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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, 2018 and 2017 and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the years 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 Titanium Holdings Group Inc and Subsidiary as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Pasternack & Company LLP

Garden City, NY
April 19, 2019

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

	2018	2017
ASSETS		
Current assets		
Cash	\$ 1,005,957	\$ 1,441,069
Accounts receivable, net of allowance for doubtful accounts of \$14,071	280,440	386,477
Inventory	479,915	477,346
Prepaid expenses and other current assets	<u>79,824</u>	<u>134,625</u>
Total current assets	1,846,136	2,439,517
Fixed assets-less accumulated depreciation and amortization of \$599,202 and \$533,376	1,618,522	1,669,660
Marketable securities-available for sale	28,085	26,836
Other investments	320,435	9,969
Goodwill	<u>100,192</u>	<u>100,192</u>
TOTAL ASSETS	<u>\$ 3,913,370</u>	<u>\$ 4,246,174</u>
LIABILITIES & STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 218,542	\$ 332,516
Notes payable-real estate	30,367	28,320
Income taxes payable	<u>8,640</u>	<u>9,749</u>
Total current liabilities	<u>257,549</u>	<u>370,585</u>
Long-term liabilities		
Notes payable-real estate	<u>323,236</u>	<u>353,603</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>	<u>-</u>
Total liabilities	<u>580,785</u>	<u>724,188</u>
Stockholders' equity		
Common stock-\$.001 par value; authorized 20,000,000 shares;		
issued and outstanding 9,170,062	9,229	9,229
Additional paid-in capital	11,246,532	11,246,532
Accumulated other comprehensive loss	(733,317)	(734,566)
Accumulated deficit	<u>(7,189,270)</u>	<u>(6,999,209)</u>
Subtotal	3,333,174	3,521,986
Less: Treasury stock (58,935 shares of common stock at \$.01 cost)	<u>(589)</u>	<u>-</u>
Total stockholders' equity	<u>3,332,585</u>	<u>3,521,986</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 3,913,370</u>	<u>\$ 4,246,174</u>

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

Year ended December 31	2018	2017
Net Sales	\$ 5,763,743	\$ 6,397,592
Cost of sales	<u>4,622,468</u>	<u>5,108,724</u>
Gross profit	<u>1,141,275</u>	<u>1,288,868</u>
Operating expenses:		
Salaries	895,036	964,499
Rent	58,834	72,876
Marketing	23,204	14,107
Professional fees	85,455	87,298
Utilities	20,270	20,123
Delivery and auto	30,136	41,484
Office expense	28,931	28,879
Payroll and other taxes	35,696	38,410
Repairs and maintenance	11,088	9,390
Insurance	17,145	16,252
Depreciation and amortization	65,826	62,707
Interest expense	25,708	6,763
Other	<u>26,606</u>	<u>46,461</u>
Total operating expenses	<u>1,323,935</u>	<u>1,409,249</u>
Operating loss	(182,660)	(120,381)
Other income (expense)	<u>949</u>	<u>(1,317)</u>
Loss before income tax expense	(181,711)	(121,698)
State income tax expense	<u>8,350</u>	<u>9,700</u>
Net loss attributable to common stockholders	<u>\$ (190,061)</u>	<u>\$ (131,398)</u>
Loss per share-basic and diluted	<u>\$ (0.020)</u>	<u>\$ (0.014)</u>
Weighted average number of shares outstanding	<u>9,228,997</u>	<u>9,228,997</u>

