

FRMO Corp. Q1 2026 Conference Call
Monday, October 20, 2025

Operator

Good day and welcome to the FRMO 2026 Fiscal First Quarter Conference Call. As a reminder, today's call is being recorded. At this time, I would like to turn the conference over to Thérèse Byars. Please go ahead, ma'am.

Thérèse Byars – Corporate Secretary

Good afternoon, everyone. This is Thérèse Byars speaking, and I'm the Corporate Secretary of FRMO Corp. Thank you for joining us on this call.

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For additional information, you may visit the FRMO Corp. website at frmocorp.com.

Today's discussion will be led by Murray Stahl (Chief Executive Officer) and Steven Bregman (President and Chief Financial Officer). They will review key points related to the fiscal 2026 first quarter earnings.

And now I'll turn the discussion over to Mr. Stahl.

Murray Stahl – Chairman & Chief Executive Officer

Thank you, Thérèse, and thank you everybody for joining us. I thought what I'd do today is, I'd make a variety of general points related to what the quarter was like, and talk about it in the context of what we've been trying to accomplish for the last couple of years. Then we'll turn it over to questions.

The first quarter earnings themselves, the most salient event, at least arithmetically, is the decline in price of Texas Pacific Land Trust. We didn't sell any shares. I will just contextualize it. Year to date, oil is down on the order of 12%. Natural gas is down on the order of 20%. TPL's earnings are, to a large degree, dependent upon oil and natural gas, so there's nothing unusual in that.

What you might find unusual that you don't see too often in companies, is technically, we reported a loss, even though it's just a mark-to-market loss. I don't want to minimize that, but it's not a cash loss. I say that because our cash actually increased, as you can see from

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our balance sheet, up to \$25 million. We haven't spent very much of that. I would say, in a balance sheet sense, FRMO is not at a record shareholders' equity level, but in terms of liquidity, most of what we have is liquid. We can produce a lot of liquidity real fast if we had to. We just don't want to. The reason we don't want to is that we're moving in a certain direction to create an operating company out of cryptocurrency.

Apart from the robust character of Bitcoin and the other cryptocurrencies, it's well worth observing that we own now on the order of 44% of Winland. If we pass 50%, we're going to have to consolidate Winland. If we consolidate Winland, the financial statement is going to look different than it looks right now, and even if we get to over 50%, we'd like to keep building the Winland cryptocurrency effort. And the reason we like to do it is, it's an extremely high return on capital.

We engage in something called Scrypt mining. In Scrypt mining, what you basically do is, you mine two cryptocurrencies with the same electric current ordinarily used to mine one. In our case, we are mining Dogecoin and Litecoin. Dogecoin, as a coin, doesn't intrigue us greatly, even though it might appreciate over time. The reason is that Dogecoin has a monetary policy that calls for issuance without end, which is not the same as infinite issuance.

In other words, there's a constant issuance each and every year. And, in percent terms, that issuance lessens every year, because the numerator is the number of coins issued, the denominator is the number of coins outstanding, and the number of coins being issued is the constant. The number of coins outstanding keeps increasing. Therefore, the rate of increase will diminish every year. So, it has some interesting long-term properties.

Basically, we mine Dogecoin for cash and keep the Litecoin—I'll talk about Litecoin in a second. We use the cash to buy Bitcoin. That's the alternative to mining Bitcoin. A couple of points to understand why we do this. From a mining point of view, which is the same as saying from a return-on-capital or a use-of-capital point of view, one of the problems of Bitcoin—not that it isn't a wonderful cryptocurrency—is that it has something called a halving.

What that means is that every four years, the block reward (the number coins you get for mining) is cut in half. Ergo, it's called a halving. If you're not able to improve your mining operations in terms of their efficiency every four years, you're going to have a problem. Your return on capital is not going to be very alluring. It's extremely hard work, and you have to be very careful about the equipment you're buying, because it could be easily obsoleted.

Dogecoin, in contradistinction, does not have a halving. Therefore, the equipment that we buy to mine Dogecoin, which also mines Litecoin, as a practical matter, has a longer useful life. I gave an example in the annual shareholder letter of what your mining return on capital really is for a quarter. It's extremely robust. When you start mining, it's not quite as

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robust. Like anything in the world of business, you have to achieve a certain economy of scale. Buying one mining device or two mining devices or three is not going to do it, but once you get beyond a certain critical scale, you've covered your fixed expenses largely. Not all of it, but a lot of it goes to the bottom line. That's where we are with Winland, and we'd like to build that, and build the economy of scale.

