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INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholders
Titanium Holdings Group, Inc.

We have audited the accompanying consolidated balance sheet of Titanium Holdings Group, Inc. & Subsidiary as of December 31, 2010 and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Titanium Holdings Group, Inc. & Subsidiary as of December 31, 2010, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Pasternack & Company LLP

Great Neck, New York
April 1, 2011

TITANIUM HOLDINGS GROUP, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2010

ASSETS

Current assets	
Cash	$ 1,803,661
Accounts receivable, net of allowance for doubtful accounts of $14,071	366,103
Inventory	604,785
Prepaid expenses and other current assets	69,875
Total current assets	2,844,424
Fixed assets-less accumulated depreciation and amortization of $763,661	135,119
Marketable securities-available for sale	149,100
Notes receivable-related party	2,992
Other investments	388,148
Goodwill	100,192
TOTAL ASSETS	$ 3,619,975

LIABILITIES & STOCKHOLDERS' EQUITY

Current Liabilities	
Accounts payable and accrued expenses	$ 150,219
Income taxes payable	17,549
Total current liabilities	167,768
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- $2.50 stated value; issued and outstanding -0- shares	-
Stockholders' equity	
Common stock-$.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	(1,127,630)
Accumulated deficit	(6,675,924)
Total stockholders' equity	3,452,207
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 3,619,975

TITANIUM HOLDINGS GROUP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2010

Net Sales	$ 8,279,375
Cost of sales	6,498,340
Gross profit	1,781,035
Operating expenses:	
Salaries	1,077,410
Rent	88,239
Marketing	86,456
Professional fees	89,805
Utilities	61,682
Delivery and auto	103,736
Office expense	48,186
Payroll and other taxes	39,737
Repairs and maintenance	14,598
Employee benefits	14,840
Insurance	14,705
Depreciation and amortization	27,916
Bad debts	2,270
Other	40,878
Total operating expenses	1,710,458
Operating income	70,577
Other income	49,680
Income before income tax expense	120,257
State income tax expense	16,200
Net income attributable to common stockholders	$ 104,057
Income per share-basic and diluted	$ 0.011
Weighted average number of shares outstanding	9,228,997

TITANIUM HOLDINGS GROUP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010

Cash flows from operating activities:	
Net income	$ 104,057
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	27,916
Bad debt expense	2,270
Income on equity investments	(22,655)
Changes in assets and liabilities net of effects of dispositions:	
Decrease in accounts receivable	37,714
Decrease in prepaid expenses and taxes	620
Decrease in inventories	31,417
Decrease in accounts payable and accrued expenses	(28,371)
Total adjustments	48,911
Net cash provided by operating activities	152,968
Cash flows from investing activities:	
Proceeds from notes receivable and accrued interest	1,960
Proceeds from partnership distributions	160,383
Investment in partnerships	(75,000)
Purchase of property and equipment	(32,921)
Net cash provided by investing activities	54,422
Net increase in cash	207,390
Cash - beginning	1,596,271
Cash - ending	$ 1,803,661
Supplemental information:	
Cash paid during the period for:	
Interest	$ -
Income taxes	$ 17,500

See Notes to Consolidated Financial Statements

TITANIUM HOLDINGS GROUP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2010

	Common Stock Number of Shares	Amount	Additional Paid-in Capital	Accumulated Other Compre. Loss	Accumulated Deficit	Stockholders' Equity
Balance at January 1, 2010:	9,228,997	$9,229	$ 11,246,532	$ (1,143,301)	$ (6,779,981)	$3,332,479
Comprehensive income (loss):						
Net income					104,057	104,057
Unrealized holding gain on available-for-sale securities owned				15,671		15,671
Total comprehensive income						119,728
Balance at December 31, 2010	9,228,997	$ 9,229	$ 11,246,532	$ (1,127,630)	$ (6,675,924)	$ 3,452,207

1. PRINCIPAL BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying consolidated financial statements include the accounts of Titanium Holdings Group, Inc. and it's 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.

The Company recognizes revenue when products are shipped.

The Company maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash.

Merchandise inventories are valued at the lower of cost or market. Cost is determined using the first-in, first-out and average cost methods.

