

PASTERNAK & COMPANY, LLP

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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 September 30, 2016, and the related consolidated statements of operations and cash flows for the nine months then ended. We have not audited or reviewed the accompanying September 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.

Pasternack & Company LLP

November 8, 2016
Great Neck, NY

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

ASSETS

Current assets	
Cash	\$ 2,037,208
Accounts receivable, net of allowance for doubtful accounts of \$14,071	477,486
Inventory	468,585
Prepaid expenses and other current assets	<u>69,310</u>
Total current assets	3,052,589
Fixed assets-less accumulated depreciation and amortization of \$1,067,082	1,033,215
Marketable securities-available for sale	78,012
Other investments	10,388
Goodwill	<u>100,192</u>
TOTAL ASSETS	\$ 4,274,396

LIABILITIES & STOCKHOLDERS' EQUITY

Current Liabilities	
Accounts payable and accrued expenses	\$ 405,627
Income taxes payable	<u>11,393</u>
Total current liabilities	<u>417,020</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	(683,389)
Accumulated deficit	<u>(6,714,996)</u>
Total stockholders' equity	<u>3,857,376</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 4,274,396

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

Net Sales	\$ 5,773,224
Cost of sales	<u>4,511,273</u>
Gross profit	<u>1,261,951</u>
Operating expenses:	
Salaries	778,804
Rent	54,767
Marketing	27,773
Professional fees	62,275
Utilities	14,622
Delivery and auto	41,362
Office expense	29,955
Payroll and other taxes	29,967
Repairs and maintenance	10,871
Insurance	11,334
Depreciation and amortization	45,807
Bad debts	1,444
Other	<u>34,631</u>
Total operating expenses	<u>1,143,612</u>
Operating income	118,339
Other income	<u>291,052</u>
Income before income tax expense	409,391
State income tax expense	<u>9,000</u>
Net income attributable to common stockholders	<u>\$ 400,391</u>
Income per share-basic and diluted	<u>\$ 0.043</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 NINE MONTHS ENDED SEPTEMBER 30, 2016**

Cash flows from operating activities:

Net income	<u>\$ 400,391</u>
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	45,807
Bad debts	1,444
Gain on sale of investments	(5,109)
Changes in assets and liabilities net of effects of dispositions:	
Increase in accounts receivable	(87,376)
Decrease in prepaid expenses and other assets	73,352
Increase in inventories	(4,988)
Decrease in accounts payable and accrued expenses	<u>(66,235)</u>
Total adjustments	<u>(43,105)</u>
Net provided by operating activities	<u>357,286</u>
Cash flows from investing activities:	
Proceeds from partnership distributions	108,051
Proceeds from the sale of investents	36,984
Purchase of property and equipment	<u>(28,924)</u>
Net cash provided by investing activities	<u>116,111</u>
Net increase in cash	473,397
Cash - beginning	<u>1,563,811</u>
Cash - ending	<u><u>\$ 2,037,208</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 NINE MONTHS ENDED SEPTEMBER 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 nine months ended September 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 NINE MONTHS ENDED SEPTEMBER 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.

During July 2016, a partnership that the Company has an investment in, sold their property and distributed the income from the sale to the investors. The gain allocated to the Company and funds received totaled \$36,068.