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

Year ended December 31	2018	2017
Cash flows from operating activities:		
Net loss	<u>\$ (190,061)</u>	<u>\$ (131,398)</u>
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	65,826	62,707
Loss on equity investments	5,922	5,597
Changes in assets and liabilities net of effects of dispositions:		
Decrease (increase) in accounts receivable	106,037	(24,467)
Decrease (increase) in prepaid expenses and taxes	54,801	(35,717)
(Increase) decrease in inventories	(2,569)	4,231
(Decrease) increase in accounts payable and accrued expenses	<u>(115,083)</u>	<u>113,773</u>
Total adjustments	<u>114,934</u>	<u>126,124</u>
Net cash used in operating activities	<u>(75,127)</u>	<u>(5,274)</u>
Cash flows from investing activities:		
Investment in partnerships	(350,000)	-
Proceeds from partnership distributions	33,642	5,338
Purchase of property and equipment	<u>(14,688)</u>	<u>(701,496)</u>
Net cash used in investing activities	<u>(331,046)</u>	<u>(696,158)</u>
Cash flows from financing activities:		
Proceeds from notes payable	-	388,700
Principal payments on notes payable	(28,320)	(6,777)
Purchase of treasury stock	<u>(589)</u>	<u>-</u>
Net cash (used) in provided by financing activities	<u>(28,909)</u>	<u>381,923</u>
Net decrease in cash	(435,082)	(319,509)
Cash - beginning	<u>1,441,069</u>	<u>1,760,578</u>
Cash - ending	<u>\$ 1,005,987</u>	<u>\$ 1,441,069</u>
Supplemental information:		
Cash paid during the period for:		
Interest	<u>\$ 25,708</u>	<u>\$ 6,763</u>
Income taxes	<u>\$ 9,459</u>	<u>\$ 12,988</u>

See Notes to Consolidated Financial Statements

**TITANIUM HOLDINGS GROUP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016**

	Common Stock Number of Shares	Amount	Additional Paid-in Capital	Accumulated Other Compre. Loss	Accumulated Deficit	Treasury Stock	Stockholders' Equity
Balance at January 1, 2018:	9,228,997	\$9,229	\$ 11,246,532	\$ (734,566)	\$ (6,999,209)	\$ -	\$3,521,986
Comprehensive income (loss):							
Net loss					(190,061)		(190,061)
Unrealized holding gain on available-for-sale securities owned				1,249			<u>1,249</u>
Total comprehensive loss							(188,812)
Treasury stock						(589)	(589)
Balance at December 31, 2018	<u>9,228,997</u>	<u>\$ 9,229</u>	<u>\$ 11,246,532</u>	<u>\$ (733,317)</u>	<u>\$ (7,189,270)</u>	<u>\$ (589)</u>	<u>\$ 3,332,585</u>

See Notes to Consolidated Financial Statements

**TITANIUM HOLDINGS GROUP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016**

	Common Stock Number of Shares	Amount	Additional Paid-in Capital	Accumulated Other Compre. Loss	Accumulated Deficit	Stockholders' Equity
Balance at January 1, 2017:	9,228,997	\$9,229	\$ 11,246,532	\$ (723,956)	\$ (6,867,811)	\$3,663,994
Comprehensive income (loss):						
Net loss					(131,398)	(131,398)
Unrealized holding loss on available-for-sale securities owned				(10,610)		(10,610)
Total comprehensive loss						(142,008)
 Balance at December 31, 2017	<u>9,228,997</u>	<u>\$ 9,229</u>	<u>\$ 11,246,532</u>	<u>\$ (734,566)</u>	<u>\$ (6,999,209)</u>	<u>\$ 3,521,986</u>

TITANIUM HOLDINGS GROUP, INC. AND SUBSIDIARY

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 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.

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:	<u>2018</u>	<u>2017</u>
Raw materials	\$ 54,490	\$ 55,369
Work in process	38,288	37,978
Finished goods	<u>387,137</u>	<u>383,999</u>
	<u>\$ 479,915</u>	<u>\$ 477,346</u>

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

TITANIUM HOLDINGS GROUP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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.

Uncertain tax positions - Management has evaluated the Company's tax positions and concluded that the Company has not taken any uncertain tax positions that require adjustment to the financial statements to comply with the provisions of Accounting Standards Codification 740. Generally, the Company is no longer subject to income tax examination by U.S. federal, state or local tax authorities for the years before 2016, which is the standard statute of limitations look-back period.

