

**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, 2020 (Unaudited) and  
May 31, 2020 and for the Three Months and Six Months  
Ended November 30, 2020 and 2019 (Unaudited)

**FRMO CORPORATION  
AND SUBSIDIARIES**

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Three Months and Six Months Ended November 30, 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 November 30, 2020, the related condensed consolidated statements of income (loss) and comprehensive income (loss) for the three and six months ended November 30, 2020 and 2019, the condensed consolidated statement of stockholders' equity for the six months ended November 30, 2020 and 2019 and the condensed consolidated statements of cash flows for the six months ended November 30, 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 November 30, 2020 and for the three and six months ended November 30, 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  
January 14, 2021

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FRMO CORPORATION  
AND SUBSIDIARIES**  
CONDENSED CONSOLIDATED BALANCE SHEETS  
As of November 30, 2020 and May 31, 2020

<i>ASSETS</i>	November 30, 2020 (Unaudited)	May 31, 2020
<b>Current Assets</b>		
Cash and cash equivalents	\$ 36,799,560	\$ 38,443,507
Accounts receivable (due from related parties)	921,118	622,007
Prepaid income taxes	543,793	1,771,218
Equity securities, at fair value (cost of \$64,140,276 and \$57,253,157 at November 30, 2020 and May 31, 2020, respectively)	73,495,758	63,835,705
Other assets	142,357	142,357
<b>Total Current Assets</b>	<u>111,902,586</u>	<u>104,814,794</u>
Cryptocurrency mining assets, net of accumulated depreciation of \$296,523 and \$184,035 at November 30, 2020 and May 31, 2020, respectively	1,501,868	1,384,627
Investments in limited partnerships and other equity investments at fair value (cost of \$32,906,945 and \$32,086,514 at November 30, 2020 and May 31, 2020, respectively)	54,829,132	40,897,820
Investments in Securities Exchanges	5,061,025	5,061,025
Other investments	323,085	422,721
Investment in Horizon Kinetics LLC	11,285,051	10,876,157
Participation in Horizon Kinetics LLC Revenue Stream	10,200,000	10,200,000
<b>Total Assets</b>	<u><u>\$195,102,747</u></u>	<u><u>\$173,657,144</u></u>
<b><i>LIABILITIES AND STOCKHOLDERS' EQUITY</i></b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 280,383	\$ 157,420
Current portion of mortgage payable	28,320	27,774
Securities sold, not yet purchased (proceeds of \$9,402,511 and \$5,394,277 at November 30, 2020 and May 31, 2020, respectively)	4,714,663	4,135,886
<b>Total Current Liabilities</b>	<u>5,023,366</u>	<u>4,321,080</u>
Deferred tax liability	9,259,020	6,700,817
Mortgage payable, net of current portion	744,442	751,027
<b>Total Liabilities</b>	<u>15,026,828</u>	<u>11,772,924</u>
<b>Stockholders' Equity</b>		
Stockholders' Equity Attributable to the Company	128,435,539	114,992,841
Noncontrolling interests	51,640,380	46,891,379
<b>Total Stockholders' Equity</b>	<u>180,075,919</u>	<u>161,884,220</u>
<b>Total Liabilities and Stockholders' Equity</b>	<u><u>\$195,102,747</u></u>	<u><u>\$173,657,144</u></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) AND COMPREHENSIVE INCOME (LOSS)

