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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
Titanium Holdings Group, Inc.

We have audited the accompanying financial statements of Titanium Holdings Group, Inc. and Subsidiary, which comprise the consolidated balance sheet as of December 31, 2012 and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error in making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects the position of Noonan Plaza LLC as of December 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Pasternack & Company LLP

Great Neck, NY
April 12, 2013

TITANIUM HOLDINGS GROUP, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2012

ASSETS

Current assets	
Cash	$ 1,937,424
Accounts receivable, net of allowance for doubtful accounts of $14,071	334,665
Inventory	608,955
Prepaid expenses and other current assets	111,175
Total current assets	2,992,219
Fixed assets-less accumulated depreciation and amortization of $878,040	258,769
Marketable securities-available for sale	138,862
Notes receivable-related party	1,154
Other investments	95,907
Goodwill	100,192
TOTAL ASSETS	$ 3,587,103

LIABILITIES & STOCKHOLDERS' EQUITY

Current Liabilities	
Accounts payable and accrued expenses	$ 186,515
Income taxes payable	17,250
Total current liabilities	203,765
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	(622,540)
Accumulated deficit	(7,249,883)
Total stockholders' equity	3,383,338
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 3,587,103

See Notes to Consolidated Financial Statements

TITANIUM HOLDINGS GROUP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF OPERATIONS

Year ended December 31	2012	2011
Net Sales	$ 7,586,496	$ 7,735,517
Cost of sales	5,865,350	6,065,309
Gross profit	1,721,146	1,670,208
Operating expenses:		
Salaries	1,138,935	1,079,574
Rent	95,041	90,946
Marketing	38,151	57,969
Professional fees	107,692	104,109
Utilities	59,342	60,996
Delivery and auto	81,339	107,954
Office expense	54,862	58,077
Payroll and other taxes	38,179	37,557
Repairs and maintenance	12,527	14,364
Employee benefits	14,361	17,766
Insurance	16,369	14,888
Depreciation and amortization	69,323	45,056
Other	41,660	31,324
Total operating expenses	1,767,781	1,720,580
Operating loss	(46,635)	(50,372)
Other expense	(62,019)	(381,683)
Loss before income tax expense	(108,654)	(432,055)
State income tax expense	17,250	16,000
Net loss attributable to common stockholders	$ (125,904)	$ (448,055)
Loss per share-basic and diluted	$ (0.014)	$ (0.049)
Weighted average number of shares outstanding	9,228,997	9,228,997

TITANIUM HOLDINGS GROUP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31	**2012**	2011
Cash flows from operating activities:		
Net loss	$ (125,904)	$ (448,055)
Adjustments to reconcile net loss to net cash (used) in provided by operating activities:		
Depreciation and amortization	69,323	45,056
Loss on sale of investment	-	402,412
Loss (income) on equity investments	68,164	(9,806)
Changes in assets and liabilities net of effects of dispositions:		
(Increase) decrease in accounts receivable	(9,781)	41,219
Increase in prepaid expenses and taxes	(4,471)	(36,829)
(Increase) decrease in inventories	(90,302)	86,132
(Decrease) increase in accounts payable and accrued expenses	(88,088)	124,085
Total adjustments	(55,155)	652,269
Net cash (used) in provided by operating activities	(181,059)	204,214
Cash flows from investing activities:		
Proceeds from sale of marketable securities	-	112,916
Proceeds from notes receivable and accrued interest	133,058	18,780
Proceeds from partnership distributions	26,673	57,210
Purchase of property and equipment	(125,684)	(112,345)
Net cash provided by investing activities	34,047	76,561
Net (decrease) increase in cash	(147,012)	280,775
Cash - beginning	2,084,436	1,803,661
Cash - ending	$ 1,937,424	$ 2,084,436
Supplemental information:		
Cash paid during the period for:		
Interest	$ -	$ -
Income taxes	$ 16,500	$ 17,500