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.

TITANIUM HOLDINGS GROUP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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, 2018, 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, 2018 through April 19, 2019, 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.

TITANIUM HOLDINGS GROUP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

INVESTMENTS (CONTINUED):

During 2018, the Company, with Board approval, purchased interests in (3) three different real estate Limited Liability Company ("LLC"). The "LLC's" acquired existing properties to develop them with residential townhomes and condominiums as well as some office and commercial space. The total cost of these investments was \$350,000.

3. PROPERTY AND EQUIPMENT

On January 24, 2014, the Board received an independent appraisal for two (2) buildings the Company had previously been renting for its offices, manufacturing facility and warehouse, indicating a value of \$895,000 for both buildings.

On February 27, 2014, a negotiated price of \$824,391, representing the appraised value less an 8% discount, was presented to the Board. After discussion, which included the annual rent savings of \$107,700, the purchase was unanimously approved, subject to a clean Phase 1 Environmental Study. Mr. Randall K. Davis, President of the Company, abstained from the vote.

On March 19, 2014, a Phase 1 Environmental Study was completed and indicated that the properties were clean with no contamination.

On April 22, 2014, the properties were purchased using available cash. The total purchase price, inclusive of certain additional expenses, was \$833,393. The property is being depreciated on the straight-line method over 39 years.

During March 2017, the Chairman of the Board, Steven Etra, instructed the CEO and President, Randall K. Davis, to contract with an independent firm to provide an appraisal of the building at 401 Main Street, in Kerrville, Texas. The Company has leased this building for one of its retail operations since the early 1990's. The property was owned as a joint venture by Charles H. Davis (father of Randall K. Davis) and Randall K. Davis. Mr. Etra wanted to pursue a purchase of the property and to present the appraisal to the Board of Directors for discussion. On March 20, 2017 the Company engaged Stouffer & Associates to provide the appraisal. The Company received the appraisal on April 10, 2017 which amounted to \$710,000. Subsequently, the Board discussed and unanimously approved the purchase of the property for \$688,700. Mr. Randall K. Davis was not included in the discussions or the Board approval. The property was purchased on September 6, 2017 and financed with a \$300,000 cash down payment and two (2) notes issued to the sellers totaling \$388,700, payable over 10 years with interest at 7% per annum.

TITANIUM HOLDINGS GROUP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PROPERTY AND EQUIPMENT (CONTINUED):

Property and equipment are comprised of the following:

	<u>2018</u>	<u>2017</u>	<u>Useful Life</u>
Land	\$ 382,152	\$ 382,152	
Buildings	1,146,457	1,146,457	39 years
Furniture, fixtures and equipment	430,811	428,397	5 years
Leasehold improvements	155,036	155,036	39 years
Transportation and delivery equipment	47,708	47,708	5 years
Computer hardware	<u>55,560</u>	<u>43,286</u>	5 years
	2,217,724	2,203,036	
Less: accumulated depreciation and amortization	<u>599,202</u>	<u>533,376</u>	
	<u>\$1,618,522</u>	<u>\$1,669,660</u>	

During 2017, in order to accurately disclose its assets, the Company eliminated fully depreciated and obsolete property and equipment from its balance sheet, all of which has been discarded.

Depreciation expense amounted to \$65,826 and \$62,707 in 2018 and 2017, respectively.

4. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	<u>2018</u>	<u>2017</u>
Accounts payable	\$ 190,557	\$ 269,095
Other accrued liabilities	<u>36,625</u>	<u>73,170</u>
	<u>\$ 227,182</u>	<u>\$ 342,265</u>

5. NOTES PAYABLE-REAL ESTATE

On September 6, 2017, the Company purchased a building in Kerrville, Texas that it had leased for one of its retail operations. The purchase price was \$688,700 and was financed with a \$300,000 down payment and two (2) notes totaling \$388,700. The notes are over 10 years and payable monthly at \$4,513 including interest at 7% per annum.

