30, 2018 and May 31, 2018, and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair values.

	As of November 30, 2018 (Unaudited)					
	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	\$ 47,168,861	\$ -	\$ 47,168,861	\$ -	\$ -	
Other Investments:						
Equity Securities	\$ 66,263,882	\$ -	\$ 65,667,033	\$ 596,849	\$ -	
Investments in Unconsolidated Limited Partnerships	47,015,984	47,015,984	-	-	-	
Total Other Investments	<u>\$ 113,279,866</u>	<u>\$ 47,015,984</u>	<u>\$ 65,667,033</u>	<u>\$ 596,849</u>	<u>\$ -</u>	
Liabilities (at fair value):						
Common Stocks	\$ 7,618,833	\$ -	\$ 7,618,833	\$ -	\$ -	

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As of November 30, 2018 (Unaudited) and May 31, 2018 and for the
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NOTE 5 - Fair Value Measurements (cont.)

	As of May 31, 2018				
	Fair Value Measurements at Reporting Date Using				
	Total	Quoted Prices			
		Investments	in Active	Significant	Significant
		Measured	Markets	Other	Unobservable
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	\$ 49,454,004	\$ -	\$ 49,454,004	\$ -	\$ -
Other Investments:					
Equity Securities	\$ 39,295,201	\$ -	\$ 38,522,139	\$ 773,062	\$ -
Investments in Unconsolidated Limited Partnerships	40,634,714	40,634,714	-	-	-
Total Other Investments	\$ 79,929,915	\$ 40,634,714	\$ 38,522,139	\$ 773,062	\$ -
Liabilities (at fair value):					
Common Stocks	\$ 5,495,513	\$ -	\$ 5,495,513	\$ -	\$ -

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. 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. These adjustments have not been significant to the Company's financial statements.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "Act"), was enacted by the U.S. federal government. The Act provides for significant changes to corporate taxation including the decrease of the federal corporate tax rate to 21%. The Company's fiscal year ending May 31, 2018, had a blended federal corporate tax rate of 28.62%, which is based on the applicable tax rates and the number of days before and after the Act. Beginning June 1, 2018, Company's tax rate was reduced to 21% in accordance with the Act.

**FRMO CORPORATION
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As of November 30, 2018 (Unaudited) and May 31, 2018 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 and six months ended November 30:

	Three Months Ended November 30,		Six Months Ended November 30,	
	2018	2017	2018	2017
	(Unaudited)		(Unaudited)	
Current				
Federal	\$ 140,688	\$ 173,262	\$ 539,838	\$ 581,266
State and City	56,649	56,862	223,313	156,313
Total Current	197,337	230,124	763,151	737,579
Deferred				
Federal	127,642	1,747,474	889,078	2,533,735
State and City	5,128	567	(32,753)	(251,740)
Total Deferred	132,770	1,748,041	856,325	2,281,995
Total Provision for Income Taxes	\$ 330,107	\$ 1,978,165	\$ 1,619,476	\$ 3,019,574

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.

Upon completion of the 2017 U.S. income tax return in March 2019 the Company may identify additional re-measurement adjustments to its recorded deferred tax liabilities and the one-time transition tax. The Company will continue to assess its provision for income taxes as future guidance is issued, but do not currently anticipate significant revisions will be necessary. Any such revisions will be treated in accordance with the measurement period guidance outlined in Staff Accounting Bulletin No. 118.

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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 November 30 and May 31, 2018:

	November 30, 2018 (Unaudited)	May 31, 2018
Deferred Tax Liability		
Investments in limited partnerships	\$ -	\$ 95,958
Investment in unconsolidated limited liability companies	215,257	181,946
Deferral of gain from like-kind exchange	2,861,312	2,861,312
Unrealized gain from investments	5,536,378	4,475,351
Unrealized gain from investments included in other comprehensive income	-	142,055
Total Deferred Tax Liability	\$ 8,612,947	\$ 7,756,622

The Company has accounted for the material impacts of the Act by re-measuring its deferred tax liabilities at the 21% enacted tax rate as of May 31, 2018.

NOTE 7 - 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 107,000 and 116,626 for the six months ended November 30, 2018 and 2017.

As of November 30, 2018 and 2017 there were 83,000 and 84,626 vested options, respectively, with an exercise price below the weighted average market price of the Company's common stock during the period.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 7 - 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 and six months ended November 30:

	Three Months Ended November 30,		Six Months Ended November 30,	
	2018	2017	2018	2017
	(Unaudited)		(Unaudited)	
Weighted Average Common Shares				
Outstanding	43,973,781	43,955,001	43,973,781	43,954,073
Effect of Dilutive Securities, common share equivalents:				
Exercise of stock options	<u>47,320</u>	<u>-</u>	<u>48,651</u>	<u>50,961</u>
Dilutive Potential Common Share Equivalents	<u>44,021,101</u>	<u>43,955,001</u>	<u>44,022,432</u>	<u>44,005,034</u>

NOTE 8 - 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 November 30, 2018 and May 31, 2018.

Stock Options

A summary of option activity as of November 30, 2018, and changes during the six 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, 2018	99,000	\$ 4.00	2.64	\$ 427,700
Granted	8,000	\$ 7.90	6.85	-
Exercised	-	-	-	-
Forfeited	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Outstanding at November 30, 2018	<u>107,000</u>	<u>\$ 4.30</u>	<u>2.49</u>	<u>\$ 281,650</u>
Vested and Exercisable at November 30, 2018	<u>107,000</u>	<u>\$ 4.30</u>	<u>2.49</u>	<u>\$ 281,650</u>

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NOTE 8 - Stockholders' Equity (cont.)

All stock options granted during the six months ended November 30, 2018 were vested as of grant date. All stock options were vested as of November 30, 2018 and May 31, 2018.

The aggregate intrinsic value of options outstanding and options exercisable at November 30, 2018 and May 31, 2018 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 \$6.50 and \$8.25 closing price of FRMO's common stock on November 30, 2018 and May 31, 2018, respectively.

As of November 30, 2018, there was no unrecognized compensation cost related to unvested options.