

**FRMO CORPORATION
AND SUBSIDIARIES**

White Plains, New York

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS**

Including Report of Independent
Registered Public Accounting Firm

As of February 29, 2020 (Unaudited) and
May 31, 2019 and for the Three Months and Nine Months
Ended February 29/28, 2020 and 2019 (Unaudited)

**FRMO CORPORATION
AND SUBSIDIARIES**

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Three Months and Nine Months Ended February 29/28, 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 February 29, 2020, the related condensed consolidated statements of income (loss) and comprehensive income (loss) for the three and nine months ended February 29/28, 2020 and 2019, the condensed consolidated statement of stockholders' equity for the nine months ended February 29, 2020, and the condensed consolidated statements of cash flows for the nine months ended February 29/28, 2020 and 2019. 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 February 29, 2020 and for the three and nine months ended February 29/28, 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, 2019 (not presented herein) and, in our report dated August 13, 2019, 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, 2019 is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

Baker Tilly Virchow Krause, LLP

New York, New York
April 13, 2020

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**FRMO CORPORATION
AND SUBSIDIARIES**
CONDENSED CONSOLIDATED BALANCE SHEETS
As of February 29, 2020 and May 31, 2019

<i>ASSETS</i>	February 29, 2020 (Unaudited)	May 31, 2019
Current Assets		
Cash and cash equivalents	\$ 51,116,172	\$ 53,080,680
Accounts receivable (due from related parties)	791,128	760,619
Prepaid income taxes	-	736,436
Equity securities, at fair value (cost of \$56,103,957 and \$43,731,538 at February 29, 2020 and May 31, 2019, respectively)	67,907,334	63,564,512
Other assets	142,357	142,357
Total Current Assets	<u>119,956,991</u>	<u>118,284,604</u>
Cryptocurrency mining assets, net of accumulated depreciation of \$138,081 and \$62,335 at February 29, 2020 and May 31, 2019, respectively	1,430,580	94,998
Investment in limited partnerships and other equity investments at fair value (cost of \$27,391,648 and \$26,208,639 at February 29, 2020 and May 31, 2019, respectively)	46,259,626	47,513,033
Investments in Securities Exchanges	5,061,025	3,641,522
Other investments	427,985	452,458
Investment in Horizon Kinetics LLC	11,988,266	11,487,950
Participation in Horizon Kinetics LLC Revenue Stream	10,200,000	10,200,000
Total Assets	<u><u>\$ 195,324,473</u></u>	<u><u>\$ 191,674,565</u></u>
<i>LIABILITIES AND STOCKHOLDERS' EQUITY</i>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 166,346	\$ 161,157
Income taxes payable	1,366,373	-
Current portion of mortgage payable	27,505	-
Securities sold, not yet purchased (proceeds of \$14,953,746 and \$11,581,064 at February 29, 2020 and May 31, 2019, respectively)	9,824,850	8,133,244
Total Current Liabilities	<u>11,385,074</u>	<u>8,294,401</u>
Deferred tax liability	7,742,159	8,383,113
Mortgage payable, net of current portion	765,784	-
Total Liabilities	<u>19,893,017</u>	<u>16,677,514</u>
Stockholders' Equity		
Stockholders' Equity Attributable to the Company	123,782,606	126,384,257
Noncontrolling interests	51,648,850	48,612,794
Total Stockholders' Equity	<u>175,431,456</u>	<u>174,997,051</u>
Total Liabilities and Stockholders' Equity	<u><u>\$ 195,324,473</u></u>	<u><u>\$ 191,674,565</u></u>

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

**FRMO CORPORATION
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CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

