

**FRMO CORPORATION  
AND SUBSIDIARIES**

White Plains, New York

**INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS**

Including Report of Independent  
Registered Public Accounting Firm

As of February 28, 2023 (Unaudited) and  
May 31, 2022 and for the Three Months and Nine Months  
Ended February 28, 2023 and 2022 (Unaudited)

**FRMO CORPORATION  
AND SUBSIDIARIES**

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Three Months and Nine Months Ended February 28, 2023 and 2022 (Unaudited)

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## 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 February 28, 2023, and the related condensed consolidated statements of (loss) income for the three month and nine month periods ended February 28, 2023 and 2022, the condensed consolidated statement of stockholders' equity and cash flows for the nine month periods ended February 28, 2023 and 2022 (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.



New York, New York  
April 13, 2023

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FRMO CORPORATION  
AND SUBSIDIARIES**  
CONDENSED CONSOLIDATED BALANCE SHEETS  
As of February 28, 2023 and May 31, 2022

<i>ASSETS</i>	February 28, 2023 (Unaudited)	May 31, 2022
<b>Current Assets</b>		
Cash and cash equivalents	\$ 36,982,930	\$ 33,289,454
Accounts receivable (due from related parties)	2,553,607	2,182,217
Prepaid income taxes	-	732,553
Equity securities, at fair value (cost of \$77,632,505 and \$74,399,681 at February 28, 2023 and May 31, 2022, respectively)	212,869,816	187,386,224
Other current assets	167,440	167,357
<b>Total Current Assets</b>	<u>252,573,793</u>	<u>223,757,805</u>
Cryptocurrency mining assets, net of accumulated depreciation of \$977,980 and \$711,134 at February 28, 2023 and May 31, 2022, respectively	1,403,628	1,632,318
Investments in limited partnerships and other equity investments at fair value (cost of \$38,752,354 and \$37,790,957 at February 28, 2023 and May 31, 2022, respectively)	82,786,324	82,629,581
Investments in Securities Exchanges, at cost	4,815,025	4,815,025
Other investments, at cost	490,332	546,124
Investment in Horizon Kinetics LLC	15,647,802	14,701,779
Participation in Horizon Kinetics LLC Revenue Stream	10,200,000	10,200,000
<b>Total Assets</b>	<u>\$367,916,904</u>	<u>\$338,282,632</u>
<b><i>LIABILITIES AND STOCKHOLDERS' EQUITY</i></b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 195,755	\$ 181,535
Income taxes payable	165,013	-
Current portion of mortgage note payable	30,913	30,023
Securities sold, not yet purchased (proceeds of \$9,723,132 and \$8,554,778 at February 28, 2023 and May 31, 2022, respectively)	2,164,027	2,573,355
<b>Total Current Liabilities</b>	<u>2,555,708</u>	<u>2,784,913</u>
Deferred tax liability	21,755,691	20,470,439
Mortgage payable, net of current portion	676,542	699,840
<b>Total Liabilities</b>	<u>24,987,941</u>	<u>23,955,192</u>
<b>Stockholders' Equity</b>		
Stockholders' Equity Attributable to the Company	189,320,961	181,408,699
Noncontrolling interests	153,608,002	132,918,741
<b>Total Stockholders' Equity</b>	<u>342,928,963</u>	<u>314,327,440</u>
<b>Total Liabilities and Stockholders' Equity</b>	<u>\$367,916,904</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 (LOSS) INCOME

