

**FRMO CORPORATION  
AND SUBSIDIARIES**

White Plains, New York

**INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS**

Including Report of Independent  
Registered Public Accounting Firm

As of August 31, 2021 (Unaudited) and  
May 31, 2021 and for the Three Months  
Ended August 31, 2021 and 2020 (Unaudited)

**FRMO CORPORATION  
AND SUBSIDIARIES**

TABLE OF CONTENTS  
As of August 31, 2021 (Unaudited) and May 31, 2021 and for the  
Three Months Ended August 31, 2021 and 2020 (Unaudited)

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

## Review Report of Independent Registered Public Accounting Firm

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

We have reviewed the accompanying condensed consolidated balance sheet of FRMO Corporation and Subsidiaries (the Company) as of August 31, 2021, the related condensed consolidated statements of income for the three months ended August 31, 2021 and 2020, the condensed consolidated statement of stockholders' equity for the three months ended August 31, 2021 and 2020, and the condensed consolidated statements of cash flows for the three months ended August 31, 2021 and 2020. These interim 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 interim 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 interim condensed consolidated financial statements as of August 31, 2021 and for the three months ended August 31, 2021 and 2020 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, 2021 (not presented herein) and, in our report dated August 13, 2021, 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, 2021 is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

*Baker Tilly US, LLP*

New York, New York  
October 14, 2021

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FRMO CORPORATION  
AND SUBSIDIARIES**  
CONDENSED CONSOLIDATED BALANCE SHEETS  
As of August 31, 2021 and May 31, 2021

<i>ASSETS</i>	August 31, 2021 (Unaudited)	May 31, 2021
<b>Current Assets</b>		
Cash and cash equivalents	\$ 35,328,581	\$ 34,971,075
Accounts receivable (due from related parties)	1,678,584	1,980,262
Equity securities, at fair value (cost of \$73,096,009 and \$72,736,126 at August 31, 2021 and May 31, 2021, respectively)	164,892,916	171,733,386
Other current assets	167,357	167,357
<b>Total Current Assets</b>	<u>202,067,438</u>	<u>208,852,080</u>
Cryptocurrency mining assets, net of accumulated depreciation of \$477,174 and \$412,193 at August 31, 2021 and May 31, 2021, respectively	1,421,217	1,386,199
Investments in limited partnerships and other equity investments at fair value (cost of \$36,179,665 and \$35,882,528 at August 31, 2021 and May 31, 2021, respectively)	89,372,202	86,853,538
Investments in Securities Exchanges	4,815,025	4,815,025
Other investments	325,481	312,045
Investment in Horizon Kinetics LLC	14,912,574	16,366,211
Participation in Horizon Kinetics LLC Revenue Stream	10,200,000	10,200,000
<b>Total Assets</b>	<u>\$323,113,937</u>	<u>\$328,785,098</u>
<b><i>LIABILITIES AND STOCKHOLDERS' EQUITY</i></b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 270,246	\$ 182,709
Income taxes payable	3,088,994	2,037,514
Current portion of mortgage note payable	29,159	28,877
Securities sold, not yet purchased (proceeds of \$9,886,219 and \$11,704,149 at August 31, 2021 and May 31, 2021, respectively)	4,173,443	6,118,362
<b>Total Current Liabilities</b>	<u>7,561,842</u>	<u>8,367,462</u>
Deferred tax liability	21,351,761	20,773,999
Mortgage payable, net of current portion	722,466	729,862
<b>Total Liabilities</b>	<u>29,636,069</u>	<u>29,871,323</u>
<b>Stockholders' Equity</b>		
Stockholders' Equity Attributable to the Company	179,056,433	177,904,904
Noncontrolling interests	114,421,435	121,008,871
<b>Total Stockholders' Equity</b>	<u>293,477,868</u>	<u>298,913,775</u>
<b>Total Liabilities and Stockholders' Equity</b>	<u>\$323,113,937</u>	<u>\$328,785,098</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

