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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors
Titanium Holdings Group, Inc.
San Antonio, TX

We have compiled the accompanying consolidated balance sheet of Titanium Holdings Group, Inc. and Subsidiary as of June 30, 2016, and the related consolidated statements of operations and cash flows for the six months then ended. We have not audited or reviewed the accompanying June 30, 2016 consolidated financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of consolidated financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the consolidated financial statements.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Pasternak & Company LLP

August 24, 2016
Great Neck, NY

TITANIUM HOLDINGS GROUP, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
JUNE 30, 2016

ASSETS

Current assets	
Cash	\$ 2,072,910
Accounts receivable, net of allowance for doubtful accounts of \$14,071	455,882
Inventory	487,397
Prepaid expenses and other current assets	<u>111,913</u>
Total current assets	3,128,102
Fixed assets-less accumulated depreciation and amortization of \$1,051,813	1,034,131
Marketable securities-available for sale	126,613
Other investments	14,547
Goodwill	<u>100,192</u>
TOTAL ASSETS	<u>\$ 4,403,585</u>

LIABILITIES & STOCKHOLDERS' EQUITY

Current Liabilities	
Accounts payable and accrued expenses	\$ 559,882
Income taxes payable	<u>8,393</u>
Total current liabilities	<u>568,275</u>
Commitments and Contingencies	
Redeemable preferred stock-\$.001 par value; authorized 5,000,000 shares	
70,000 shares of convertible stock designated as Series E stock-	
\$2.50 stated value; issued and outstanding -0- shares	<u>-</u>
Stockholders' equity	
Common stock-\$.001 par value; authorized 20,000,000 shares;	
issued and outstanding 9,228,997	9,229
Additional paid-in capital	11,246,532
Accumulated other comprehensive loss	(666,663)
Accumulated deficit	<u>(6,753,788)</u>
Total stockholders' equity	<u>3,835,310</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 4,403,585</u>

TITANIUM HOLDINGS GROUP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2016

Net Sales	\$ 3,830,721
Cost of sales	<u>3,011,957</u>
Gross profit	<u>818,764</u>
Operating expenses:	
Salaries	504,159
Rent	35,723
Marketing	19,132
Professional fees	39,787
Utilities	8,897
Delivery and auto	25,150
Office expense	21,606
Payroll and other taxes	20,520
Repairs and maintenance	6,586
Insurance	7,599
Depreciation and amortization	30,538
Other	<u>17,070</u>
Total operating expenses	<u>736,767</u>
Operating income	81,997
Other income	<u>285,602</u>
Income before income tax expense	367,599
State income tax expense	<u>6,000</u>
Net income attributable to common stockholders	<u>\$ 361,599</u>
Income per share-basic and diluted	<u>\$ 0.039</u>
Weighted average number of shares outstanding	<u>9,228,997</u>

TITANIUM HOLDINGS GROUP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2016

Cash flows from operating activities:

Net income	<u>\$ 361,599</u>
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	30,538
Changes in assets and liabilities net of effects of dispositions:	
Increase in accounts receivable	(64,309)
Decrease in prepaid expenses and other assets	30,749
Increase in inventories	(23,800)
Increase in accounts payable and accrued expenses	<u>85,020</u>
Total adjustments	<u>58,198</u>
Net provided by operating activities	<u>419,797</u>
Cash flows from investing activities:	
Proceeds from partnership distributions	103,873
Purchase of property and equipment	<u>(14,571)</u>
Net cash provided by investing activities	<u>89,302</u>
Net increase in cash	509,099
Cash - beginning	<u>1,563,811</u>
Cash - ending	<u><u>\$ 2,072,910</u></u>
Supplemental information:	
Cash paid during the period for:	
Interest	<u>\$ -</u>
Income taxes	<u><u>\$ 11,906</u></u>

See Notes to Consolidated Financial Statements

**TITANIUM HOLDINGS GROUP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2016**

1. General

The accompanying financial statements, footnotes and discussions should be read in conjunction with the financial statements, related footnotes and discussions contained in the Company's Annual Report for the year ended December 31, 2015. The financial information contained herein is unaudited. In the opinion of management, all adjustments necessary for a fair presentation of such financial information have been included. All adjustments are of a normal recurring nature.

The results of operations for the six months ended June 30, 2016, are not necessarily indicative of the results to be expected for the full year.

2. Principal Business Activity and Summary of Significant Accounting Policies

The accompanying consolidated financial statements include the accounts of Titanium Holdings Group, Inc. and its subsidiary (collectively the "Company"). All significant intercompany balances and transactions have been eliminated in consolidation.

The principal business activity of the Company is manufacturing and the wholesale distribution of sanitary maintenance supplies and paper products.

Property and equipment are recorded at cost. Depreciation is provided for by the straight-line method over the estimated useful lives of the property and equipment.

Inventories consisting of raw materials, work in process and finished goods are valued at the lower of cost or market. Cost is determined using the first-in, first-out method.

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of estimates by management. Actual results could differ from these estimates.

Earnings (loss) per share ("EPS") is computed by dividing net income or loss by the weighted-average number of common shares outstanding for the period. Both basic and diluted net income (loss) per share are the same, because the effect of the Company's outstanding warrants and options is anti-dilutive.

3. Investments

The Company classifies its existing marketable equity securities as available-for-sale in accordance with the provisions of Statement of Financial Accounting Standards, "Accounting for Certain Investments in Debt and Equity Securities." These securities are carried at fair market value, with unrealized holding gains and losses reported in stockholders' equity as a component of other comprehensive income or loss. Gains or losses on securities sold are based on the specific identification method.

TITANIUM HOLDINGS GROUP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2016

4. Contracts

During April 2015, the Compensation Committee and the independent members of the Board, unanimously voted to renew the employment contract of Randall K. Davis, CEO and President of the Company, effective April 8, 2015. The new contract is for 5 years with substantially the same terms as his previous contract.

During April 2015, the Compensation Committee, and the independent members of the Board, unanimously voted to renew a consulting agreement with Mr. Steven Etra, effective April 8, 2015. The new contract is for 5 years with substantially the same terms as his previous contract.

5. Stockholders' Equity

The Chairman of the Board, Steven Etra, directly owns 4,611,293 shares of issued and outstanding common stock of the Company and indirectly controls an additional 842,318 of the shares. This total of 5,453,611 outstanding shares of common stock gives Mr. Etra control of approximately 59% of all outstanding, voting common stock issued. The Board of Directors, as a group, currently owns 6,012,519 shares, representing approximately 65% of all outstanding, voting common stock issued.

6. Other income

Effective March 31, 2016, a lease on one of the Company's retail stores was terminated prior to the original expiration date of the existing lease. In consideration of the early termination, the Company received \$285,000 from the landlord. Simultaneously, the Company opened a new retail operation in the same area as the prior.