It's also worth noting that Consensus Mining, a related company, employs the same strategy. Consensus Mining began being traded about six to eight weeks ago. We bought some Consensus Mining shares as well. At the moment, FRMO owns 11,950 Consensus Mining shares. There are 2.2 million Consensus Mining shares.

We're really, really enthusiastic over the mining operations. If and when we cross the 50% barrier with Winland and we consolidate, the information we provide is going to be a lot more detailed, and you're going to see a lot more interesting things in terms of what we're doing in cryptocurrency. At the moment, they are separate companies, and Winland's not a reporting company, even though it really trades. We'll see what happens if we cross that threshold.

One other point I'd like to make, it's really in relation to cash balance, but it's also in relation to our short sale position. You'll observe that Securities sold, not yet purchased—our short sale position—now exceeds \$11 million on a cost basis, and you can look on the balance sheet and see the market value.

Basically, we're not shorting securities on fundamentals. We're only shorting path-dependent ETFs. Those are ETFs where—despite what might happen in a profit/loss sense on any given day—in the fullness of time, those security values are going to decay. There's an element of wonder to me that, despite this fact being known by all the market participants, that we still have the trading volume we have, and the assets under management we have, in those ETFs. But that's the way it is.

As you can see by just doing the relevant arithmetic, a not-small proportion of the cash we have on the balance sheet actually came from shorting those securities. Ultimately, those securities become either worthless or next to worthless, and the cash is effectively ours to keep without many cases even of relevant tax consequences. It's a really good policy. We've been doing it for years, and we intend to continue it as long as it's possible to continue that sort of thing. I just call your attention to it because it's not quite a business, but it's almost a business.

Those are the salient points I wanted to bring up, and maybe now is a good time to open it up. If there are any questions, I'll be delighted to address them.

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Question 1

I am trying to understand how many MIAX shares FRMO currently owns post-IPO. According to this table, as of May 31, 2025, the company directly and indirectly held 1,870,601 shares. Afterwards, there was a 1-for-2 reverse split, which should have reduced the holding to approximately 935,300 shares. Is this figure correct, or am I missing something? Thank you very much for your help.

Murray Stahl – Chairman & Chief Executive Officer

Yes, it's almost correct; I'll give you the exact figures. This is, of course, as of August 31, 2025, and they are as follows. The restricted shares: 934,884—pretty close to 935,000, so it's not a bad calculation. We also have some unrestricted shares: 11,396. Those are the numbers as of the most recent relevant date.

Question 2

In reference to the top holdings table on the website, since some of these positions are held through funds, do you periodically sell any of the underlying holdings to cover annual management or performance fees? Over time, do the holdings at the fund level tend to decline as a result?

Murray Stahl – Chairman & Chief Executive Officer

Generally speaking, if the cash is available, we take the fees in cash. If cash is not available because we're fully invested, we don't sell. We just take the fees in kind. We've done that from time to time. It makes no sense to sell the shares. We want to keep them anyway and realize gains and have those gains passed out to us and all the other shareholders. Some of the holdings have come to us via in-kind performances, which we're holding right now.

Question 3

At FRMO's Annual Meeting in September, it was disclosed that FRMO or affiliates of Horizon were investing in the Texas Stock Exchange. Does FRMO have exposure to this investment, and if so, what is its approximate size?

Murray Stahl – Chairman & Chief Executive Officer

We have exposure through the various funds that we're in. I'd have to calculate it and see what it is on a look-through basis. It's not large. It's not a small number, but it's a small number in relation to the size of our investments. When we got around to it, Texas Stock Exchange didn't really need a lot of capital, and therefore, we didn't invest a lot of capital in it, so we don't have a tremendous exposure. We have a small exposure.

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However, it's worth noting that when we started with Miami International Holdings, otherwise known as MIAX, we started with a \$200,000 investment. Today, we're the largest shareholder. What we do over time is, we get to know a company, and if we like what's going on, we buy gradually over time. We just don't take a position over a very short, discrete period of time and hope for the best.