	Three Months Ended		Nine Months Ended	
	February 28,		February 28,	
	2023	2022	2023	2022
	(Unaudited)		(Unaudited)	
<b>REVENUE</b>				
Fees and other income	\$ 927,666	\$ 1,496,228	\$ 2,484,251	\$ 3,805,087
Dividends and interest income, net	830,048	413,402	4,208,234	1,205,794
Net realized losses from investments	(85,154)	(168,669)	(563,570)	(528,668)
Equity earnings from limited partnerships and limited liability companies	1,491,323	944,653	2,298,906	28,793
Unrealized losses from investments	<u>(22,471,715)</u>	<u>(13,430,006)</u>	<u>(1,047,530)</u>	<u>(9,078,366)</u>
Total revenue before unrealized (losses) gains from equity securities	(19,307,832)	(10,744,392)	7,380,291	(4,567,360)
Unrealized (losses) gains from equity securities	<u>(90,424,162)</u>	<u>(5,019,006)</u>	<u>24,005,896</u>	<u>(27,197,005)</u>
Total Revenue	<u>(109,731,994)</u>	<u>(15,763,398)</u>	<u>31,386,187</u>	<u>(31,764,365)</u>
<b>OPERATING EXPENSES</b>				
General and administrative expenses	249,884	339,524	1,227,026	898,876
Depreciation	<u>71,505</u>	<u>91,708</u>	<u>266,847</u>	<u>231,680</u>
Total Expenses	<u>321,389</u>	<u>431,232</u>	<u>1,493,873</u>	<u>1,130,556</u>
<b>(Loss) Income from Operations before Provision for Income Taxes</b>	(110,053,383)	(16,194,630)	29,892,314	(32,894,921)
(Benefit from) Provision for Income Taxes	<u>(8,891,300)</u>	<u>(2,913,809)</u>	<u>2,852,220</u>	<u>(1,030,854)</u>
Net (Loss) Income	(101,162,083)	(13,280,821)	27,040,094	(31,864,067)
Less net (loss) income attributable to noncontrolling interests	<u>(66,261,061)</u>	<u>(1,272,507)</u>	<u>19,593,269</u>	<u>(20,466,147)</u>
Net (loss) income attributable to the Company	<u>\$ (34,901,022)</u>	<u>\$ (12,008,314)</u>	<u>\$ 7,446,825</u>	<u>\$ (11,397,920)</u>
<b>NET (LOSS) INCOME PER COMMON SHARE</b>				
Basic and diluted	<u>\$ (0.79)</u>	<u>\$ (0.27)</u>	<u>\$ 0.17</u>	<u>\$ (0.26)</u>
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING</b>				
Basic	<u>44,022,781</u>	<u>44,017,781</u>	<u>44,020,492</u>	<u>44,015,418</u>
Diluted	<u>44,022,781</u>	<u>44,017,781</u>	<u>44,032,153</u>	<u>44,015,418</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 STOCKHOLDERS' EQUITY  
For the Nine Months Ended February 28, 2023 and 2022 (Unaudited)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Stockholders' Equity Attributable to the Company	Non- Controlling Interests	Total Stockholders' Equity
	Shares	Amount					
	<b>BALANCE - June 1, 2021</b>	44,012,781					
Equity Compensation	-	-	44,240	-	44,240	-	44,240
Exercise of Stock Options	5,000	5	45,895	-	45,900	-	45,900
Non-cash Compensation	-	-	77,400	-	77,400	-	77,400
Capital Accounts of Consolidated Limited Liability Company	-	-	297,974	-	297,974	-	297,974
Net loss	-	-	-	(11,397,920)	(11,397,920)	(20,466,147)	(31,864,067)
Capital contributed to consolidated subsidiary from noncontrolling interests	-	-	-	-	-	1,287,166	1,287,166
<b>BALANCE - February 28, 2022</b>	<u>44,017,781</u>	<u>\$ 44,017</u>	<u>\$ 41,184,425</u>	<u>\$ 125,744,056</u>	<u>\$ 166,972,498</u>	<u>\$ 101,829,890</u>	<u>\$ 268,802,388</u>
	Common Stock		Additional Paid-In Capital	Retained Earnings	Stockholders' Equity Attributable to the Company	Non- Controlling Interests	Total Stockholders' Equity
	Shares	Amount					
	<b>BALANCE - June 1, 2022</b>	44,017,781					
Equity Compensation	-	-	84,320	-	84,320	-	84,320
Exercise of Stock Options	5,000	5	39,895	-	39,900	-	39,900
Non-cash Compensation	-	-	77,400	-	77,400	-	77,400
Capital Accounts of Consolidated Limited Liability Company	-	-	263,817	-	263,817	-	263,817
Net income	-	-	-	7,446,825	7,446,825	19,593,269	27,040,094
Capital contributed to consolidated subsidiary from noncontrolling interests	-	-	-	-	-	1,095,992	1,095,992
<b>BALANCE - February 28, 2023</b>	<u>44,022,781</u>	<u>\$ 44,022</u>	<u>\$ 41,742,261</u>	<u>\$ 147,534,678</u>	<u>\$ 189,320,961</u>	<u>\$ 153,608,002</u>	<u>\$ 342,928,963</u>

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

**FRMO CORPORATION  
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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the Nine Months Ended February 28, 2023 and 2022