	Three Months Ended		Six Months Ended	
	November 30,		November 30,	
	2020	2019	2020	2019
	(Unaudited)		(Unaudited)	
<b>REVENUE</b>				
Fees and other income	\$ 521,982	\$ 515,305	\$ 959,760	\$ 1,047,125
Dividends and interest income, net	85,014	269,331	168,827	598,054
Net realized (losses) gains from investments	(427,733)	1,041,809	(1,873,235)	1,064,425
Equity (losses) earnings from partnerships and limited liability companies	(146,570)	(223,425)	504,521	1,092,625
Unrealized gains (losses) from investments subject to fair value valuation	10,436,411	(831,640)	13,339,574	(2,212,460)
Equity earnings from investment in The Bermuda Stock Exchange	-	71,117	-	111,408
Total revenue before unrealized gains (losses) from equity securities	10,469,104	842,497	13,099,447	1,701,177
Unrealized gains (losses) from equity securities	11,536,004	1,404,982	5,677,815	(3,441,735)
Total Revenue	22,005,108	2,247,479	18,777,262	(1,740,558)
<b>OPERATING EXPENSES</b>				
General and administrative expenses	282,953	330,268	611,500	665,061
Depreciation	26,859	20,304	112,488	35,073
Total Expenses	309,812	350,572	723,988	700,134
<b>Income (Loss) from Operations before Provision for Income Taxes</b>	21,695,296	1,896,907	18,053,274	(2,440,692)
Provision for Income Taxes	3,462,080	830,486	4,092,173	2,063,495
Net Income (Loss) Income Attributable to the Company	18,233,216	1,066,421	13,961,101	(4,504,187)
Less net income (loss) attributable to noncontrolling interests	6,561,850	1,548,140	2,107,494	(3,803,607)
Net Income (Loss) Income Attributable to the Company	\$ 11,671,366	\$ (481,719)	\$ 11,853,607	\$ (700,580)
<b>OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX</b>				
Net Income (Loss) and Other Comprehensive Income (Loss)	\$ 18,233,216	\$ 1,066,421	\$ 13,961,101	\$ (4,504,187)
Less comprehensive income (loss) attributable to noncontrolling interests	6,561,850	1,548,140	2,107,494	(3,803,607)
Comprehensive income (loss) attributable to the Company	\$ 11,671,366	\$ (481,719)	\$ 11,853,607	\$ (700,580)
<b>NET INCOME (LOSS) PER COMMON SHARE</b>				
Basic and diluted	\$ 0.27	\$ (0.01)	\$ 0.27	\$ (0.02)
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING</b>				
Basic	44,022,451	44,031,462	44,027,644	44,007,267
Diluted	44,022,451	44,031,462	44,031,319	44,007,267

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 Six Months Ended November 30, 2020 and 2019 (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					
<b>BALANCE - June 1, 2019</b>	-	\$ -	43,976,781	\$ 43,976	\$ 34,792,027	\$ 91,548,254	126,384,257	\$ 48,612,794	\$ 174,997,051
Equity Compensation	-	-	-	-	23,040	-	23,040	-	23,040
Exercise of Stock Options	-	-	56,000	56	111,144	-	111,200	-	111,200
Non-cash Compensation	-	-	-	-	51,600	-	51,600	-	51,600
Capital Accounts of Consolidated Limited Liability Company	-	-	-	-	1,820,145	-	1,820,145	-	1,820,145
Net loss	-	-	-	-	-	(700,580)	(700,580)	(3,803,607)	(4,504,187)
Noncontrolling contributions	-	-	-	-	-	-	-	3,349,028	3,349,028
<b>BALANCE - November 30, 2019</b>	<u>-</u>	<u>\$ -</u>	<u>44,032,781</u>	<u>\$ 44,032</u>	<u>\$ 36,797,956</u>	<u>\$ 90,847,674</u>	<u>\$ 127,689,662</u>	<u>\$ 48,158,215</u>	<u>\$ 175,847,877</u>
	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					
<b>BALANCE - June 1, 2020</b>	-	\$ -	44,032,781	\$ 44,032	\$ 37,965,027	\$ 76,983,782	114,992,841	\$ 46,891,379	\$ 161,884,220
Equity Compensation	-	-	-	-	21,440	-	21,440	-	21,440
Exercise of Stock Options	-	-	-	-	-	-	-	-	-
Common Stock Repurchase	-	-	(20,000)	(20)	(97,580)	-	(97,600)	-	(97,600)
Non-cash Compensation	-	-	-	-	51,600	-	51,600	-	51,600
Capital Accounts of Consolidated Limited Liability Company	-	-	-	-	1,613,651	-	1,613,651	-	1,613,651
Net income	-	-	-	-	-	11,853,607	11,853,607	2,107,494	13,961,101
Noncontrolling contributions	-	-	-	-	-	-	-	2,641,507	2,641,507
<b>BALANCE - November 30, 2020</b>	<u>-</u>	<u>\$ -</u>	<u>44,012,781</u>	<u>\$ 44,012</u>	<u>\$ 39,554,138</u>	<u>\$ 88,837,389</u>	<u>\$ 128,435,539</u>	<u>\$ 51,640,380</u>	<u>\$ 180,075,919</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 Six Months Ended November 30, 2020 and 2019