	Three Months Ended August 31,	
	2021	2020
	(Unaudited)	
<b>REVENUE</b>		
Fees and other income	\$ 1,117,334	\$ 437,778
Dividends and interest income, net	388,670	83,813
Net realized losses from investments	(172,497)	(1,445,502)
Equity (losses) earnings from partnerships and limited liability companies	(963,178)	651,091
Unrealized gains from investments subject to fair value	2,541,563	2,903,163
Total revenue before unrealized losses from equity securities	2,911,892	2,630,343
Unrealized losses from equity securities	(7,078,362)	(5,858,189)
Total Revenue	(4,166,470)	(3,227,846)
<b>OPERATING EXPENSES</b>		
General and administrative expenses	243,469	328,547
Depreciation	64,982	85,629
Total Expenses	308,451	414,176
<b>Loss from Operations before Provision for Income Taxes</b>	(4,474,921)	(3,642,022)
Provision for Income Taxes	1,819,145	630,093
Net Loss	(6,294,066)	(4,272,115)
Less net loss attributable to noncontrolling interests	(7,254,783)	(4,454,356)
Net income attributable to the Company	\$ 960,717	\$ 182,241
<b>NET INCOME PER COMMON SHARE</b>		
Basic and diluted	\$ 0.02	\$ 0.00
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING</b>		
Basic	44,012,781	44,032,781
Diluted	44,031,575	44,033,825

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

**FRMO CORPORATION  
AND SUBSIDIARIES**  
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
For the Three Months Ended August 31, 2021 and 2020 (Unaudited)

	Redeemable Preferred Stock		Common Stock		Additional Paid-In Capital	Retained Earnings	Stockholders' Equity Attributable to the Company	Non-Controlling Interests	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
	<b>BALANCE - June 1, 2020</b>	-	\$ -	44,032,781					
Non-cash Compensation	-	-	-	-	25,800	-	25,800	-	25,800
Capital Accounts of Consolidated Limited Liability Company	-	-	-	-	1,014,960	-	1,014,960	-	1,014,960
Net income (loss)	-	-	-	-	-	182,241	182,241	(4,454,356)	(4,272,115)
Capital contributed to consolidated subsidiary from noncontrolling interests	-	-	-	-	-	-	-	1,966,243	1,966,243
<b>BALANCE - August 31, 2020</b>	-	\$ -	44,032,781	\$ 44,032	\$ 39,005,787	\$ 77,166,023	\$ 116,215,842	\$ 44,403,266	\$ 160,619,108
	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, 2021</b>	-	\$ -	44,012,781					
Non-cash Compensation	-	-	-	-	25,800	-	25,800	-	25,800
Capital Accounts of Consolidated Limited Liability Company	-	-	-	-	165,012	-	165,012	-	165,012
Net income (loss)	-	-	-	-	-	960,717	960,717	(7,254,783)	(6,294,066)
Capital contributed to consolidated subsidiary from noncontrolling interests	-	-	-	-	-	-	-	667,347	667,347
<b>BALANCE - August 31, 2021</b>	-	\$ -	44,012,781	\$ 44,012	\$ 40,909,728	\$ 138,102,693	\$ 179,056,433	\$ 114,421,435	\$ 293,477,868

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

**FRMO CORPORATION  
AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the Three Months Ended August 31, 2021 and 2020