The reason for that is as follows: It takes a long time to get to know a company—a very long time. As you're getting to know a company, a lot of opportunities to buy shares will appear, because the stock will go up and the stock will go down for all sorts of reasons, most of which have nothing to do whatsoever with the fundamentals of the company.

It'd be great to say we pick a day and we take a very big position in a company, but we've never done that so far, and it's always worked for us. That's the way we scale things, so I don't think one should draw any conclusions about what our ultimate plans are for any company just by what we own right now.

Question 4

Has the IRS's new interim guidance on unrealized gains for digital assets changed FRMO's thinking about the amount of Bitcoin that's prudent to hold on corporate balance sheets?

Murray Stahl – Chairman & Chief Executive Officer

A lot of the Bitcoin that we have is indirect, through Winland and Consensus Mining, so not all of it is on our balance sheet. Of course, it doesn't make a lot of sense for us to start selling Bitcoin, and it seems like there are so many wonderful things ahead of it before we go and pay the tax. Direct holdings of Bitcoin are in round numbers, so 159 coins is not a tremendous amount.

Most of our Bitcoin, in terms of market value, is in the ETF shares like Grayscale Bitcoin Trust or the Grayscale Bitcoin Mini Trust, so that's where our holdings are. I don't know how relevant the IRS guidance is to what we have. Most of it is a security holding. It's not a physical holding—although the physical holding is getting to be, in market value terms, not insignificant.

Question 5

According to the latest disclosure form table of the beneficial owners' percentages, it says that Murray's holdings in FRMO increased to 18.2%. Were these additional shares purchased in the open market or in a private transaction?

Thérèse Byars – Corporate Secretary

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I can actually shed some light on that. It's a difference in how we were formerly only including Murray's directly owned shares, and now we are including those that are indirectly held. While Murray may have increased his holdings, I don't think it would necessarily have been enough to move the needle the way this did. Does that make sense?

Murray Stahl – Chairman & Chief Executive Officer

Yes, it makes sense. Let me just say that the degree it increased is primarily because I personally bought in the open market. I may own a few shares indirectly. I don't remember. But almost all my shares are owned directly, and generally speaking, when the window opens up, I'm usually a buyer. Obviously, I can't buy during the quiet period—the period in which we're preparing the earnings. But in the open period or non-quiet period, if you like, I'm usually a buyer. In the last open period, I was a buyer directly, not by any private transactions or any intermediate vehicle. I just used my own money and I bought the stock.

Question 6

Does the company plan on reducing exposure to investment labeled “A” in order to reduce risk profile?

Murray Stahl – Chairman & Chief Executive Officer

I think you can pretty much guess what Investment Holding A is. No, we're not doing things like that. We're leaving it alone, and we don't engage in that kind of portfolio management. That kind of portfolio management is unbelievably tax-inefficient. If there was something wrong with it, of course we would reduce it, but just to change the weightings, I don't see any reason to do that. The weighting is going to be whatever it needs to be, based on its market value. If we think it's a good investment over time, we're going to have it.

Since you're probably referring to Texas Pacific Land, may I just say this: There's oil, there's natural gas. It's going to last for a very long time. Then there's water, and there's land. The water is forever and the land is forever. How many businesses can you think of where the most essential holdings are forever assets? I don't think there are very many, so you have to come up with a very compelling reason why you want to sell those shares. I, at least, haven't found one, but if you have one, I'd love to know it.

Question 7

On Page 11, Note 5, Digital Assets: From May to August 2025, Bitcoin units went from 159 to 159.1. In the latest release of Winland Holdings Financial Statements on Page 22 under Winland Mining, LLC, in the year between June 2024 and 2025, Bitcoin went from 76 to 79. Are you satisfied with this rate of accumulation in Bitcoin? And what is the

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metric for determining if the rate of Bitcoin accumulation is living up to the capital investment in this endeavor?

Murray Stahl – Chairman & Chief Executive Officer

At the moment, we're doing almost all our mining in Winland. We're still doing some mining in FRMO. That explains why FRMO had the increase it had. We're doing almost all our mining—not all our mining, but almost all our mining—in Winland. In Winland we're still increasing the scale of operations. As we increase the scale, the rate of Bitcoin accumulation is going to increase as well.

Question 8

Per the revenue table in the just-released FRMO Financial Statement, in a consolidated statement on Page 3, dividend income decreased from \$4.4 million in August 2024 to \$1.1 million in August 2025. Can you provide any insight into this change?