	Three Months Ended		Nine Months Ended	
	February 29/28,		February 29/28,	
	2020	2019	2020	2019
	(Unaudited)		(Unaudited)	
REVENUE				
Fees	\$ 649,977	\$ 462,330	\$ 1,697,102	\$ 1,504,546
Dividends and interest income, net	247,864	331,105	845,918	915,733
Net realized (losses) gains from investments	(242,477)	2,854,058	821,948	2,448,241
Equity earnings (loss) from partnerships and limited liability companies	777,315	(1,462,539)	1,869,940	200,211
Unrealized (losses) gains from investments subject to fair value valuation	(249,237)	(2,658,004)	(2,461,697)	2,556,349
Equity earnings from investment in The Bermuda Stock Exchange	-	69,833	111,408	186,946
Total revenue before unrealized gains (losses) from equity securities	1,183,442	(403,217)	2,884,619	7,812,026
Unrealized (losses) gains from equity securities	(2,906,782)	(7,227,626)	(6,348,517)	10,101,266
Total Revenue	<u>(1,723,340)</u>	<u>(7,630,843)</u>	<u>(3,463,898)</u>	<u>17,913,292</u>
OPERATING EXPENSES				
General and administrative expenses	273,559	271,826	938,620	957,453
Depreciation	40,673	10,676	75,746	29,654
Total Expenses	<u>314,232</u>	<u>282,502</u>	<u>1,014,366</u>	<u>987,107</u>
(Loss) Income from Operations before Provision for Income Taxes	(2,037,572)	(7,913,345)	(4,478,264)	16,926,185
Provision for (Benefit from) Income Taxes	1,203,951	(1,254,322)	3,267,446	365,154
Net (Loss) Income	(3,241,523)	(6,659,023)	(7,745,710)	16,561,031
Less net income (loss) attributable to noncontrolling interests	1,290,484	(5,972,034)	(2,513,123)	13,452,900
Net (Loss) Income Attributable to the Company	<u>\$ (4,532,007)</u>	<u>\$ (686,989)</u>	<u>\$ (5,232,587)</u>	<u>\$ 3,108,131</u>
OTHER COMPREHENSIVE (LOSS) INCOME, NET OF TAX				
Net (Loss) Income	\$ (3,241,523)	\$ (6,659,023)	\$ (7,745,710)	\$ 16,561,031
Change in other comprehensive income (loss)	-	-	-	-
Comprehensive (Loss) Income	(3,241,523)	(6,659,023)	(7,745,710)	16,561,031
Less comprehensive income (loss) attributable to noncontrolling interests	1,290,484	(5,972,034)	(2,513,123)	13,452,900
Comprehensive (loss) income attributable to the Company	<u>\$ (4,532,007)</u>	<u>\$ (686,989)</u>	<u>\$ (5,232,587)</u>	<u>\$ 3,108,131</u>
NET (LOSS) INCOME PER COMMON SHARE				
Basic and diluted	<u>\$ (0.10)</u>	<u>\$ (0.02)</u>	<u>\$ (0.12)</u>	<u>\$ 0.07</u>
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING				
Basic	<u>44,032,781</u>	<u>43,975,414</u>	<u>44,015,741</u>	<u>43,974,319</u>
Diluted	<u>44,032,781</u>	<u>43,975,414</u>	<u>44,015,741</u>	<u>43,974,319</u>

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

**FRMO CORPORATION
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CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the Nine Months Ended February 29, 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					
BALANCE - June 1, 2019	-	\$ -	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	-	-	-	-	77,400	-	77,400	-	77,400
Capital Accounts of Consolidated Limited Liability Company	-	-	-	-	2,419,296	-	2,419,296	-	2,419,296
Net loss	-	-	-	-	-	(5,232,587)	(5,232,587)	(2,513,123)	(7,745,710)
Noncontrolling contributions	-	-	-	-	-	-	-	5,549,179	5,549,179
BALANCE - February 29, 2020	-	\$ -	<u>44,032,781</u>	<u>\$ 44,032</u>	<u>\$ 37,422,907</u>	<u>\$ 86,315,667</u>	<u>\$ 123,782,606</u>	<u>\$ 51,648,850</u>	<u>\$ 175,431,456</u>