TITANIUM HOLDINGS GROUP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011

	Common Stock Number of Shares	Amount	Additional Paid-in Capital	Accumulated Other Compre. Loss	Accumulated Deficit	Stockholders' Equity
Balance at January 1, 2012:	9,228,997	$9,229	$ 11,246,532	$ (692,751)	$ (7,123,979)	$3,439,031
Comprehensive income (loss):						
Net loss					(125,904)	(125,904)
Unrealized holding gain on available-for-sale securities owned				70,211		70,211
Total comprehensive loss						(55,693)
Balance at December 31, 2012	9,228,997	$ 9,229	$ 11,246,532	$ (622,540)	$ (7,249,883)	$ 3,383,338

See Notes to Consolidated Financial Statements

TITANIUM HOLDINGS GROUP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011

	Common Stock Number of Shares	Amount	Additional Paid-in Capital	Accumulated Other Compre. Loss	Accumulated Deficit	Stockholders' Equity
Balance at January 1, 2011:	9,228,997	$9,229	$ 11,246,532	$ (1,127,630)	$ (6,675,924)	$3,452,207
Comprehensive income (loss):						
Net loss					(448,055)	(448,055)
Unrealized holding gain on available-for-sale securities owned				434,879		434,879
Total comprehensive loss						(13,176)
Balance at December 31, 2011	9,228,997	$ 9,229	$ 11,246,532	$ (692,751)	$ (7,123,979)	$ 3,439,031

See Notes to Consolidated Financial Statements

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:	2012	2011
Raw materials	$ 35,046	$ 40,047
Work in process	49,607	45,189
Finished goods	525,202	433,417
	$ 609,855	$ 518,653

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.

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

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments and other short-term investments with an initial maturity of three months or less to be cash equivalent.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measurements, a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies, is as follows:

Level 1 – Valuations based on quoted prices for identical assets and liabilities in active markets.
Level 2 - Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in the markets that are not active, or other inputs that are observable or can be corroborated by observable market data.
Level 3 – Valuations based on unobservable inputs reflecting the Company's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

At December 31, 2012,the fair value of the Company's financial instruments including cash, accounts receivable, accounts payable and accrued expenses, approximated book value due to the short maturity of these instruments.

Management has evaluated subsequent events for inclusion or disclosure in the financial statements from December 31, 2012 through April 12, 2013, which is the date the financial statements were available to be issued. No events or transactions were identified during this period that required disclosure or recognition.

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.

INVESTMENTS (CONTINUED)

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 March 2012, the note was repaid.

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. During March 2012, the note was repaid.

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 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.

During 2011, the Company sold an additional 105,600 shares of "IVD" for an

INVESTMENTS (CONTINUED)

aggregate of $112,916, a cost basis of $515,328 and a realized loss of $402,412. This loss is reflected in the Statement of Operations in "Other expense."

3. FIXED ASSETS

Fixed assets are comprised of the following:

	2012	2011	Useful Life
Furniture, fixtures and equipment	$ 600,045	$ 571,858	5 years
Leasehold improvements	197,591	197,591	39 years
Transportation and delivery equipment	267,361	175,159	5 years
Computer hardware	71,812	66,517	5 years
	1,136,809	1,011,125	
Less: accumulated depreciation and amortization	878,040	808,717	
	$ 258,769	$ 202,408	

Depreciation expense amounted to $69,323 and $45,056 in 2012 and 2011, respectively.

4. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	2012	2011
Accounts payable	$ 148,939	$ 233,920
Other accrued expenses	54,826	57,933
	$ 203,765	$ 291,853

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

CONTRACTS (CONTINUED)

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 August 2016.

Future minimum lease payments under these leases at December 31, 2011 are as follows:

Year ending December 31,	
2013	$ 169,000
2014	132,400
2015	61,800
2016	12,000
	$ 375,200

Certain leases contain escalation clauses relating to operating expenses and real estate taxes. Rent expense amounted to $380,166 and $363,786 in 2012 and 2011, respectively.

7. INCOME TAXES

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

As of December 31, 2012, the Company had net operating loss carryforwards available to offset future taxable income of approximately $2,340,000 and a capital loss carryforward of approximately $400,000.

9. STOCKHOLDERS' EQUITY

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.