Murray Stahl – Chairman & Chief Executive Officer

Sure, because a year ago, you might recall Mesabi Trust paid a very substantial extraordinary dividend. Because it's "extraordinary," it happens once in a while, and it didn't happen in the most recent period. Being extraordinary, it's not going to happen often, so we just collected the ordinary dividends. That accounts for the differential. I wish we got a big extraordinary dividend in every period, but we're not that fortunate.

Question 9

FRMO stock remains an illiquid trading stock, where generally only a few hundred shares trade. Are there any plans that would lead to a more liquid trading stock and upgrade its visibility, at least to the level that just occurred with Horizon Kinetics Holding Corporation?

Murray Stahl – Chairman & Chief Executive Officer

We'd like to do that, and eventually we're going to do it. The fact that we haven't done it yet, the person you should blame is yours truly. As you can imagine, I've got a lot of things to do. Speaking of the Horizon listing, it took a year to get Horizon to have its current visibility, and it was not easy. It took a lot of work, and eventually, we'll make the effort with FRMO.

From what I recall, and correct me if I err, but I believe the average trading volume of FRMO daily is now 11,900 shares. That's my recollection, so it's not as small as some might think. But you could look at it two ways. On the one hand, there are things we could do to probably get the volume up. On the other hand, the shareholders like to hang on to

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the shares, so we can't be too upset about that. We will do something at some point when I have the bandwidth to do it. Today, I just don't have the bandwidth, but I will get to it. I will make an effort.

Question 10

Zcash has risen sharply over the past quarter, more than 300% in less than a month. How do you interpret moves like that? Does that kind of volatility affect how seriously you can view certain cryptocurrencies as a potential store of value?

Murray Stahl – Chairman & Chief Executive Officer

There are about 40 cryptocurrencies—Zcash is one—that have a monetary policy similar to Bitcoin. I don't think people realized that was the case, so these are new experiences for a lot of people, and cryptocurrency is a new experience for a lot of people. You have to expect that for the average person who invests in these cryptocurrencies, what they think they're investing in is technology stocks. And they find out, actually, that as a monetary policy instrument, as a store of value, it's much different—and when people change their point of view, you can have a ridiculously big move in the underlying currency. And that's an example.

We had some Zcash for a long time. It did less than nothing—it declined. Lately it's moved up, and I think it's very merited. It's going to be a while before lesser cryptocurrencies have the constituencies that are necessary so they fully understand what's going on. We can only hope that it's attracting educated buyers. Time will tell if that's true, but one should not underrate the potential of Zcash, in my humble opinion.

Question 11

In your letter to shareholders, you mentioned the gradual accumulation of royalty companies. Could you talk about why that process is gradual? How does that approach compare to your strategies like gradually buying Bitcoin mining equipment or shorting path-dependent ETFs, which I assume are done to manage issues like obsolescence and illiquidity?

Murray Stahl – Chairman & Chief Executive Officer

I'll compare and contrast. Let's just start with the path-dependent ETFs. The probability is exceedingly high that if you sold short any path-dependent ETF today, 12 months from now, you will have a very substantial profit. The probability is seemingly high, but it's not so high that it's 100%. If you shorted a little bit every day, there's going to be a day or two or three in the course of the 253 trading days of the year where that statement—for a purchase on those dates—is not going to be true and 12 months later, you're actually going

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to have a loss on those. But in relation to the entirety of the 253 trades you did, you're not going to worry about it very much on balancing and profit.

If you did what everyone else does and you decide you're going to pick the day, there's a certain probability that you're going to pick a bad day. Of course, it's not 100%, and the odds are in your favor you're going to pick a good day. There's a certain probability you're going to pick a bad day, and all of your shares will have been shorted that day. Therefore, despite the properties of the instrumentality, a year from now, if you did that, you're going to have a loss. If you do a little bit every day, you're just increasing tremendously the probability you're going to have a profit.

In the case of the cryptocurrency mining equipment, it's the same thing. The only risk you really have is sudden technological obsolescence that we just can't suspect—that some new company that we never heard of enters the market and has a better product. Of course, it wouldn't completely obsolete the existing product that we bought, but that equipment's value is going to be impaired by a very considerable quantity.