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

**FRMO CORPORATION
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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended February 29/28 2020 and 2019

	February 29/28,	
	2020 (Unaudited)	2019 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income	\$ (7,745,710)	\$ 16,561,031
Adjustments to reconcile net (loss) income to net cash flows from operating activities		
Non-cash compensation	77,400	77,400
Equity compensation	23,040	31,120
Net realized (gain) from investments	(821,948)	(2,448,241)
Equity earnings from partnerships and limited liability companies	(1,869,940)	(200,211)
Unrealized losses (gains) from investments subject to fair value valuation	2,461,697	(2,556,349)
Unrealized losses (gains) from equity securities	6,348,517	(10,101,266)
Equity earnings from investments in Securities Exchanges	(111,408)	(186,946)
Non-cash fee revenue	(225,383)	(42,665)
Depreciation	75,746	29,654
Deferred income tax expense	(640,954)	(353,055)
Changes in operating assets and liabilities:		
Accounts receivable	(30,509)	(462,214)
Prepaid income taxes	736,436	54,846
Other current assets	-	51,001
Accounts payable and accrued expenses	5,189	(21,799)
Income taxes payable	1,366,373	-
Net Cash Flows (used in) provided by Operating Activities	<u>(351,454)</u>	<u>432,306</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	707,067	1,144,024
Purchases of investments	(5,347,994)	(4,282,876)
Proceeds from securities sold, not yet purchased	4,990,039	6,912,105
Purchases to cover securities previously sold	(1,426,247)	(5,002,600)
Other investments	(249,080)	(125,000)
Purchase of cryptocurrency mining assets	(611,328)	(50,419)
Net Cash Flows used in Investing Activities	<u>(1,937,543)</u>	<u>(1,404,766)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on mortgage payable	(6,711)	-
Proceeds from issuance of other consolidated subsidiary equity	220,000	170,000
Proceeds from exercise of stock options	111,200	8,250
Net Cash Flows from Financing Activities	<u>324,489</u>	<u>178,250</u>
Net Change in Cash and Cash Equivalents	(1,964,508)	(794,210)
CASH AND CASH EQUIVALENTS, Beginning of Period	53,080,680	53,617,453
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 51,116,172</u>	<u>\$ 52,823,243</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for		
Income taxes	<u>\$ 1,776,000</u>	<u>\$ 617,744</u>
Interest	<u>\$ 283,447</u>	<u>\$ 317,285</u>
NONCASH INVESTING ACTIVITIES		
Cryptocurrency mining assets acquired through mortgage financing	<u>\$ 800,000</u>	<u>\$ -</u>
Investment acquired through the contribution of other investments	<u>\$ 7,748,472</u>	<u>\$ 7,184,573</u>

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

FRMO CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As of February 29, 2020 (Unaudited) and May 31, 2019 and for the
Three Months and Nine Months Ended February 29, 2020 and 2018 (Unaudited)

NOTE 1 - Nature of Business and Basis of Presentation

The condensed consolidated financial statements include the accounts of FRMO and its controlled subsidiaries (collectively referred to as the "Company"). The Company holds a 4.95% interest in Horizon Kinetic LLC ("Horizon") and earns substantially all of its advisory fees from Horizon. As of February 29, 2020 and May 31, 2019, the Company held an 18.86% and 15.49% 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 81.14% and 84.51% in HKHA has been eliminated from results of operations for the periods ended February 29, 2020 and May 31, 2019. Total stockholders' equity includes as a separate item the amount attributable to the noncontrolling interests. The Company maintains its corporate office in White Plains, New York.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information. The principles for condensed interim financial information do not require the inclusion of all the information and footnotes required by generally accepted accounting principles for complete financial statements. Therefore, these condensed consolidated financial statements should be read in conjunction with the consolidated financial statements as of and for the year ended May 31, 2019 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 nine months ended February 29, 2020 may not be indicative of the results that may be expected for the year ending May 31, 2020.