	November 30,	
	2020	2019
	(Unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 13,961,101	\$ (4,504,187)
Adjustments to reconcile net income (loss) to net cash flows from operating activities		
Non-cash compensation	51,600	51,600
Equity compensation	21,440	23,040
Net realized losses (gains) from investments	1,873,235	(1,064,425)
Equity earnings from partnerships and limited liability companies	(504,521)	(1,092,625)
Unrealized (gains) losses from investments subject to fair value valuation	(13,339,574)	2,212,460
Unrealized (gains) losses from equity securities	(5,677,815)	3,441,735
Equity earnings from investments in Securities Exchanges	-	(111,408)
Non-cash fee revenue	(199,874)	(128,175)
Depreciation	112,488	35,073
Deferred income tax	2,558,203	622,798
Changes in operating assets and liabilities:		
Accounts receivable	(299,111)	6,607
Prepaid income taxes	1,227,425	105,176
Accounts payable and accrued expenses	25,362	124,565
Net Cash Flows used in Operating Activities	<u>(190,041)</u>	<u>(277,766)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	296,929	411,890
Purchases of investments	(5,317,499)	(2,456,430)
Proceeds from securities sold, not yet purchased	4,187,845	3,842,785
Purchases to cover securities previously sold	(90)	(497,946)
Other investments	(465,323)	(249,080)
Purchase of cryptocurrency mining assets	(229,729)	(421,946)
Net Cash Flows (used in) provided Investing Activities	<u>(1,527,867)</u>	<u>629,273</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from exercise of stock options	-	111,200
Other financing activities	73,961	30,000
Net Cash Flows from Financing Activities	<u>73,961</u>	<u>141,200</u>
<b>Net Change in Cash and Cash Equivalents</b>	(1,643,947)	492,707
CASH AND CASH EQUIVALENTS, Beginning of Period	38,443,507	56,080,680
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>\$ 36,799,560</u>	<u>\$ 56,573,387</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the period for		
Income taxes	\$ 306,485	\$ 1,306,000
Interest	\$ 102,289	\$ 192,736
<b>NONCASH INVESTING ACTIVITIES</b>		
Cryptocurrency mining assets acquired through mortgage financing	\$ -	\$ 800,000
Investment acquired through the contribution of other investments	\$ 4,175,158	\$ 5,139,170
Unpaid common stock repurchase	\$ 97,600	\$ -

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 November 30, 2020 (Unaudited) and May 31, 2020 and for the  
Three Months and Six Months Ended November 30, 2020 and 2019 (Unaudited)

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### **NOTE 1 - Nature of Business and Basis of Presentation**

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The interim condensed consolidated financial statements include the accounts of FRMO and its controlled subsidiaries (collectively referred to as the "Company"). As of November 30, 2020 and May 31, 2020, the Company held a 21.15% 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 78.85% and 80.77% in HKHA has been eliminated from results of operations for the periods ended November 30, 2020 and May 31, 2020. Total stockholders' equity includes, as a separate item, the amount attributable to the noncontrolling interests. The Company also holds a 4.95% interest in Horizon Kinetics LLC and earns substantially all of its advisory fees from Horizon. 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 and six months ended November 30, 2020 may not be indicative of the results that may be expected for the year ending May 31, 2021.