Inventory is comprised of the following:

Raw materials	$ 52,871
Work in process	52,693
Finished goods	499,221
	$ 604,785

Property and equipment are recorded at cost. Depreciation and amortization of property and equipment is provided for by the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized over the shorter of the economic life of the improvement or the lease term.

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.

Basic net income per common share is based on the weighted-average number of shares outstanding during the period while diluted net income per common share considers the diluted effect of stock options and warrants reflected under the treasury stock method. Both basic net income per share and diluted net income per share are the same since the Company's outstanding warrants and common stock to be issued

PRINCIPAL BUSINESS ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

have not been included in the calculation because their effect would have been antidilutive.

The Company complies with Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation ("SFAS No. 123") which requires Companies to include the fair value of stock options and other stock-based compensation issued to employees and non-employees as compensation expense in the income statement or to disclose the pro-forma effect on net income and earnings per share of employee compensation expense in the footnotes to the company's financial statements. The Company has elected to account for its stock options issued under its stock option plans pursuant to Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees. This decision results in recognition of no compensation expense for stock options issued under a Company stock option plan which are granted to employees with an exercise price at or greater than the market price on the grant date.

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141, "Business Combinations" (SFAS No. 141) and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142.)

SFAS No. 141 addresses financial accounting and reporting for business combinations. This statement requires the purchase method of accounting to be used for all business combinations, and prohibits the pooling-of-interests method of accounting. This statement is effective for all business combinations initiated after June 30, 2001 and supercedes APB Opinion No. 16, "Business Combinations" as well as FASB Statement of Financial Accounting Standards No. 38, "Accounting for Preacquisition Contingencies of Purchased Enterprises".

SFAS No. 142 addresses how intangible assets that are acquired individually or with a group of other assets should be accounted for in financial statements upon their acquisition. This statement requires goodwill to be periodically reviewed for impairment rather than amortized, beginning on January 1, 2002. SFAS No. 142 supercedes APB Opinion No. 17, "Intangible Assets".

Management does not believe that any recently issued, but not yet effective, accounting standards, if currently adopted, would have a material effect on the accompanying financial statements.

2. INVESTMENTS

The Company classifies its existing marketable equity securities as available-for-sale in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS No. 115"), "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 (loss). Gains or losses on securities sold are based on the specific identification method.

During the first quarter 2010, the Company invested in a promissory note with Ameritrans Capital Corporation. The principal amount of the note is $75,000 and has a maturity date of December 14, 2011. The note is for two years with interest payable quarterly at 8.75% per annum on the outstanding principal balance. Ameritrans Capital Corporation may elect , by notice to the Company at least 30 days before the maturity date, to extend the maturity date to the third anniversary of the issue date. If elected, interest shall be payable quarterly at the sum of 5.50% plus the rate announced by Citibank N.A. as its prime rate.

During the first quarter 2009, per the instructions of the Chairman of the Board, the Company invested in Jaguar Strategies, LLC. Jaguar Strategies, LLC is in the business of investing in the contingent proceeds that plaintiffs anticipate recovering from pending lawsuits or claims. A managing member of Jaguar Strategies, LLC is also a director of the Company. The total investment in the company aggregates $75,000.

On December 15, 2009, the Company invested in a promissory note with Ameritrans Capital Corporation. The principal amount of the note is $75,000 and has a maturity date of December 14, 2011. The note is for two years with interest payable quarterly at 8.75% per annum on the outstanding principal balance. Ameritrans Capital Corporation may elect , by notice to the Company at least 30 days before the maturity date, to extend the maturity date to the third anniversary of the issue date. If elected, interest shall be payable quarterly at the sum of 5.50% plus the rate announced by Citibank N.A. as its prime rate.