I ask rhetorically: Isn't it better to do a little bit periodically? And, sooner or later, it will happen to us that some very small—from your point of view, de minimis—cryptocurrency mining device purchase is going to be impaired to some degree? Maybe it's impaired to the extent of 50% or 60% or even 70%. But, the impairment loss is going to be minimal in relation to everything we're doing.

In the case of cryptocurrency mining, it's going to be lessened even further, because you're obligated to depreciate the equipment. So if it happens a month from purchase or two months from purchase or three months from purchase, it's still something we don't want to happen, but we already would have depreciated some of it. Of course, we depreciate over three years.

Why take a chance on negating the very high-return-on-capital characteristics by just picking a day—on the basis of what? We have no logical reason to say today is a better day to buy a great quantity of cryptocurrency mining equipment than tomorrow. We have no basis for making such an assertion, so why make such an assertion?

With royalties, the exact same thing is the case. The royalty payout that you get is a function of price of the commodity. It could be gold, could be oil, could be natural gas. Over time, the oil price, using that commodity, increases about 4% a year. With iron ore, the increase is about 7% a year. However, I've seen times when over the course of a year or two—using the iron ore price as an example—the price goes down 50%. Same idea.

The probabilities are decidedly in our favor, so why take a chance and decide for reasons that I have no basis for asserting, that today is the day I'm going to make a very big investment in a given royalty company? The underlying commodity goes down, and I have

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a paper loss for some number of years until the inevitable production cost increases occur and give us a profit.

You might say, how do we know that cost increases are inevitable? Particularly, because there's no shortage of any of these commodities on the planet. It's just that they become more and more difficult to access. In the case of most commodities, they're embedded in the Earth. You just have to go deeper. If you have to go deeper, it costs more money, and that's why the prices rise.

We know what's going to happen, but we don't know politically or sociologically what happens in the interim, so why take the chance? There's no gain that you could possibly have. There's nothing good to come out of it. There's only something that's bad to come out of it. The two possibilities are, it's either going to be bad, in which case you'll regret today, or it's going to function the exact same way it would have functioned if you had bought a little bit every day. You have no upside. You only have a downside. So, why do it? We don't do it.

Question 12:

Why is the \$9.9 million carrying value of Horizon Kinetics Holding Corp. on FRMO's balance sheet extremely different from the one that I calculated? That is the 4.4% interest, right? That should be almost \$30 million, based on the Horizon Kinetics Holding Corp. market cap. Are you forced to discount it by two thirds by the auditor? What will the new auditor require?

Murray Stahl – Chairman & Chief Executive Officer

We're not forced to do anything. It's a question of the standard accounting practice. The standard accounting practice is because Horizon Kinetics is considered an illiquid security. We could mark it to market. It's considered best practices to use the equity accounting method. So, we just use the best practices. Obviously, everybody knows what our interest is, and obviously, everybody knows what the price of Horizon Kinetics is. It's just one click away. They can do their own calculation, but the best practice, given the fact pattern as we know it to be, is considered to be to use equity accounting, so we use equity accounting.

Question 13

Why isn't Horizon Kinetics Holding Corp. shown on the list of investments?

Murray Stahl – Chairman & Chief Executive Officer

I think you're referring to the list of our biggest holdings. We can put it in there if people want it. It's not a problem. I thought it was obvious from the balance sheet, but if people

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would like to see it on the list of investments, I'd be more than delighted to put it on the list of investments. It's not a problem whatsoever. Maybe you want, Thérèse, to attend to that for the next meeting.

Thérèse Byars – Corporate Secretary

Very happy to.

Question 14

Why do you believe a consolidation of 50% of Winland with small revenues and small earnings will give FRMO a huge price-to-earnings valuation greater than the way it appears to be valued in book value today? And what might I be missing that you see clearly?

Murray Stahl – Chairman & Chief Executive Officer

I didn't make any statements about what the valuation of FRMO will be or won't be. I didn't say anything about that. I just think it's better to be an operating company than to be a holding company. The reason I say it is because holding companies are historically, generally speaking, valued at net asset value. Operating companies are valued on a multiple of earnings, such as they are.

How high a multiple is really a function of what the observer analysts think about your prospects for increasing the earnings, so that's all I'm saying. I didn't say that the market isn't going to do anything. I didn't say the market would do nothing. We're going to find out, but you see the direction we're going, and we've been accumulating Winland stock every quarter. If and when we get to over 50%, we will consolidate, and we'll see what happens.