TITANIUM HOLDINGS GROUP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTES PAYABLE-REAL ESTATE (CONTINUED):

The balance at December 31, 2018 and 2017 was \$353,603 and \$381,923, respectively.

Aggregate annual maturities of the notes payable are as follows:

2019	30,367
2020	32,562
2021	34,918
2022	37,440
Thereafter	<u>218,316</u>
	<u>\$353,603</u>

6. 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.

7. 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.

8. COMMITMENTS AND CONTINGENCIES

The Company leases warehouse, retail store space, other facilities and equipment under noncancelable operating leases expiring through July 2021.

TITANIUM HOLDINGS GROUP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

COMMITMENTS AND CONTINGENCIES (CONTINUED):

Future minimum lease payments under these leases at December 31, 2018 are as follows:

Year ending December 31,	
2019	\$ 164,874
2020	103,609
2021	10,500

	<u>\$ 278,983</u>

Certain leases contain escalation clauses relating to operating expenses and real estate taxes. Rent expense amounted to \$235,336 and \$291,505 in 2018 and 2017, respectively.

9. 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, 2018, the Company had net operating loss carryforwards available to offset future taxable income of approximately \$2,600,000 and a capital loss carryforward of approximately \$22,000.

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.

11. RISKS RELATING TO THE COMPANY

Competition

The sanitary and janitorial supplies market is highly competitive and is served by numerous small, owner-operated private companies, public companies and several large regional and national companies. In addition, relatively few barriers prevent

TITANIUM HOLDINGS GROUP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RISKS RELATING TO THE COMPANY (CONTINUED):

entry into the industry. As a result, any organization that has adequate financial resources and access to a minimum of technical cleaning expertise may become a competitor of the Company. Competition in the industry depends on a number of factors, including price. Certain of the Company's competitors may have lower overhead cost structures and may, therefore, be able to provide their products and services at lower rates than the Company can provide such products and services. Many of these competitors have longstanding operations and longstanding relationships with large customers such as hospitals and governmental agencies. There can be no assurance that the Company's competitors will not be able to use their competitive advantages in competing in price, offering more extensive lines of products or more favorable payment terms or otherwise, resulting in material adverse effects on the business of the Company. In addition, many of the Company's competitors are larger and have greater resources than are available to the Company. The Company cannot be certain that its competitors will not develop the expertise, experience, and resources to provide products and services that are superior in both price and quality to the products and services of the Company. Similarly, the Company cannot be certain that it will be able to attain, maintain or enhance a competitive position in the market.

Government Regulation

Maintenance and distribution of many of the Company's products are subject to extensive regulation at the federal, state, and local levels. In particular, the Company is subject to regulations involving storage of hazardous materials promulgated by the Federal Environmental Protection Agency and the Occupational Safety and Health Act. As such, the Company's business is dependent upon continued compliance with governmental regulations regarding the operations of the Company's facilities. The Company believes that it is in substantial compliance with all such regulations that are applicable to its business. However, failure to maintain and demonstrate compliance with all such regulations could result in the preclusion of handling certain product lines and in mandated clean up expenditures.

Potential Exposure to Environmental Liabilities

The operations of the Company are subject to various environmental laws and regulations, including those dealing with the handling and disposal of waste products. As part of the cleaning and janitorial supplies manufacturing process, the Company may store and use some raw materials that are deemed to be hazardous materials and are closely regulated. As a result of past and future operations, the Company may be required to incur environmental remediation costs and other clean-up expenses.

TITANIUM HOLDINGS GROUP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RISKS RELATING TO THE COMPANY (CONTINUED):

In addition, the Company cannot be certain that it will be able to identify or be indemnified for all potential liabilities relating to any acquired business.