	August 31,	
	2021	2020
	(Unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (6,294,066)	\$ (4,272,115)
Adjustments to reconcile net loss to net cash flows from operating activities		
Non-cash compensation	25,800	25,800
Net realized losses from investments	172,497	1,445,502
Equity losses (earnings) from partnerships and limited liability companies	963,178	(651,091)
Unrealized gains from investments subject to fair value valuation	(2,541,563)	(2,903,163)
Unrealized losses from equity securities	7,078,362	5,858,189
Non-cash fee revenue	(468,549)	(65,855)
Depreciation	64,982	85,629
Deferred income tax (benefit)	577,762	(492,911)
Changes in operating assets and liabilities:		
Accounts receivable	301,678	47,060
Prepaid income taxes	-	816,481
Accounts payable and accrued expenses	87,537	48,522
Income taxes payable	1,051,480	-
Net Cash Flows from (used in) Operating Activities	<u>1,019,098</u>	<u>(57,952)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	2,416,724	517,072
Purchases of investments	(819,028)	(5,335,703)
Proceeds from securities sold, not yet purchased	142,660	3,373,632
Purchases to cover securities previously sold	(2,250,808)	(90)
Distributions from limited partnerships	38,633	-
Other investments	(7,659)	-
Purchase of cryptocurrency mining assets	(100,000)	(628,781)
Net Cash Flows used in Investing Activities	<u>(579,478)</u>	<u>(2,073,870)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of other consolidated subsidiary equity	15,000	15,000
Distributions to members of consolidated limited liability company	(90,000)	-
Other financing activities	(7,114)	870
Net Cash Flows (used in) from Financing Activities	<u>(82,114)</u>	<u>15,870</u>
<b>Net Change in Cash and Cash Equivalents</b>	357,506	(2,115,952)
CASH AND CASH EQUIVALENTS, Beginning of Period	34,971,075	38,443,507
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>\$ 35,328,581</u>	<u>\$ 36,327,555</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the period for		
Income taxes	\$ 189,862	\$ 306,485
Interest	\$ 35,474	\$ 55,584
<b>NONCASH INVESTING ACTIVITIES</b>		
Investment acquired through the contribution of other investments	<u>\$ 887,559</u>	<u>\$ 2,966,203</u>

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



# FRMO CORPORATION AND SUBSIDIARIES

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of August 31, 2021 (Unaudited) and May 31, 2021 and for the  
Three Months Ended August 31, 2021 and 2020 (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 August 31, 2021 and May 31, 2021, the Company held a 21.98% and 22.02% 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 78.02% and 77.98% in HKHA has been eliminated from results of operations for the periods ended August 31, 2021 and May 31, 2021. 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 ("Horizon") 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 interim 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, 2021 and notes thereto. The accompanying condensed consolidated financial statements have not been audited by an independent registered public accounting firm in accordance with standards of the Public Company Accounting Oversight Board (United States) but, in the opinion of management, such financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the Company's financial position and results of operations. The results of operations for the three months ended August 31, 2021 may not be indicative of the results that may be expected for the year ending May 31, 2022.

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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 condensed consolidated balance sheets through October 14, 2021, 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  
AND SUBSIDIARIES**

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
As of August 31, 2021 (Unaudited) and May 31, 2021 and for the  
Three Months Ended August 31, 2021 and 2020 (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 August 31, 2021 and May 31, 2021:

	As of August 31, 2021 (Unaudited)		
	Cost or (Proceeds)	Unrealized Gains	Estimated Fair Value
Equity Securities	<u>\$ 73,096,009</u>	<u>\$ 91,796,907</u>	<u>\$164,892,916</u>
Investments in limited partnerships and other equity securities:			
Limited partnerships			
Investment in South LaSalle Partners, LP	<u>\$ 5,280,411</u>	<u>\$ 3,618,272</u>	<u>\$ 8,898,683</u>
Investments in managed funds			
Horizon Multi-Strategy Fund, LP	\$ 14,178,204	\$ 19,572,035	\$ 33,750,239
CDK Partners, LP	1,348,959	4,492,173	5,841,132
Polestar Fund, LP	13,812,174	19,550,710	33,362,884
Multi-Disciplinary Fund, LP	541,138	247,330	788,468
Kinetics Institutional Partners, LP	7,126	20,471	27,597
Shepherd I, LP	12,269	17,421	29,690
Total Investments in Managed Funds	<u>29,899,870</u>	<u>43,900,140</u>	<u>73,800,010</u>
Investment in Winland Holdings Corporation	<u>999,384</u>	<u>5,674,125</u>	<u>6,673,509</u>
Total investments in limited partnerships and other equity securities	<u>\$ 36,179,665</u>	<u>\$ 53,192,537</u>	<u>\$ 89,372,202</u>
Securities sold, not yet purchased (liability)	<u>\$ (9,886,219)</u>	<u>\$ 5,712,776</u>	<u>\$ (4,173,443)</u>