Question 15

Virginia has the most data centers in the United States, with over 600 facilities collectively using around 4,900 megawatts of power, or approximately 5 gigawatts. Murray has mentioned that while this sounds like a very large amount of power, it is actually relatively modest compared to the total energy infrastructure or future demand projections. Can you explain this?

Murray Stahl – Chairman & Chief Executive Officer

The Oracle project, Stargate, is 4.5 gigawatts. The Washington, DC/Northern Virginia metro area is the most data-center-dense area of the U.S. It took a quarter century to get to 4.9 gigawatts, and now Oracle is going to get to 4.5 gigawatts, almost the same amount, in a very brief period of time. The difference is that the new data centers are hyperscale.

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They're using semiconductors that draw a lot more power. In about 15 or 16 months, the current NVIDIA Grace Blackwell GB200 chip, which draws 1200 watts, is going to give way to the Vera Rubin chip that draws 3,600 watts—three times as much.

Obviously, once that conversion is made, the hyperscale data centers will draw 3x the power. That's the basis for it. Anybody who wants to can look up the functional specifications of the GB200 chip and then look up the functional specifications of the Vera Rubin chip, and you can see what the power draw is, and it is what it is, with one salient difference. If you're going to do the calculation, you have to allow for something called power usage effectiveness, or PUE.

Let's make it simple. Let's say you had a 1 gigawatt hyperscale data center. What that means is, the equipment inside a data center is rated for 1 gigawatt, so to be fully energized, it has to draw 1 gigawatt of power. That's pretty simple. Everybody agrees on that. The problem with it is, 1 gigawatt of power is so much power that the mere act of transporting that power, even over a very relatively short distance, is really a long distance. Why is it a long distance? Because the chip circuitry is so complex the distance is not measured from the point where the wire emerges from the grid to the transformer at the data center. It's really a question of the pathway the power takes for all the accumulated circuitry of all the racks. It's really a tremendous distance.

If you travel that distance, the electrons are actually bouncing off the wires. It's called kinetic motion, and that causes heat. What's happening is, you are losing a certain amount of electric power as heat, as kinetic motion. If you have a rate of capacity of 1 gigawatt, your power usage effectiveness coefficient is going to tell you that you need to draw 1.58 gigawatts to fully energize a 1 gigawatt data center. To put it another way, if you had a 4.5 gigawatt data center and you wanted it fully energized, assuming you did, the actual amount of power is 4.5 times 1.58, or 7.11 gigawatts. That's the problem. Nobody planned for such extensive power usage.

If the people want to have services such as artificial intelligence, virtual reality, and all the other things that go with it, the only way to do it is to have that power. Speaking for myself, I have no interest in virtual reality, so I won't be contributing any power to that effort. But everyone else, if they want to live in a democratic society and if everybody wants it, the only way they're going to get it is, they have to have that sort of power. The effort to make that power available is truly extraordinary.

Let me just give you an idea of the kind of effort that you need. A lot of chips and semiconductors are going to be doped with a rare earth metal called gallium. You may not have heard of it. Lately, rare earths are in the news because the U.S. has had problems acquiring them from China,. A lot of people misunderstand rare earth to mean that it's not available, or is rare in the sense that diamonds are rare, and nothing could be farther from the truth. Rare earths are found in virtually every parcel of land on the planet. What "rare" refers to is the percentage of the material in the earth moved, and it is relatively

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insignificant. Phrased alternatively, in order to get a relatively small quantity of that substance, you basically have to move a lot of overburden.

For example, if you wanted to acquire 1 kilogram (2.2 pounds) of gallium, you will need to move 50 tons of rock. I ask you to imagine, if you really moved 50 tons of rock to get 1 kilogram of gallium, can you imagine what you've just done to the surface of that land area that you're mining? You're only getting a kilogram. What if you wanted 100 kilograms? Well, multiply 50 tons by 100, and what are you going to do with this overburden once you've extracted the gallium?

It's not easy, and a lot of these substances are toxic, and if it rains while you're doing it and the substances are released into the groundwater, you've got some problems. This is not an easy thing, and imagine the kind of energy that you're making use of just to move a few tons of earth to get 1 kilogram of gallium. That's what we're talking about in terms of effort, and that's only one piece of the effort.