NOTE 2 - Summary of Significant Accounting Policies

Investment Valuation

As of February 29, 2020 and May 31, 2019, investments in limited partnerships and limited liability companies are valued using data inputs from December 31, 2019 and March 31, 2019, respectively, the dates of the most current available information. Management reviews relevant market and related data to reconcile for the period from January 1 through February 29/28. Because of its significance, subsequent market volatility has been reflected in these condensed consolidated financial statements as of February 29, 2020.

Cryptocurrency Mining Assets

Cryptocurrency mining assets consists of building and computer equipment utilized in the Company's cryptocurrency mining operations and are reported at cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. The Company estimates the useful life for computer equipment is three years, and building is 39 years.

The Company reviews its real estate asset to evaluate the necessity of recording impairment losses for market changes due to declines in the estimated fair value of the property. In evaluating potential impairment, management considers the current estimated fair value compared to the carrying value of the asset. At February 29, 2020, due the recent acquisition, the fair value of the real estate asset is estimated to be equal to or in excess of the carrying value.

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As of February 29, 2020 (Unaudited) and May 31, 2019 and for the
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NOTE 2 - Summary of Significant Accounting Policies (cont.)

Subsequent Events

The Company has evaluated all subsequent events from the date of the condensed consolidated balance sheets through April 14, 2020, which represents the date these condensed consolidated financial statements are available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively impact revenue. Such potential financial impact, whether temporary or permanent, is unknown at this time.

NOTE 3 - Adoption of New Accounting Pronouncements

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

NOTE 4 - Investments

Limited Partnerships and Limited Liability Companies and Equity Investments

The Company's investments in limited partnerships and limited liability companies and equity investments consist of the following as of February 29, 2020 and May 31, 2019:

	As of February 29, 2020 (Unaudited)		
	Cost or (Proceeds)	Unrealized Gains	Fair Value
Equity Securities	<u>\$ 56,103,957</u>	<u>\$ 11,803,377</u>	<u>\$ 67,907,334</u>
Investments in limited partnerships and other equity securities:			
Limited partnerships			
Investment in South LaSalle Partners, LP	<u>\$ 5,780,382</u>	<u>\$ 1,298,845</u>	<u>\$ 7,079,227</u>
Investments in managed funds			
Horizon Multi-Strategy Fund, LP	\$ 7,204,881	\$ 8,970,772	\$ 16,175,653
CDK Partners, LP	1,419,633	1,373,679	2,793,312
Polestar Fund, LP	11,899,771	7,079,487	18,979,258
Multi-Disciplinary Fund, LP	605,930	5,728	611,658
Kinetics Institutional Partners, LP	9,788	6,010	15,798
Shepherd I, LP	<u>10,828</u>	<u>2,727</u>	<u>13,555</u>
Total Investments in Managed Funds	<u>21,150,831</u>	<u>17,438,403</u>	<u>38,589,234</u>
Investment in Winland Holdings Corporation	<u>460,435</u>	<u>130,730</u>	<u>591,165</u>
Total investments in limited partnerships and other equity securities	<u>\$ 27,391,648</u>	<u>\$ 18,867,978</u>	<u>\$ 46,259,626</u>
Securities sold, not yet purchased (liability)	<u>\$(14,953,746)</u>	<u>\$ 5,128,896</u>	<u>\$ (9,824,850)</u>

**FRMO CORPORATION
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As of February 29, 2020 (Unaudited) and May 31, 2019 and for the
Three Months and Nine Months Ended February 29, 2020 and 2018 (Unaudited)

NOTE 4 - Investments (cont.)