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### **NOTE 2 - Summary of Significant Accounting Policies**

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#### *Investment Valuation*

As of November 30, 2020 and May 31, 2020, investments in limited partnerships and limited liability companies are valued using data inputs from September 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 October 1 through November 30 and from March 1 through May 31. Because of its significance, subsequent market volatility has been reflected in these interim condensed consolidated financial statements as of November 30, 2020 and May 31, 2020.

**FRMO CORPORATION  
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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of November 30, 2020 (Unaudited) and May 31, 2020 and for the  
Three Months and Six Months Ended November 30, 2020 and 2019 (Unaudited)

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

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*Subsequent Events*

The Company has evaluated all subsequent events from the date of the condensed consolidated balance sheets through January 14, 2021, which represents the date these interim 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.

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**NOTE 3 - Adoption of New Accounting Pronouncements**

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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  
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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of November 30, 2020 (Unaudited) and May 31, 2020 and for the  
Three Months and Six Months Ended November 30, 2020 and 2019 (Unaudited)

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**NOTE 4 - Investments**

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*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, 2020 and May 31, 2020:

	As of November 30, 2020 (Unaudited)		
	Cost or (Proceeds)	Unrealized Gains	Estimated Fair Value
Equity Securities	\$ 64,140,276	\$ 9,355,482	\$ 73,495,758
Investments in limited partnerships and other equity securities:			
Limited partnerships			
Investment in South LaSalle Partners, LP	\$ 5,720,676	\$ 3,487,489	\$ 9,208,165
Investments in managed funds			
Horizon Multi-Strategy Fund, LP	\$ 11,171,161	\$ 7,952,908	\$ 19,124,069
CDK Partners, LP	1,334,872	2,022,223	3,357,095
Polestar Fund, LP	13,135,473	6,923,247	20,058,720
Multi-Disciplinary Fund, LP	539,780	99,761	639,541
Kinetics Institutional Partners, LP	6,966	9,020	15,986
Shepherd I, LP	10,871	6,693	17,564
Total Investments in Managed Funds	26,199,123	17,013,852	43,212,975
Investment in Winland Holdings Corporation	987,146	1,420,846	2,407,992
Total investments in limited partnerships and other equity securities	\$ 32,906,945	\$ 21,922,187	\$ 54,829,132
Securities sold, not yet purchased (liability)	\$ (9,402,511)	\$ 4,687,848	\$ (4,714,663)

**FRMO CORPORATION  
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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
As of November 30, 2020 (Unaudited) and May 31, 2020 and for the  
Three Months and Six Months Ended November 30, 2020 and 2019 (Unaudited)

**NOTE 4 - Investments (cont.)**

	As of May 31, 2020		
	Cost or (Proceeds)	Unrealized Gains (Losses)	Estimated Fair Value
Equity Securities	\$ 57,253,157	\$ 6,582,548	\$ 63,835,705
Investments in limited partnerships and other equity securities:			
Limited partnerships			
Investment in South LaSalle Partners, LP	\$ 5,778,028	\$ 324,245	\$ 6,102,273
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	10,832	1,092	11,924
Total Investments in Managed Funds	25,848,051	8,572,334	34,420,385
Investment in Winland Holdings Corporation	460,435	(85,273)	375,162
Total investments in limited partnerships and other equity securities	\$ 32,086,514	\$ 8,811,306	\$ 40,897,820
Securities sold, not yet purchased (liability)	\$ (5,394,277)	\$ 1,258,391	\$ (4,135,886)

*Investments in Unconsolidated Entities*

Investment in Securities Exchanges

Investments in securities exchanges are carried at cost and consist of the following as of November 30, 2020 and May 31, 2020:

	November 30, 2020 (Unaudited)	May 31, 2020
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.