You will find that gallium is in every single solar panel in the world. Next time you walk by a building with solar panels on it, just be aware there's gallium on the silicon substrate, and what needs to be done to get that material into the solar panel. If you've ever seen a rare earth extraction facility, I guess this is a subjective statement—but I think you might agree with it, subjective as it is—let's just say it's not very pretty.

That's the problem, and it's only one of the problems. It's not energy-efficient. It's not resource-efficient, and it creates a lot of environmental damage. More importantly, it creates a lot of environmental hazard, so that's just something people should bear in mind as they make use of this technology. That's all I'm saying.

It's not easy to put all these datacenters into place, and there are costs. There are economic costs, of course, and there are also social costs and environmental costs. I think people should be cognizant of them. That's just my opinion. I think that's a thorough answer to the question, but you can follow up if I haven't fully addressed it.

Question 16

What is the net asset value for Horizon Kinetics Hard Assets and Horizon Kinetics Hard Assets II? Could management disclose the assets within those entities? Previously, it was disclosed that TPL was by far the biggest position in Horizon Kinetics Hard Assets and that PSK and MSB and PBT were the positions held within Hard Assets II.

Murray Stahl – Chairman & Chief Executive Officer

I'm happy to disclose it. The assets of Horizon Kinetics Hard Assets I is, in round numbers, about \$330 million. Yes, TPL is the biggest position. Other positions are Mesabi

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Trust and PrairieSky; those are the biggest positions at the moment. There are some smaller things in there as well, but those are the bigger positions.

In terms of Hard Assets II, first you should be aware that Hard Assets II actually takes client money. It's known as the Clemenceau Fund; we renamed it after the French politician Georges Clemenceau. In any event, TPL is a big position, but it's nowhere near as large in the Hard Assets II as it is in Hard Assets I.

Other big positions are the Permian Basin Royalty Trust and Mesabi Trust. I forgot to mention that Hard Assets I has interests in Urbana, as does Hard Assets II. We have some Landbridge and some Alliance Resource Partners. And of course, in Hard Assets II, we have some Bitcoin ETFs, and I think that covers the primary holdings. I should be remiss if I didn't state that Hard Assets I and Hard Assets II also engage in selling short path-dependent ETFs.

Question 17

How much does FRMO contribute every month into Horizon Kinetics Hard Assets I and II? It was previously mentioned that it was around \$150,000 to \$200,000.

Murray Stahl – Chairman & Chief Executive Officer

That's about right. However, FRMO has taken some redemptions from HK Hard Assets I. We've taken some redemptions, and there are some reasons for that. Basically, we're using some of that money to fund the buildup of Winland. There were also—for reasons that would take a very long time to explain—some shares of Winland that were in HK Hard Assets I that we thought would be better for Winland to own directly, and we took those as a redemption in kind. There weren't a lot of Winland shares, but they were transferred to FRMO.

Question 18

What was the purpose of incorporating Horizon Kinetics Hard Assets as an LLC versus as a fund?

Murray Stahl – Chairman & Chief Executive Officer

We weren't sure. We wanted client money in the beginning, but we never took client money in Hard Assets I, and now there are no plans to take any money. An LLC gives you a lot of flexibility in things you can do. That struck us as, for what we wanted to do—all of these things have advantages and disadvantages—it was easier to do the things we wanted to do in the LLC format. That's why we did it that way. Hard Assets II is now taking client money, so it's a different creature.

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Question 19

Did management ever consider transferring their directly held Bitcoin and cryptocurrencies to Winland Holdings in exchange for additional shares?

Murray Stahl – Chairman & Chief Executive Officer

Yes, we definitely considered it. The problem is, we'd pay a very high tax to do that. We'd realize a capital gain, which sort of defeats the purpose. We want to create value, but we'd be transferring a lot of value to the federal government, which I will admit probably needs the money more than we do. But we'd just like to hang onto it for a little while longer.

Question 20

On the subject of electricity generation, can you talk about the water usage and how much water is needed to generate the power?

Murray Stahl – Chairman & Chief Executive Officer

I'll be glad to do that. Let me first explain, before I talk about the number, what you need the power for, so it makes more sense. Basically, whether you use nuclear power or you use natural gas-fired generation or even if you're using coal, I know people think they're three different technologies. But really, they're one technology, and that technology is called a thermal electric plant.