There can be no assurance that the aggregate amount of any environmental liabilities that might be asserted against the Company in any such proceeding will not be material.

The Company cannot predict the types of environmental laws or regulations that may from time to time be enacted in the future by federal, state, or local governments, how existing or future laws or regulations will be interpreted or enforced, or what types of environmental conditions may be found to exist at its facilities. The enactment of more stringent laws or regulations or a more strict interpretation of existing laws and regulations may require additional expenditures by the Company, some of which could be material.

Product Liability and Insurance

The business of the Company involves substantial product liability risks associated with the handling, storing, and usage of cleaning products. While the Company believes its practices and procedures provide safeguards that comply with industry standards, it is not possible to eliminate all risks in this regard. The Company maintains product liability insurance in amounts it believes are usual and customary for a business of its size in its industry, though there can be no assurance that the Company may not be held liable on a product liability claim for an amount substantially in excess of its insurance policy limits or not covered by insurance. If the Company were to incur product liability in excess of its insurance limits, it would have a material adverse impact on the Company's business and prospects.

Dependence on Key Personnel; Need For Additional Personnel

The success of the Company is substantially dependent on the performance of its senior management and key employees, as well as its Board. There can be no assurance that the Company will be able to locate and hire, and if hired, retain adequate additional management personnel. The Company has entered into an employment agreement with its Chief Executive Officer Randall K. Davis, upon terms and conditions the Company believes are reasonable and customary for companies its size in its industry. The loss of key personnel or the inability to hire and retain qualified executives and other employees could have a material adverse effect on the business, financial condition, and results of operations of the Company.

TITANIUM HOLDINGS GROUP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RISKS RELATING TO THE COMPANY (CONTINUED):

Control by Existing Stockholders (Management Control); No Cumulative Voting

As of December 31, 2018, the Company's executive officers and directors and their affiliates (the "Insiders") beneficially owned approximately 6,012,519 shares of Common Stock, including derivative securities beneficially owned by them, representing approximately 65% of the aggregate outstanding shares of Common Stock. Further Mr. Steven Etra, Chairman of the Board, directly and indirectly controls 5,453,611 shares of Common Stock representing approximately 59% of the aggregate outstanding shares of Common Stock.

Holders of the Company's Common Stock are not entitled to accumulate their votes for the election of directors or otherwise. Accordingly, the Insiders will have significant influence on the election of the directors of the Company. The Board elects officers and effectively controls the day to day operations through control of the Company management.

Indemnification and Limitation of Liability

Under the Nevada Revised Statutes (the "Statutes"), the Company shall have the power to eliminate the personal liability of the directors and officers of the Company for monetary damages to the fullest extent possible under the Statutes or other applicable law. These provisions eliminate the liability of directors or officers to the Company and its stockholders for monetary damages arising out of any violation of a director of his fiduciary duty of due care.

Under the Statutes, the Company may, by a majority of its disinterested directors, shareholders, or, in some cases, by independent legal counsel, indemnify any officer or director against expenses actually and reasonably incurred, if such person acted in good faith in a manner reasonably believed to be in the best interests of the Company, and in the case of any criminal action or proceeding, if such person had no reasonable cause to believe his conduct was unlawful. The Company may indemnify any officer or director against expenses and amounts actually paid or incurred in settlement not exceeding, in the judgment of the Board, estimated expenses of litigation. Indemnification and/or advancement of expenses provided by the Statutes are not exclusive and the Company may make any further advancement or payment of expenses. However, no indemnification and/or advancement will be made to any officer or director if such person shall have been adjudged to be liable, unless, upon application and determination of the court that in view of the circumstances in the case, such person is fairly and reasonably entitled to indemnification.

TITANIUM HOLDINGS GROUP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RISKS RELATING TO THE COMPANY (CONTINUED):

The Commission has taken the position that indemnification of officers and directors for liability under the federal securities laws may be against public policy and, therefore, unenforceable.