On November 5, 2002, pursuant to a Redemption Agreement, by and between the Company and IVAX Diagnostics, Inc. ("IVD"), IVD purchased 614,250 shares of its common stock from the Company. The Company received approximately $1,013,512.50 as the purchase price for the IVD shares and an additional $153,565.50 as consideration for (i) the Company's grant of an option to IVD to acquire up to an additional 307,125 shares of IVD's common stock held by the Company at an exercise price of $4.00 per share at any time on or before May 5, 2004; (ii) the

INVESTMENTS (CONTINUED):

Company's agreement that, until May 5, 2004, they would not transfer the IVD shares the Company is holding that are subject to the option to any person or entity other than the Company or its affiliates; (iii) the Company's agreement that, until May 5, 2004, they would not transfer an additional 307,125 shares of IVD's common stock owned by them to any person or entity other than the Company; and (iv) the Company's general release of IVD and its affiliates.

During early 2004, IVAX Diagnostics, Inc, "IVD" communicated to the Company, its intent to exercise its option to acquire an additional 307,125 shares of IVD common stock held by the Company at an exercise price of $4.00 per share. On June 25, 2004, the Company sold the 307,125 shares to "IVD" and received an aggregate of $1,228,500.

During 2006, the Company sold an additional 28,200 shares of "IVD" for an aggregate of $60,092.

3. FIXED ASSETS

Fixed assets are comprised of the following:

		Estimated Useful Life
Furniture, fixtures and equipment	$ 563,540	5 years
Leasehold improvements	197,591	39 years
Transportation and delivery equipment	71,132	5 years
Computer hardware	66,517	5 years
	898,780	
Less: accumulated depreciation and amortization	763,661	
	$ 135,119	

During 2010 depreciation expense amounted to $27,916.

4. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The following are included in accounts payable and accrued expenses at December 31, 2010:

Accounts payable	$ 85,623
Other accrued expenses	52,596
	$ 138,219

5. CONTRACTS

During June 2010, 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 June 15, 2010. The new contract is for 5 years with substantially the same terms as his previous contract. The only significant change in the new 5-year agreement is that Mr. Davis' new salary calls for a reduction of 8% from his original December 2000 contract.

During June 2010, the Compensation Committee, and the independent members of the Board, unanimously voted to renew a consulting agreement with Mr. Steven Etra, effective June 15, 2010. The new contract is for 5 years with substantially the same terms as his previous contract. The only significant change in the new 5-year contract is that Mr. Etras' new compensation calls for an increase of approximately 21%.

6. COMMITMENTS AND CONTINGENCIES

The Company leases office, warehouse, store space, other facilities and equipment under noncancelable operating leases expiring through July 2014.

Future minimum lease payments under these leases at December 31, 2010 are as follows:

Year ending December 31,

2011	$ 305,100
2012	198,500
2013	79,900
2014	51,000
2015	9,500
	$ 644,000

Certain leases contain escalation clauses relating to operating expenses and real estate taxes.

7. INCOME TAXES

The provision for income taxes includes state and local taxes of the Subsidiary which files separate state and local taxes.

INCOME TAXES (CONTINUED):

As of December 31, 2010, the Company had net operating loss carryforwards available to offset future taxable income of approximately $1,800,000.

9. STOCKHOLDERS' EQUITY

Effective June 8, 2006, and with unanimous approval of disinterested Board members, stock options were granted to two Directors in consideration for their service on the Board for 2005 and 2006. Each of the two Directors were granted the option to purchase all or any part of an aggregate of twenty thousand (20,000) shares of common stock of the Company, pursuant to the Company's 2000 Stock Incentive Plan. The exercise price of the Option shall be twenty-nine cents ($0.29) per share and will be exercisable during the period from June 8, 2006 through June 8, 2011.

The Chairman of the Board, Steven Etra, directly owns 3,950,292 shares of issued and outstanding common stock of the Company and indirectly controls an additional 842,318 of the shares. This total of 4,792,610 outstanding shares of common stock gives Mr. Etra control of approximately 52% of all outstanding, voting common stock issued.

10. STOCK OPTIONS

In January 2000, the Board of Directors adopted the 2000 Stock Incentive Plan ("the Plan") to provide for grants of options to purchase shares of Common Stock to employees, non-employee directors and independent contractors of the Company who are eligible to participate in the Plan. Options granted under the Plan are fully vested at issuance. Generally, options granted have a term of three years. The Company has reserved 1,500,000 shares of Common Stock for issuance pursuant to options granted under the Plan.