	As of May 31, 2019		
	Cost or (Proceeds)	Unrealized Gains	Fair Value
Equity Securities	<u>\$ 43,731,538</u>	<u>\$ 19,832,974</u>	<u>\$ 63,564,512</u>
Investments in limited partnerships and other equity securities:			
Limited partnerships			
Investment in South LaSalle Partners, LP	<u>\$ 5,753,268</u>	<u>\$ 1,673,937</u>	<u>\$ 7,427,205</u>
Investments in managed funds			
Horizon Multi-Strategy Fund, LP	\$ 6,464,011	\$ 10,148,441	\$ 16,612,452
CDK Partners, LP	1,435,786	1,446,042	2,881,828
Polestar Fund, LP	11,478,409	7,793,533	19,271,942
Multi-Disciplinary Fund, LP	596,586	10,645	607,231
Kinetics Institutional Partners, LP	9,879	6,246	16,125
Shepherd I, LP	<u>10,265</u>	<u>3,871</u>	<u>14,136</u>
Total Investments in Managed Funds	<u>19,994,936</u>	<u>19,408,778</u>	<u>39,403,714</u>
Investment in Winland Holdings Corporation	<u>460,435</u>	<u>221,679</u>	<u>682,114</u>
Total investments in limited partnerships and other equity securities	<u>\$ 26,208,639</u>	<u>\$ 21,304,394</u>	<u>\$ 47,513,033</u>
Securities sold, not yet purchased (liability)	<u>\$(11,581,064)</u>	<u>\$ 3,447,820</u>	<u>\$ (8,133,244)</u>

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As of February 29, 2020 (Unaudited) and May 31, 2019 and for the
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NOTE 4 - Investments (cont.)

Investments in Unconsolidated Entities

Investment in Securities Exchanges

Investments in securities exchanges consist of the following as of February 29, 2020 and May 31, 2019:

	February 29, 2020 <u>(Unaudited)</u>	May 31, 2019 <u></u>
Miami International Holdings, Inc.	\$ 4,322,905	\$ 250,000
The Bermuda Stock Exchange	-	2,902,482
OneChicago, LLC	246,000	246,000
CNSX Markets, Inc.	243,040	243,040
American Financial Exchange, LLC	249,080	-
Total securities exchanges	<u>\$ 5,061,025</u>	<u>\$ 3,641,522</u>

On September 23, 2019, the Bermuda Monetary Authority authorized the transfer of the Company's shares in The Bermuda Stock Exchange to Miami International Holdings, Inc. ("MIH") in exchange for 603,393 shares of common stock of MIH. The transaction was completed on October 23, 2019, resulting in a realized gain of \$1,059,015. The Company's ownership interest in MIH is approximately 1.00%.

Through October 23, 2019, the Company held a 40.08% interest in the Bermuda Stock Exchange, and currently holds a 1.41% interest in CNSX Markets, Inc. and less than a 1.00% interest in other stock exchanges.

Other Investments

The following are the Company's other investments as of February 29, 2020 and May 31, 2019:

	February 29, 2020 <u>(Unaudited)</u>	May 31, 2019 <u></u>
Cryptocurrency Mining Entities		
HK Cryptocurrency Mining, LLC	\$ 42,031	\$ 56,467
Horatio Mining, LLC	50,825	48,621
HK Cryptocurrency Mining II, LLC	127,612	126,109
HM Tech, LLC	131,256	145,000
Total cryptocurrency mining entities	<u>351,724</u>	<u>376,197</u>
Digital Currency Group, Inc.	76,261	76,261
Total other investments	<u>\$ 427,985</u>	<u>\$ 452,458</u>

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NOTE 4 - Investments (cont.)

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. The Company's prior investment in the Bermuda Stock Exchange was accounted for under the equity method of accounting.

Investment Concentration

As of February 29, 2020 and May 31, 2019, the Company had one investment in an equity security held directly and indirectly, through its various investments in managed funds, amounting to approximately \$28,984,000 and \$26,562,000, respectively, which represents 23.4% and 21.0%, 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.

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 29, 2020 and May 31, 2019, and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair values.

