

**TITAN AMERICA LLC
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
(INTERNATIONAL FINANCIAL REPORTING
STANDARDS BASIS)**

DECEMBER 31, 2005 AND 2004

(ALL AMOUNTS IN U.S. DOLLARS)

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Report of Independent Auditors

To the Member of Titan America LLC:

We have reviewed the accompanying consolidated balance sheets of Titan America LLC (a wholly-owned subsidiary of Titan Atlantic Cement Industrial and Commercial S.A.) and its subsidiaries (the “Company”) as of June 30, 2005 and 2004, and the related consolidated statements of income and of member’s equity for each of the six-month periods ended June 30, 2005 and 2004 and the consolidated statements of cash flows for the six month periods ended June 30, 2005 and 2004 which, as described in Note 1, have been prepared on the basis of International Financial Reporting Standards (“IFRS”). These consolidated interim financial statements are the responsibility of the Company’s management.

We conducted our review in accordance with the standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As described in Note 1 to the financial statements, the Company’s financial statements have been prepared on the basis of IFRS. These accounting principles depart materially from accounting principles generally accepted in the United States of America.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements for them to be in conformity with IFRS, including International Accounting Standards and Interpretations issued by the International Accounting Standards Board.

As also described in Note 1 to the accompanying consolidated interim financial statements, the Company has restated the consolidated financial statements for the six-month period ended June 30, 2004 to reflect the following:

- 1 the correction of an error in prior periods in its accounting for certain income tax contingencies
- 2 a change in its method of accounting for pension plans, as is permitted by IFRS, and
- 3 the consolidation of an entity transferred to the Company during 2004 from a related party company for which the restatement is an acceptable treatment permitted by IFRS.

As discussed in Notes 1 and 8 to the financial statements, the Company changed the manner in which it accounts for goodwill. Effective January 1, 2005, the Company ceased amortization of goodwill.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet as of December 31, 2004, and the related consolidated statement of income, of member's equity, and of cash flows for the year then ended (not presented herein), and in our report dated April 28, 2005, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2004, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

July 15, 2005

**TITAN AMERICA LLC
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**CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2005 AND 2004**

		December 31, 2005	December 31, 2004
Noncurrent assets:			
Property, plant, equipment and mineral deposits, net	Note 7	\$ 766,191,431	\$ 709,931,278
Related party receivables, less current portion	Note 19	1,998,000	2,664,000
Deferred stripping, net	Note 10	3,596,529	3,433,710
Goodwill, net	Note 8	17,949,569	17,949,569
Identifiable intangible assets, net	Note 9	7,345,834	8,795,834
Other assets	Notes 12, 18	3,411,676	1,595,358
Total noncurrent assets		<u>800,493,039</u>	<u>744,369,749</u>
Current assets:			
Inventories, net	Note 4	75,810,564	57,192,817
Trade receivables, net	Notes 2, 3	88,659,353	68,037,754
Current portion of related party receivables	Note 19	6,104,075	7,010,132
Other receivables, net	Notes 2, 5	1,764,934	2,168,098
Income taxes receivable		-	39,822
Prepaid expenses and other current assets	Note 6	3,640,310	3,297,641
Cash and cash equivalents	Note 2	4,214,479	66,913
Total current assets		<u>180,193,715</u>	<u>137,813,177</u>
Total assets		<u>\$ 980,686,754</u>	<u>\$ 882,182,926</u>
Member's equity:			
Capital contributions		\$ 240,363,192	\$ 240,097,771
Retained earnings, before current period net income		99,064,466	65,429,649
Current period net income		<u>67,643,894</u>	<u>33,634,817</u>
Total member's equity		<u>407,071,552</u>	<u>339,162,237</u>
Noncurrent liabilities:			
Long-term debt, including obligations under capital leases, less current obligations	Notes 2, 15, 16	358,451,219	358,966,334
Provisions, less current portion	Note 14	6,638,967	6,805,418
Retirement benefit obligations	Note 18	7,715,188	7,277,358
Deferred income, less current portion	Note 19	3,225,000	3,621,666
Deferred and other noncurrent income tax liabilities, net	Note 11	<u>131,473,251</u>	<u>105,055,344</u>
Total noncurrent liabilities		<u>507,503,625</u>	<u>481,726,120</u>
Current liabilities:			
Accounts payable	Note 2	34,026,458	31,255,010
Accounts payable, related parties	Notes 2, 19	2,928,162	1,313,207
Book overdraft		-	5,276,239
Accrued expenses	Note 13	21,711,123	19,828,602
Income taxes payable		4,263,973	-
Current portion of provisions	Note 14	2,078,473	2,520,321
Current portion of long-term debt, including obligations under capital leases	Notes 2, 15, 16	706,721	698,523
Current portion of deferred income	Note 19	<u>396,667</u>	<u>402,667</u>
Total current liabilities		<u>66,111,577</u>	<u>61,294,569</u>
Total liabilities		<u>573,615,202</u>	<u>543,020,689</u>
Total liabilities and member's equity		<u>\$ 980,686,754</u>	<u>\$ 882,182,926</u>