	February 28,	
	2023	2022
	(Unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 27,040,094	\$ (31,864,067)
Adjustments to reconcile net income (loss) to net cash flows from operating activities		
Non-cash compensation	77,400	77,400
Equity compensation	84,320	44,240
Net realized losses from investments	563,570	528,668
Equity earnings from limited partnerships and limited liability companies	(2,298,906)	(28,793)
Unrealized gains from investments subject to fair value valuation	1,047,530	9,078,366
Unrealized (gains) losses from equity securities	(24,005,896)	27,197,005
Non-cash fee revenue	(304,777)	(1,314,044)
Depreciation	266,847	231,680
Deferred income tax (benefit)	1,285,252	(3,221,154)
Changes in operating assets and liabilities:		
Accounts receivable	(371,390)	368,786
Prepaid income taxes and other current assets	732,470	-
Accounts payable and accrued expenses	14,221	47,274
Income taxes payable	165,013	(109,658)
Net Cash Flows from Operating Activities	<u>4,295,748</u>	<u>1,035,703</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	879,444	2,850,078
Purchases of investments	(1,722,832)	(790,571)
Proceeds from securities sold, not yet purchased	1,571,610	265,904
Purchases to cover securities previously sold	(709,781)	(3,383,513)
Distributions from limited partnerships	170,518	38,633
Other investments	(35,566)	(289,880)
Purchase of cryptocurrency mining assets	(38,157)	(742,849)
Net Cash Flows from (used) in Investing Activities	<u>115,236</u>	<u>(2,052,198)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of other consolidated subsidiary equity	45,000	45,000
Distributions to members of consolidated limited liability company	(780,000)	(270,000)
Proceeds from exercise of stock options	39,900	45,900
Other financing activities	(22,408)	(21,551)
Net Cash Flows used in Financing Activities	<u>(717,508)</u>	<u>(200,651)</u>
<b>Net Change in Cash and Cash Equivalents</b>	3,693,476	(1,217,146)
CASH AND CASH EQUIVALENTS, Beginning of Period	33,289,454	34,971,075
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>\$ 36,982,930</u>	<u>\$ 33,753,929</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the period for		
Income taxes	\$ 644,906	\$ 2,299,862
Interest	\$ 116,235	\$ 92,983
<b>NONCASH INVESTING ACTIVITIES</b>		
Investment acquired through the contribution of other investments	<u>\$ 1,924,293</u>	<u>\$ 1,750,825</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 February 28, 2023 (Unaudited) and May 31, 2022 and for the  
Three Months and Nine Months Ended February 28, 2023 and 2022 (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 February 28, 2023 and May 31, 2022, the Company held a 21.81% 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 February 28, 2022, the Company held a 21.91% 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 78.19% and 78.09% in HKHA has been presented as noncontrolling interest in the accompanying condensed consolidated financial statements for the periods ended February 28, 2023 and 2022, and 78.19% and 78.12% as of February 28, 2023 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 and nine months ended February 28, 2023 may not be indicative of the results that may be expected for the year ending May 31, 2023.

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

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#### *Subsequent Events*

The Company has evaluated all subsequent events from the date of the interim condensed consolidated balance sheets through April 13, 2023, which represents the date these interim condensed consolidated financial statements are available to be issued.

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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 February 28, 2023 (Unaudited) and May 31, 2022 and for the  
Three Months and Nine Months Ended February 28, 2023 and 2022 (Unaudited)

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**NOTE 4 - Investments**

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*Limited Partnerships and Equity Investments*

The Company's investments in limited partnerships and equity investments consist of the following as of February 28, 2023 and May 31, 2022:

	As of February 28, 2023 (Unaudited)		
	Cost or (Proceeds)	Net Unrealized Gains	Estimated Fair Value
Equity Securities	\$ 77,632,505	\$135,237,311	\$ 212,869,816
Investments in limited partnerships and other equity investments:			
Limited partnerships			
Investment in South LaSalle Partners, LP	\$ 5,552,308	\$ 3,015,896	\$ 8,568,204
Investments in managed funds			
Horizon Multi-Strategy Fund, LP	15,154,233	14,225,787	29,380,020
CDK Partners, LP	1,374,839	3,641,797	5,016,636
Polestar Fund, LP	14,517,276	21,386,155	35,903,431
Multi-Disciplinary Fund, LP	590,180	172,721	762,901
Kinetics Institutional Partners, LP	7,920	19,888	27,808
Shepherd I, LP	15,050	8,758	23,808
Other	1,989	231,767	233,756
Total Investments in Managed Funds	31,661,487	39,686,873	71,348,360
Investment in Winland Holdings Corporation, 1,434,880 shares	1,538,559	1,331,201	2,869,760
Total investments in limited partnerships and other equity securities	\$ 38,752,354	\$ 44,033,970	\$ 82,786,324
Securities sold, not yet purchased (liability)	\$ (9,723,132)	\$ 7,559,105	\$ (2,164,027)