	As of February 29, 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)
Total				
Assets (at fair value):				
Money Market Mutual Funds included in Cash and Cash Equivalents	\$ 46,060,031	\$ -	\$ 46,060,031	\$ -
Other Investments:				
Equity Securities	\$ 67,907,334	\$ -	\$ 67,907,334	\$ -
Investment in Limited Partnerships and other Equity Investments	46,259,626	45,668,461	-	591,165
Total Other Investments	\$ 114,166,960	\$ 45,668,461	\$ 67,907,334	\$ 591,165
Liabilities (at fair value):				
Common Stocks	\$ 9,824,850	\$ -	\$ 9,824,850	\$ -

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NOTE 5 - Fair Value Measurements (cont.)

	As of May 31, 2019				
	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	\$ 48,481,777	\$ -	\$ 48,481,777	\$ -	\$ -
Other Investments:					
Equity Securities	\$ 63,564,512	\$ -	\$ 63,564,512	\$ -	\$ -
Investment in Limited Partnerships and other Equity Investments	47,513,033	46,830,919	-	682,114	-
Total Other Investments	\$ 111,077,545	\$ 46,830,919	\$ 63,564,512	\$ 682,114	\$ -
Liabilities (at fair value):					
Common Stocks	\$ 8,133,244	\$ -	\$ 8,133,244	\$ -	\$ -

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 29/28, 2020 and 2019, which was 18.86% and 15.10% respectively. Income tax attributable to the remaining noncontrolling interest of 81.14% and 84.90% 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 condensed consolidated financial statements taken as a whole for the respective periods. These adjustments resulted in an increase of \$1,340,359 to the provision for income taxes during the three months and nine months ended February 29, 2020 and 2019, and a decrease of \$286,090 to the provision for income taxes during the three months and nine months ended February 28, 2019 and 2018. These adjustments are listed as "True-up of prior year tax" in the reconciliation table below of federal statutory rate to effective tax rate, and are primarily related to pass through items from investment partnerships and allocations of state and city income subject to taxation. These adjustments to prior year income taxes represent 7.35% and 1.83% of income before taxes for the years ended May 31, 2019 and 2018.

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NOTE 6 - Income Taxes (cont.)

The provision for income taxes is comprised of the following for the three months and nine months ended February 29/28:

	Three Months Ended		Nine Months Ended	
	February 29/28,		February 29/28,	
	2020	2019	2020	2019
	(Unaudited)		(Unaudited)	
Current				
Federal	\$ 1,206,525	\$ 60,449	\$ 1,952,664	\$ 600,287
State and City	1,261,178	(105,391)	1,955,736	117,922
Total Current	<u>2,467,703</u>	<u>(44,942)</u>	<u>3,908,400</u>	<u>718,209</u>
Deferred				
Federal	(1,263,752)	(1,100,032)	(1,267,433)	(210,954)
State and City	-	(109,348)	626,479	(142,101)
Total Deferred	<u>(1,263,752)</u>	<u>(1,209,380)</u>	<u>(640,954)</u>	<u>(353,055)</u>
Total Provision for Income Taxes	<u>\$ 1,203,951</u>	<u>\$ (1,254,322)</u>	<u>\$ 3,267,446</u>	<u>\$ 365,154</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 new tax rates. The net deferred income taxes on the balance sheets reflect temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and income tax purposes, tax effected at a various rates depending on whether the temporary differences are subject to federal taxes, state and city taxes, or both.

The tax effects of temporary differences which give rise to the deferred tax liability consist of the following as of February 29, 2020 and May 31, 2019:

	February 29, 2020	May 31, 2019
	(Unaudited)	
Deferred Tax Liability		
Investments in limited partnerships	\$ 41,056	\$ 622,616
Investment in unconsolidated limited liability companies	132,660	230,672
Deferral of gain from like-kind exchange	3,419,460	2,779,555
Unrealized gain from investments	<u>4,148,983</u>	<u>4,750,270</u>
Total Deferred Tax Liability	<u>\$ 7,742,159</u>	<u>\$ 8,383,113</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 nine months ended February 29/28, 2020 and 2019:

	Three Months Ended February 29/28,				Nine Months Ended February 29/28,			
	2020 (Unaudited)		2019 (Unaudited)		2020 (Unaudited)		2019 (Unaudited)	
(Loss) income before taxes	\$ (2,037,572)	100.00%	\$ (7,912,345)	100.00%	\$ (4,478,264)	100.00%	\$ 16,926,185	100.00%
Computed expected tax expense	\$ (427,890)	21.00%	\$ (1,661,592)	21.00%	\$ (940,435)	21.00%	\$ 3,554,499	21.00%
State and City taxes, net of federal benefit	410,415	-20.14%	(49,973)	0.63%	935,874	-20.90%	126,444	0.75%
Increase in allocation of income to State and City	-	0.00%	(84,652)	1.07%	505,320	-11.28%	(84,652)	-0.50%
True-up of prior year tax	1,340,359	-65.78%	(286,090)	3.62%	1,340,359	-29.93%	(285,738)	-1.69%
Permanent differences								
Permanent differences related to consolidation of noncontrolling interests	(331,331)	16.26%	1,410,767	-17.83%	650,426	-14.52%	(3,327,572)	-19.66%
Other permanent differences	248,374	-12.19%	(654,591)	8.27%	809,110	-18.07%	336,122	1.99%
Other	(35,976)	1.77%	71,809	-0.91%	(33,208)	0.74%	46,051	0.27%
Total Provision for Income Taxes	<u>\$ 1,203,951</u>	<u>-59.08%</u>	<u>\$ (1,254,322)</u>	<u>15.85%</u>	<u>\$ 3,267,446</u>	<u>-72.96%</u>	<u>\$ 365,154</u>	<u>2.16%</u>

NOTE 7 – Mortgage Payable

On November 8, 2019, the Company acquired a building to be used in its cryptocurrency mining operations for \$1,050,000 located in Graham, 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.

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NOTE 7 – Mortgage Payable (cont.)

The following table presents contractual payments of the Company’s obligation under this mortgage as of February 29, 2020:

<u>For the Year Ending May 31,</u>	<u>Total</u>
	(Unaudited)
Remainder of fiscal year	\$ 14,489
2021	57,955
2022	57,955
2023	57,955
2024	57,955
Thereafter	681,532
Total	<u>927,841</u>

NOTE 8 - Stockholders' Equity

Redeemable Preferred Stock

The number of authorized Series R preferred shares is 5,000 with a par value of \$.001 per share. These shares are each convertible to 1,000 shares of the Company's common stock at the option of either the Company or the holder. There were no shares of preferred stock outstanding as of February 29, 2020 and May 31, 2019.

Stock Options

A summary of option activity as of February 29, 2020, and changes during the nine 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, 2019	104,000	\$ 4.34	2.06	\$ 329,040
Granted	8,000	\$ 6.10	6.62	\$ 9,440
Exercised	(56,000)	\$ 1.99	-	\$ 290,200
Forfeited	-	\$ -	-	-
Outstanding at February 29, 2020	<u>56,000</u>	<u>\$ 6.95</u>	<u>3.61</u>	<u>\$ 20,800</u>
Vested and Exercisable at February 29, 2020	<u>56,000</u>	<u>\$ 6.95</u>	<u>3.61</u>	<u>\$ 20,800</u>

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NOTE 8 - Stockholders' Equity (cont.)

All stock options granted during the nine months ended February 29, 2020 were vested as of grant date. All stock options were vested as of February 29, 2020 and May 31, 2019.

The aggregate intrinsic value of options outstanding and options exercisable at February 29, 2020 and May 31, 2019 is calculated as the difference between the exercise price of the underlying options and the market price of FRMO's common stock for the shares that had exercise prices that were lower than the \$6.50 and \$7.25 closing price of FRMO's common stock on February 29, 2020 and May 31, 2019, respectively.

As of February 29, 2020, there was no unrecognized compensation cost related to unvested options.