**FRMO CORPORATION  
AND SUBSIDIARIES**

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
As of August 31, 2021 (Unaudited) and May 31, 2021 and for the  
Three Months Ended August 31, 2021 and 2020 (Unaudited)

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

	As of May 31, 2021		
	Cost or (Proceeds)	Unrealized Gains (Losses)	Estimated Fair Value
Equity Securities	<u>\$ 72,736,126</u>	<u>\$ 98,997,260</u>	<u>\$171,733,386</u>
Investments in limited partnerships and other equity securities:			
Limited partnerships			
Investment in South LaSalle Partners, LP	<u>\$ 5,715,830</u>	<u>\$ 3,576,903</u>	<u>\$ 9,292,733</u>
Investments in managed funds			
Horizon Multi-Strategy Fund, LP	\$ 13,996,694	\$ 17,922,112	\$ 31,918,806
CDK Partners, LP	1,343,423	4,175,391	5,518,814
Polestar Fund, LP	13,276,315	20,238,642	33,514,957
Multi-Disciplinary Fund, LP	539,218	233,466	772,684
Kinetics Institutional Partners, LP	7,078	20,184	27,262
Shepherd I, LP	<u>12,245</u>	<u>15,629</u>	<u>27,874</u>
Total Investments in Managed Funds	<u>29,174,973</u>	<u>42,605,424</u>	<u>71,780,397</u>
Investment in Winland Holdings Corporation	<u>991,725</u>	<u>4,788,683</u>	<u>5,780,408</u>
Total investments in limited partnerships and other equity securities	<u>\$ 35,882,528</u>	<u>\$ 50,971,010</u>	<u>\$ 86,853,538</u>
Securities sold, not yet purchased (liability)	<u>\$(11,709,149)</u>	<u>\$ 5,590,787</u>	<u>\$ (6,118,362)</u>

*Investments in Unconsolidated Entities*

Investment in Securities Exchanges

Investments in securities exchanges are carried at cost and consist of the following as of August 31, 2021 (unaudited) and May 31, 2021:

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

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

**FRMO CORPORATION  
AND SUBSIDIARIES**

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
As of August 31, 2021 (Unaudited) and May 31, 2021 and for the  
Three Months Ended August 31, 2021 and 2020 (Unaudited)

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

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Other Investments

The following are the Company's other investments as of August 31, 2021 and May 31, 2021:

	August 31, 2021 <u>(Unaudited)</u>	May 31, 2021 <u></u>
Cryptocurrency Mining Entities		
HK Cryptocurrency Mining, LLC	\$ 36,796	\$ 33,931
HK Cryptocurrency Mining II, LLC	151,431	140,860
HM Tech, LLC	<u>60,993</u>	<u>60,993</u>
Total cryptocurrency mining entities	249,220	235,784
Digital Currency Group, Inc.	<u>76,261</u>	<u>76,261</u>
Total other investments	<u><u>\$ 325,481</u></u>	<u><u>\$ 312,045</u></u>

Investment Concentration

The following are the approximate amounts of the Company's investments in equity securities held directly and indirectly, through its various investments in managed funds, amounting to greater than 10% of stockholders' equity attributable to the Company ("Equity"). None of the Company's other direct or indirect investments were greater than 10% of Equity as of August 31, 2021 and May 31, 2021.

<u>Investment</u>	<u>As of August 31, 2021</u>		<u>As of May 31, 2021</u>	
	<u>Amount</u>	<u>Percent of Equity</u>	<u>Amount</u>	<u>Percent of Equity</u>
	(unaudited)			
Investment A	\$ 78,683,589	43.9%	\$ 83,425,000	44.1%
Investment B	\$ 27,052,173	15.1%	\$ 22,448,000	11.9%

**FRMO CORPORATION  
AND SUBSIDIARIES**

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
As of August 31, 2021 (Unaudited) and May 31, 2021 and for the  
Three Months Ended August 31, 2021 and 2020 (Unaudited)

**NOTE 5 - Fair Value Measurements**

The following tables present information about the Company's assets and liabilities that are measured at fair value on a recurring basis as of August 31, 2021 and May 31, 2021, and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair values.

