

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

| Year ended December 31, | 2006 | 2005 |
|-------------------------------------------------------|------------------|-------------------|
| Net Sales | \$ 7,633,061 | \$ 7,438,311 |
| Cost of sales | <u>4,710,045</u> | <u>4,650,054</u> |
| Gross profit | <u>2,923,016</u> | <u>2,788,257</u> |
| Operating expenses: | | |
| Salaries | 1,694,570 | 1,769,887 |
| Professional fees | 84,770 | 91,989 |
| Depreciation and amortization | 16,263 | 19,638 |
| Marketing | 45,049 | 46,180 |
| Rent | 367,032 | 344,689 |
| Payroll and other taxes | 161,254 | 146,966 |
| Other | <u>467,459</u> | <u>523,871</u> |
| Total operating expenses | <u>2,836,397</u> | <u>2,943,220</u> |
| Operating income (loss) | 86,619 | (154,963) |
| Loss on investments | (77,535) | - |
| Other income | <u>45,687</u> | <u>26,885</u> |
| Income (loss) before income tax expense | 54,771 | (128,078) |
| Income tax expense | <u>1,537</u> | <u>7,927</u> |
| Net income (loss) attributable to common stockholders | <u>53,234</u> | <u>(136,005)</u> |
| Income (loss) per share-basic and diluted | <u>\$ 0.006</u> | <u>\$ (0.015)</u> |
| Weighted average number of shares outstanding | <u>9,228,997</u> | <u>9,228,997</u> |