The accompanying notes are an integral part of the consolidated financial statements.

**TITAN AMERICA LLC
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**CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2005 AND 2004**

		2005	2004
Net sales	Note 23	\$ 718,242,691	\$ 517,789,290
Freight revenues		34,048,748	26,881,404
Total sales		752,291,439	544,670,694
Cost of goods sold, excluding freight and distribution expenses	Note 24	513,306,593	390,816,332
Freight expense		34,048,748	26,881,404
Distribution expense	Note 25	28,451,150	26,152,230
Cost of goods sold		575,806,491	443,849,966
Gross profit		176,484,948	100,820,728
Selling expense	Note 26	12,966,961	11,768,093
General and administrative expense	Note 27	36,683,206	35,689,974
Other operating, net	Note 28	16,085	(1,381,800)
Operating income		126,818,696	54,744,461
Interest income		890,283	397,301
Interest expense		(22,950,342)	(13,749,178)
Income before income taxes		104,758,637	41,392,584
State income tax expense	Note 11	6,525,491	1,036,450
Federal income tax expense	Note 11	30,589,252	6,721,317
Net income		\$ 67,643,894	\$ 33,634,817

The accompanying notes are an integral part of the consolidated financial statements.

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**CONSOLIDATED STATEMENTS OF MEMBER'S EQUITY
YEARS ENDED DECEMBER 31, 2005 AND 2004**

	Capital Contributions	Retained Earnings	Total Member's Equity
January 1, 2004	199,897,771	83,506,984	283,404,755
Net income	-	33,634,817	33,634,817
Contribution by member	40,200,000	-	40,200,000
Dividends to member	-	(18,077,335)	(18,077,335)
December 31, 2004	<u>\$ 240,097,771</u>	<u>\$ 99,064,466</u>	<u>\$ 339,162,237</u>
Net income	-	67,643,894	67,643,894
Contribution by member	265,421	-	265,421
December 31, 2005	<u>\$ 240,363,192</u>	<u>\$ 166,708,360</u>	<u>\$ 407,071,552</u>

The accompanying notes are an integral part of the consolidated financial statements.

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**CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Income before income taxes	\$ 104,758,637	\$ 41,392,584
Adjustments for:		
Depreciation, depletion and amortization	50,292,902	44,828,665
Recognition of deferred income	(279,333)	(280,743)
Loss on disposal of assets	(180,762)	487,926
Interest expense	22,950,342	13,749,178
Interest income	(890,283)	(397,301)
Stock option expense	265,421	-
Change in net operating assets	(36,080,016)	(16,215,240)
Cash generated from operations before interest and income taxes	<u>140,836,908</u>	<u>83,565,069</u>
Interest paid	(22,959,352)	(15,744,482)
Income taxes (paid)/refunded, net	(6,393,041)	953,424
Interest received	453,118	177,500
Net cash provided by operating activities	<u>111,937,633</u>	<u>68,951,511</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment, exclusive of capitalized interest	(102,021,265)	(124,138,493)
Acquisition of business, net of cash acquired	-	(5,248,500)
Expenditures on deferred stripping	(1,830,542)	(1,558,434)
Decrease in non-appropriated funds	-	525,965
Proceeds from the sale of assets	592,640	585,208
Net advances to related parties	1,448,724	(6,321,068)
Net cash used by investing activities	<u>(101,810,443)</u>	<u>(136,155,322)</u>
Cash flows from financing activities:		
Principal payments on capital lease obligations	(698,524)	(14,536,380)
Net payments under lines of credit	-	(127,640,748)
Borrowing under long-term debt	-	187,000,000
Principal payments on short-term debt	-	(3,728)
Offering costs associated with borrowings under long-term debt	(4,861)	(1,076,084)
Increase/(decrease) in book overdraft	(5,276,239)	1,001,080
Dividends paid to member	-	(17,730,398)
Contributions by member	-	40,200,000
Net cash provided by financing activities	<u>(5,979,624)</u>	<u>67,213,742</u>
Net increase in cash and cash equivalents	4,147,566	9,931
Cash and cash equivalents at:		
Beginning of period	66,913	56,982
End of period	<u>\$ 4,214,479</u>	<u>\$ 66,913</u>