**FRMO CORPORATION  
AND SUBSIDIARIES**

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
As of February 28, 2023 (Unaudited) and May 31, 2022 and for the  
Three Months and Nine Months Ended February 28, 2023 and 2022 (Unaudited)

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

	As of May 31, 2022		
	Cost or (Proceeds)	Net 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 investments:			
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	39	54,835	54,874
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 February 28, 2023 (unaudited) and May 31, 2022:

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

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

**FRMO CORPORATION  
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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
As of February 28, 2023 (Unaudited) and May 31, 2022 and for the  
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**NOTE 4 - Investments (cont.)**

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Other Investments

The following are the Company's other investments as of February 28, 2023 and May 31, 2022:

	February 28, 2023 (Unaudited)	May 31, 2022
Cryptocurrency Mining Entities		
Consensus Mining and Seigniorage Corporation	\$ 399,092	\$ 454,884
HM Tech, LLC	14,979	14,979
Total cryptocurrency mining entities	414,071	469,863
Digital Currency Group, Inc.	76,261	76,261
Total other investments	<u>\$ 490,332</u>	<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 each of 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 February 28, 2023 and May 31, 2022.

<u>Investment</u>	<u>As of February 28, 2023</u>		<u>As of May 31, 2022</u>	
	<u>Amount</u>	<u>Percent of Equity</u>	<u>Amount</u>	<u>Percent of Equity</u>
	(unaudited)			
Investment A	\$ 106,988,000	56.5%	\$ 92,563,000	51.0%
Investment B	\$ 11,835,000	6.3%	\$ 18,238,000	10.1%

**FRMO CORPORATION  
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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
As of February 28, 2023 (Unaudited) and May 31, 2022 and for the  
Three Months and Nine Months Ended February 28, 2023 and 2022 (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 February 28, 2023 and May 31, 2022, and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair values.

	As of February 28, 2023 (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	\$ 35,805,372	\$ -	\$ 35,805,372	\$ -	\$ -
Other Investments:					
Equity Securities	\$ 212,869,816	\$ -	\$ 212,869,816	\$ -	\$ -
Investment in Limited Partnerships and other Equity Investments	82,786,324	79,916,564	-	2,869,760	-
Total Other Investments	\$ 295,656,140	\$ 79,916,564	\$ 212,869,816	\$ 2,869,760	\$ -
Liabilities (at fair value):					
Common Stocks	\$ 2,164,027	\$ -	\$ 2,164,027	\$ -	\$ -

**FRMO CORPORATION  
AND SUBSIDIARIES**

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
As of February 28, 2023 (Unaudited) and May 31, 2022 and for the  
Three Months and Nine Months Ended February 28, 2023 and 2022 (Unaudited)

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

	As of May 31, 2022				
	Fair Value Measurements at Reporting Date Using				
	Total	Quoted Prices			
		Investments	in Active	Significant	Significant
		Measured	Markets	Other	Unobservable
at		for Identical	Observable	Inputs	
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	\$ 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  
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As of February 28, 2023 (Unaudited) and May 31, 2022 and for the  
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**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 February 28, 2023 and May 31, 2022, which was 21.81% and 21.88% respectively. Income tax attributable to the remaining noncontrolling interest of 78.19% 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 February 28,		Nine Months Ended February 28,	
	2023	2022	2023	2022
	(Unaudited)		(Unaudited)	
Current				
Federal	\$ 447,147	\$ 342,005	\$ 809,024	\$ 1,190,152
State and City	362,561	292,680	757,944	1,000,148
Total Current	809,708	634,685	1,566,968	2,190,300
Deferred				
Federal	(9,701,008)	(3,548,494)	1,285,252	(3,221,154)
State and City	-	-	-	-
Total Deferred	(9,701,008)	(3,548,494)	1,285,252	(3,221,154)
Total Provision for Income Taxes	\$ (8,891,300)	\$ (2,913,809)	\$ 2,852,220	\$ (1,030,854)

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.