**FRMO CORPORATION  
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**NOTE 4 - Investments (cont.)**

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Other Investments

The following are the Company's other investments as of November 30, 2020 and May 31, 2020:

	November 30, 2020 <u>(Unaudited)</u>	May 31, 2020 <u></u>
Cryptocurrency Mining Entities		
HK Cryptocurrency Mining, LLC	\$ 31,664	\$ 38,886
Horatio Mining, LLC	-	54,706
HK Cryptocurrency Mining II, LLC	127,309	128,919
HM Tech, LLC	<u>87,851</u>	<u>123,949</u>
Total cryptocurrency mining entities	246,824	346,460
Digital Currency Group, Inc.	<u>76,261</u>	<u>76,261</u>
Total other investments	<u>\$ 323,085</u>	<u>\$ 422,721</u>

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 November 30, 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 \$33,249,000 and \$28,247,000, respectively, which represents 25.9% 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.

**FRMO CORPORATION  
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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
As of November 30, 2020 (Unaudited) and May 31, 2020 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, 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 November 30, 2020 (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)
Assets (at fair value):					
Money Market Mutual Funds					
included in Cash					
and Cash Equivalents	\$ 34,959,293	\$ -	\$ 34,959,293	\$ -	\$ -
Other Investments:					
Equity Securities	\$ 73,495,758	\$ -	\$ 73,495,758	\$ -	\$ -
Investment in Limited					
Partnerships and other					
Equity Investments	54,829,132	52,421,140	-	2,407,992	-
Total Other Investments	\$ 128,324,890	\$ 52,421,140	\$ 73,495,758	\$ 2,407,992	\$ -
Liabilities (at fair value):					
Common Stocks	\$ 4,714,663	\$ -	\$ 4,714,663	\$ -	\$ -

**FRMO CORPORATION  
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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
As of November 30, 2020 (Unaudited) and May 31, 2020 and for the  
Three Months and Six Months Ended November 30, 2020 and 2019 (Unaudited)

**NOTE 5 - Fair Value Measurements (cont.)**

	As of May 31, 2020							
	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	Value	(Level 1)	(Level 2)	(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 November 30, 2020 and 2019, which was 21.15% and 18.64% respectively. Income tax attributable to the remaining noncontrolling interest of 78.85% and 81.36% 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.

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**NOTE 6 - Income Taxes (cont.)**

The provision for income taxes is comprised of the following:

	Three Months Ended November 30,		Six Months Ended November 30,	
	2020	2019	2020	2019
	(Unaudited)		(Unaudited)	
Current				
Federal	\$ 291,890	\$ (599,515)	\$ 803,175	\$ 746,139
State and City	119,076	240,316	730,795	694,558
Total Current	<u>410,966</u>	<u>(359,199)</u>	<u>1,533,970</u>	<u>1,440,697</u>
Deferred				
Federal	3,051,114	582,217	3,208,066	(3,681)
State and City	-	607,468	(649,863)	626,479
Total Deferred	<u>3,051,114</u>	<u>1,189,685</u>	<u>2,558,203</u>	<u>622,798</u>
Total Provision for Income Taxes	<u>\$ 3,462,080</u>	<u>\$ 830,486</u>	<u>\$ 4,092,173</u>	<u>\$ 2,063,495</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 2020 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 November 30, 2020 and May 31, 2020:

	November 30, 2020	May 31, 2020
	(Unaudited)	
Deferred Tax (Asset) Liability		
Investments in limited partnerships	\$ (4,397)	\$ 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>5,739,795</u>	<u>1,852,518</u>
Total Net Deferred Tax Liability	<u>\$ 9,259,020</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 and six months ended November 30, 2020 and 2019:

	Three Months Ended November 30,				Six Months Ended November 30,			
	2020		2019		2020		2019	
	(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
Income (loss) before taxes	\$ 21,695,296	100.00%	\$ 1,896,908	100.00%	\$ 18,053,274	100.00%	\$ (2,440,692)	100.00%
Computed expected tax expense	\$ 4,556,012	21.00%	\$ 398,351	21.00%	\$ 3,791,188	21.00%	\$ (512,545)	21.00%
State and City taxes, net of federal benefit	94,070	0.43%	166,609	8.78%	577,328	3.20%	525,459	-21.53%
Increase in allocation of income to State and City	-	0.00%	505,320	26.64%			505,320	-20.70%
Permanent differences	30,671	0.14%	140,075	7.38%	(249,817)	-1.38%	560,736	-22.97%
Other	22	0.00%	(2,000)	-0.11%	60	0.00%	2,768	-0.11%
Income taxes before consolidation of noncontrolling interests	4,680,775	21.57%	1,208,355	63.69%	4,118,759	22.82%	1,081,738	-44.31%
Permanent differences related to consolidation of non controlling interests	(1,218,695)	-5.62%	(377,869)	-19.92%	(26,586)	-0.15%	981,757	-40.22%
Total provision for income taxes	<u>\$ 3,462,080</u>	<u>15.95%</u>	<u>\$ 830,486</u>	<u>43.77%</u>	<u>\$ 4,092,173</u>	<u>22.67%</u>	<u>\$ 2,063,495</u>	<u>-84.53%</u>

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**NOTE 7 – Mortgage Payable**

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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 November 30, 2020:

<u>For the Year Ending May 31,</u>	<u>Total</u>
	(Unaudited)
Remainder of fiscal year	\$ 14,022
2022	28,876
2023	30,023
2024	31,215
2025	668,626
Total	<u>772,762</u>

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

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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 the six months ended November 30, 2020 and 2019.

As of November 30, 2020 and 2019 there were 32,000 vested options with an exercise price below the weighted average market price of the Company's common stock during the period.

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

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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,	
	2020	2019	2020	2019
	(Unaudited)		(Unaudited)	
Weighted Average Common Shares				
Outstanding	44,022,451	44,031,462	44,027,644	44,007,267
Effect of Dilutive Securities, common share equivalents:				
Exercise of stock options	-	-	3,675	-
Dilutive Potential Common Share Equivalents	44,022,451	44,031,462	44,031,319	44,007,267

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**NOTE 9 - Stockholders' Equity**

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*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.

*Common Stock*

On October 14, 2020, the Company repurchased 20,000 shares of its common stock from Steven Bregman, the Company's director, President and Chief Financial Officer. These shares were repurchased pursuant to a Repurchase Agreement authorizing the Company to repurchase up to 360,000 shares of its common stock. The purchase price was \$4.88 per share and as of November 30, 2020 the purchase has not yet been paid.

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As of November 30, 2020 (Unaudited) and May 31, 2020 and for the  
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**NOTE 9 - Stockholders' Equity (cont.)**

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*Stock Options*

A summary of option activity as of November 30, 2020, and changes during the six months then ended, is as follows:

<i>Stock Options (Unaudited)</i>	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	8,000	\$ 6.04	6.86	\$ 16,480
Exercised	-	\$ -	-	\$ -
Forfeited	<u>(8,000)</u>	<u>\$ 6.67</u>	<u>-</u>	<u>\$ -</u>
Outstanding at November 30, 2020	<u>56,000</u>	<u>\$ 6.86</u>	<u>3.85</u>	<u>\$ 78,240</u>
Vested and Exercisable at November 30, 2020	<u>56,000</u>	<u>\$ 6.86</u>	<u>3.85</u>	<u>\$ 78,620</u>

All stock options were vested as of November 30, 2020 and May 31, 2020.

The aggregate intrinsic value of options outstanding and options exercisable at November 30, 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 \$8.10 and \$4.80 closing price of FRMO's common stock on November 30, 2020 and May 31, 2020, respectively.

As of November 30, 2020, there was no unrecognized compensation cost related to unvested options.