	As of August 31, 2021 (Unaudited)				
	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	Unobservable	
Value	(Level 1)	(Level 2)	(Level 3)	(Level 3)	
Assets (at fair value):					
Money Market Mutual Funds included in Cash and Cash Equivalents	\$ 33,974,258	\$ -	\$ 33,974,258	\$ -	\$ -
Other Investments:					
Equity Securities	\$ 164,892,916	\$ -	\$ 164,892,916	\$ -	\$ -
Investment in Limited Partnerships and other Equity Investments	89,372,202	82,698,693	-	6,673,509	-
Total Other Investments	\$ 254,265,118	\$ 82,698,693	\$ 164,892,916	\$ 6,673,509	\$ -
Liabilities (at fair value):					
Common Stocks	\$ 4,173,443	\$ -	\$ 4,173,443	\$ -	\$ -

**FRMO CORPORATION  
AND SUBSIDIARIES**

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
As of August 31, 2021 (Unaudited) and May 31, 2021 and for the  
Three Months Ended August 31, 2021 and 2020 (Unaudited)

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

	As of May 31, 2021			
	Fair Value Measurements at Reporting Date Using			
	Total	Quoted Prices		
		Investments	in Active	Significant
		Measured	Markets	Other
at		for Identical	Observable	
Net Asset	Assets	Inputs	Significant	
Value	(Level 1)	(Level 2)	Unobservable	
(Level 3)				
Assets (at fair value):				
Money Market Mutual Funds included in Cash and Cash Equivalents	\$ 34,223,890	\$ -	\$ 34,223,890	\$ -
Other Investments:				
Equity Securities	\$ 171,733,386	\$ -	\$ 171,733,386	\$ -
Investment in Limited Partnerships and other Equity Investments	86,853,538	81,073,130	-	5,780,408
Total Other Investments	\$ 258,586,924	\$ 81,073,130	\$ 171,733,386	\$ 5,780,408
Liabilities (at fair value):				
Common Stocks	\$ 6,118,362	\$ -	\$ 6,118,362	\$ -

**NOTE 6 - Income Taxes**

The Company files a consolidated federal income tax return and a combined state/city tax return with its wholly-owned subsidiary, Fromex Equities Corp. HKHA, included in consolidated net income (loss) before taxes is a pass-through entity subject to K-1 reporting and is not included in the Company's consolidated income tax return. Pass-through income allocated to the Company is based on the Company's ownership percentage as of August 31, 2021 and May 31, 2021, which was 21.98% and 22.02% respectively. Income tax attributable to the remaining noncontrolling interest of 78.02% and 77.98% 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.

**FRMO CORPORATION  
AND SUBSIDIARIES**

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
As of August 31, 2021 (Unaudited) and May 31, 2021 and for the  
Three Months Ended August 31, 2021 and 2020 (Unaudited)

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

The provision for income taxes is comprised of the following:

	Three Months Ended August 31,	
	2021	2020
	(Unaudited)	
Current		
Federal	\$ 678,595	\$ 511,285
State and City	562,791	611,719
Total Current	1,241,386	1,123,004
Deferred		
Federal	577,759	156,952
State and City	-	(649,863)
Total Deferred	577,759	(492,911)
Total Provision for Income Taxes	\$ 1,819,145	\$ 630,093

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. Accordingly, the current period income tax provision is affected by the enactment of 2021 tax rates. The net deferred income taxes on the balance sheets reflect temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and income tax purposes, tax effected at a various rates depending on whether the temporary differences are subject to federal taxes, state and city taxes, or both.