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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 February 28, 2023 and May 31, 2022:

	February 28, 2023 (Unaudited)	May 31, 2022
Deferred Tax Liability		
Investments in limited partnerships	\$ 3,820	\$ 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>18,279,892</u>	<u>16,998,040</u>
Total Deferred Tax Liability	<u>\$ 21,755,691</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 and nine months ended February 28, 2023 and 2022:

	Three Months Ended February 28,				Nine Months Ended February 28,			
	2023 (Unaudited)		2022 (Unaudited)		2023 (Unaudited)		2022 (Unaudited)	
Income (loss) before taxes	\$ (110,053,383)	100.0%	\$ (16,194,630)	100.0%	\$ 29,892,314	100.0%	\$ (32,894,921)	100.0%
Computed expected tax expense	\$ (23,111,210)	21.0%	\$ (3,400,872)	21.0%	\$ 6,277,386	21.0%	\$ (6,907,933)	21.0%
State and City taxes, net of federal benefit	281,791	-0.3%	231,217	-1.4%	594,144	2.0%	790,117	-2.4%
Permanent differences	(753)	0.0%	(19,698)	0.1%	32,016	0.1%	741,358	-2.3%
Other	<u>234</u>	<u>0.0%</u>	<u>4</u>	<u>0.0%</u>	<u>441</u>	<u>0.0%</u>	<u>68</u>	<u>0.0%</u>
Provision for (benefit from) income taxes before condolidation of noncontrolling interests	(22,829,938)	20.7%	(3,189,349)	19.7%	6,903,987	23.1%	(5,376,390)	16.4%
Permanent differences related to consolidation of non controlling interests	<u>13,938,638</u>	<u>-12.7%</u>	<u>275,540</u>	<u>-1.7%</u>	<u>(4,051,767)</u>	<u>-13.6%</u>	<u>4,345,536</u>	<u>-13.2%</u>
Total provision for income taxes	<u>\$ (8,891,300)</u>	<u>8.1%</u>	<u>\$ (2,913,809)</u>	<u>18.0%</u>	<u>\$ 2,852,220</u>	<u>9.6%</u>	<u>\$ (1,030,854)</u>	<u>3.1%</u>

*(Percent components may not sum due to rounding)*



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**NOTE 7 – Mortgage Payable**

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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 February 28, 2023:

<u>For the Period Ending May 31,</u>	<u>Total</u>
	(Unaudited)
2023 (Remainder of fiscal year)	\$ 7,615
2024	31,215
2025	668,625
Total	<u>\$ 707,455</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 65,000 and 56,000 for the nine months ended February 28, 2023 and 2022, respectively.

As of February 28, 2023 and May 31, 2022 there were 65,000 and 56,000 vested options with an exercise price below the weighted average market price of the Company's common stock during the period.

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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 nine months ended February 28:

	Three Months Ended February 28,		Nine Months Ended February 28,	
	2023	2022	2023	2022
	(Unaudited)		(Unaudited)	
Weighted Average Common Shares Outstanding	44,022,781	44,017,781	44,020,492	44,015,418
Effect of Dilutive Securities, common share equivalents:				
Exercise of stock options	-	-	11,661	-
Dilutive Potential Common Share Equivalents	44,022,781	44,017,781	44,032,153	44,015,418

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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 February 28, 2023 and May 31, 2022.

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**NOTE 9 - Stockholders' Equity (cont.)**

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*Stock Options*

A summary of option activity as of February 28, 2023, and changes during the nine 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, 2022	56,000	\$ 7.10	3.36	\$ 145,440
Granted	17,000	\$ 9.00	6.61	\$ -
Exercised	(5,000)	\$ 7.98	-	\$ -
Forfeited	<u>(3,000)</u>	<u>\$ 7.98</u>	<u>-</u>	<u>\$ -</u>
Outstanding at February 28, 2023	<u>65,000</u>	<u>\$ 7.48</u>	<u>4.02</u>	<u>\$ 73,280</u>
Vested and Exercisable at February 28, 2023	<u>65,000</u>	<u>\$ 7.48</u>	<u>4.02</u>	<u>\$ 73,280</u>

All stock options were vested as of February 28, 2023 and May 31, 2022.

The aggregate intrinsic value of options outstanding and options exercisable at February 28, 2023 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 \$8.00 and \$9.50 closing price of FRMO's common stock on February 28, 2023 and May 31, 2022, respectively.

As of February 28, 2023, there was no unrecognized compensation cost related to unvested options.