What does "thermal" mean? It means that you boil water, which creates steam, of course, and that steam drives a turbine. Everybody realizes what boiling water is. That's not hard. The steam turns the turbine blades and that generates electric power, but what we don't know is, how does the steam make its way to the turbine blades? The answer is, the only way that's going to happen is that there has to be, on both sides of the turbine, a hot area and a cold area.

These are relative terms. The hot area is obviously where you're boiling the water. The other side of the turbine blades, where the steam is coming out, that's got to be much colder. We need to do that to create a temperature gradient. If you create a temperature gradient, the hot is going to flow into the cold area, so you get an even consistent flow of steam through the turbine.

By the way, the steam is just water that's now water vapor. If you take water and you raise the temperature, it becomes water vapor. It becomes a gas, which we call steam. The steam goes through the turbine, and to create a temperature gradient, it's got to be cooled. There are a lot of ways you can cool it, but the most common way is to expose it to the air. When you expose it to the air, you're going to evaporate a certain amount of water, which to be reinserted to maintain the steam pressure. That's why you need the water.

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Now that you understand how it works in simple terms, we can get into the numbers. According to the American Public Power Association, 11,857 gallons—I'm doing gallons because everybody knows what a gallon looks like—of water need to be used per megawatt hour of power produced. Now, 90% of that can be reused; 10% is going to be evaporated. What's 10% of 11,857? I'm going to ignore the decimal; 1,185 gallons per megawatt hour. How many megawatts in a gigawatt? A thousand. If you take 1,185 gallons times 1,000, that gives you 1,185,000 gallons per gigawatt hour. But there are 24 hours in a day, so if running continuously, that's 28,440,000 gallons per day.

If we want to translate it into barrels, there are 42 gallons in a barrel, so I'm going to take 28,440,000 and divide it by 42. I'm going to ignore the hundredths and just make it easy for everybody. It's roughly 677,000 barrels a day. There's 365 days in a year, so I'll multiply it by 365. That gives me—I'm going to ignore the hundreds of thousands—247 million barrels. At 50 cents a barrel, which is the going rate, it's going to cost you \$123 million and change for that water. That's not your water bill, because remember before, when I mentioned power usage effectiveness? If you've got a 1 gigawatt power plant, it's got to draw 1.58 gigawatts to service or fully energize a rate of capacity of 1 gigawatt.

So, I have to take this \$123 million and multiply it by 1.58, so your water bill is now \$195 million a year. Are you finished? No, you are not, because no power plant can run continuously. It has to go down for scheduled maintenance, and sometimes it's going to go down for unscheduled maintenance. To make sure your data center never goes down, because it can never go down, you basically have to have another parallel plant running. So, I've got to take that \$195 million and multiply it by 2; \$390 million and change, that's your water bill. You haven't used a gallon of water for the data center yet. That's just to generate the power. That's a lot of water.

Let's look at the engineering practicalities. You can't draw the water out at greater than the natural refresh rate of the aquifer or you destroy your water source. If you're in a city, let's say New York City, even if you could draw the water out from the aquifer, let's say, in our case, the New Croton Reservoir, at that rate. In practice you never could, but assuming you could, the city's water system and water mains are not designed to deliver that water to a data center that's located in the city, or even the suburban areas. We don't have the water infrastructure to even do it if we wanted to, if we even could.

The most important point is that a lot of people are going to object. The only thing you can do is, you have to go to an area where there's a lot of water and not very many people, and that's very hard to find. The reason it's very hard to find is because whatever the culture is, whatever the period of history is, people—as a generalization—want to live near water.

And you can see why. They need the water for agriculture. They need the water to live. Water is the most important substance of all, so generally speaking, civilization has evolved near water. So, you're not going to find very many water sources that don't have a

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lot of people around them. If you do find such a water source, would you sell it? It's a rhetorical question, of course. Now you understand what's going on.

I hope you found this interesting, and of course, if I didn't answer the questions, or as happens sometimes, if you realize you should have posed a question but didn't pose the question and you'd like to pose it afterwards, feel free to contact us, and we'll get you an answer. Of course, we'll reprise this in roughly 90 days, and I look forward to doing that at that time. In the meantime, thanks for being a great audience, and thanks for being great shareholders. I bid you good afternoon, and we shall meet again. Thanks so much.

Thérèse Byars – Corporate Secretary

Thank you. The conference has now ended. You may disconnect.

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