The tax effects of temporary differences which give rise to the deferred tax liability consist of the following as of August 31, 2021 and May 31, 2021:

	August 31, 2021	May 31, 2021
	(Unaudited)	
Deferred Tax Liability		
Investments in limited partnerships	\$ 59,345	\$ 126,554
Investment in unconsolidated limited liability companies	132,660	132,660
Deferral of gain from like-kind exchange	3,381,578	3,381,578
Unrealized gain from equity securities and investments in managed funds	17,778,178	17,133,207
Total Deferred Tax Liability	\$ 21,351,761	\$ 20,773,999

**FRMO CORPORATION  
AND SUBSIDIARIES**

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
As of August 31, 2021 (Unaudited) and May 31, 2021 and for the  
Three Months Ended August 31, 2021 and 2020 (Unaudited)

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

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A reconciliation of the federal statutory rate to the effective tax rate is as follows for the three months ended August 31, 2021 and 2020:

	Three Months Ended			
	August 31,			
	2021		2020	
	(Unaudited)		(Unaudited)	
Loss before taxes	\$ (4,474,921)	100.00%	\$ (3,642,022)	100.00%
Computed expected tax expense	\$ (939,733)	21.00%	\$ (764,825)	21.00%
State and City taxes, net of federal benefit	444,605	-9.94%	483,258	-13.27%
Permanent differences	762,797	-17.05%	(280,488)	7.70%
Other	40	0.00%	38	0.00%
Income taxes before consolidation of noncontrolling interests	267,709	-5.99%	(562,017)	15.43%
Permanent differences related to consolidation of non controlling interests	1,551,436	-34.67%	1,192,110	-32.73%
Total provision for income taxes	\$ 1,819,145	-40.66%	\$ 630,093	-17.30%



**FRMO CORPORATION  
AND SUBSIDIARIES**

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
As of August 31, 2021 (Unaudited) and May 31, 2021 and for the  
Three Months Ended August 31, 2021 and 2020 (Unaudited)

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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 August 31, 2021:

<u>For the Period Ending August 31,</u>	<u>Total</u>
	(Unaudited)
Remainder of fiscal year	\$ 21,763
2023	30,023
2024	31,215
2025	<u>668,624</u>
Total	<u><u>751,625</u></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 three months ended August 31, 2021 and 2020.

As of August 31, 2021 and May 31, 2021 there were 56,000 vested options with an exercise price below the weighted average market price of the Company's common stock during the period.

**FRMO CORPORATION  
AND SUBSIDIARIES**

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
As of August 31, 2021 (Unaudited) and May 31, 2021 and for the  
Three Months Ended August 31, 2021 and 2020 (Unaudited)

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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 ended August 31:

	Three Months Ended	
	August 31,	
	2021	2020
	(Unaudited)	
Weighted Average Common Shares		
Outstanding	44,012,781	44,032,781
Effect of Dilutive Securities, common share equivalents:		
Exercise of stock options	<u>18,794</u>	<u>1,044</u>
Dilutive Potential Common Share Equivalents	<u>44,031,575</u>	<u>44,033,825</u>

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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, 2021 and May 31, 2021.

**FRMO CORPORATION  
AND SUBSIDIARIES**

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
As of August 31, 2021 (Unaudited) and May 31, 2021 and for the  
Three Months Ended August 31, 2021 and 2020 (Unaudited)

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

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*Stock Options*

A summary of option activity as of August 31, 2021, and changes during the three months then ended, is as follows:

<i>Stock Options</i> (Unaudited)	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at June 1, 2021	56,000	\$ 6.86	3.36	\$ -
Granted	-	\$ -	-	\$ -
Exercised	-	\$ -	-	\$ -
Forfeited	-	\$ -	-	\$ -
Outstanding at August 31, 2021	<u>56,000</u>	<u>\$ 6.86</u>	<u>3.30</u>	<u>\$ 190,000</u>
Vested and Exercisable at August 31, 2021	<u>56,000</u>	<u>\$ 6.86</u>	<u>3.10</u>	<u>\$ 190,000</u>

All stock options were vested as of August 31, 2021 and May 31, 2021.

The aggregate intrinsic value of options outstanding and options exercisable at August 31, 2021 and May 31, 2021 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 \$10.25 and \$11.65 closing price of FRMO's common stock on August 31, 2021 and May 31, 2021, respectively.

As of August 31, 2021, there was no unrecognized compensation cost related to unvested options.

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**NOTE 10 - Contingencies**

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The 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 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.