(Continued)

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**CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
Changes in net operating assets:		
Inventories, net	\$ (18,617,747)	\$ (14,133,009)
Trade receivables, net	(20,621,599)	(7,829,977)
Other receivables, net	403,164	(914,365)
Prepaid expenses and other current assets	(342,669)	(304,586)
Other assets	(1,816,318)	(570,530)
Accounts payable	1,611,086	5,985,321
Accrued expenses	1,848,632	980,254
Provisions	(597,350)	(145,896)
Retirement benefit obligations	437,830	875,736
Operating related party activity, net	1,614,955	(158,188)
Change in net operating assets	<u>\$ (36,080,016)</u>	<u>\$ (16,215,240)</u>

Non-cash transactions: The principal non-cash transactions are the purchase of property, plant & equipment financed with capital leases (see Note 16), accrued purchases of property, plant and equipment, capitalized interest (see Note 7), and the recognition of deferred income.

The accompanying notes are an integral part of the consolidated financial statements.

TITAN AMERICA LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organization, Nature of Business and Summary of Significant Accounting Policies

The consolidated financial statements for the years ended December 31, 2005 and 2004 were authorized for issue by the management of Titan America LLC on January 27, 2006.

Basis of Presentation: The consolidated financial statements are prepared in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board (“IASB”), including International Accounting Standards and Interpretations issued by the International Financial Reporting Interpretations Committee of the IASB, collectively “IFRS.”

Organization and Nature of Business: Titan America LLC (the “Company”), a Delaware limited liability company, is wholly-owned by Titan Atlantic Cement Industrial and Commercial S.A. (“Titan Atlantic”), which is wholly-owned by Titan Cement Company S.A. (“Titan Cement”), both of which are Greek corporations. The Company primarily operates in the manufacture, distribution, and sale of cement, cement substitutes, ready-mixed concrete, construction aggregates, and concrete blocks to resellers and construction contractors in the Mid-Atlantic and Southeast regions of the United States. The Company’s principal offices are located in Norfolk, Virginia.

The Company’s significant operating subsidiaries include Roanoke Cement Company LLC, Titan Virginia Ready-Mix LLC, Tarmac America LLC, Separation Technologies LLC, and Essex Cement Company LLC (“Essex”). See comment on the merger of Essex operations in restatement paragraph below.

Related Party Activity: Related party activity is primarily comprised of cement purchases from Titan Cement and its operating subsidiaries. Also, in July 2004, the Company sold the international territory development rights for its patented ash separation technology to Iapetos Limited (“Iapetos”), a wholly-owned subsidiary of Titan Cement, and provided short-term funding to Separation Technologies Canada LTD (“STC”), a wholly-owned subsidiary of Iapetos. In 2005, the Company sold ash separators and related spare parts to STC and Separation Technologies UK LTD (“STUK”), a wholly-owned subsidiary of Titan Cement UK LTD, which is wholly-owned by Titan Cement. See Note 19.

A summary of the Company’s significant accounting policies follows:

Reclassification: Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications were immaterial.

Limited Liability Company operating agreement, personal assets and liabilities: In accordance with the operating agreement of the Company, the member, Titan Atlantic, is not liable for the debts, liabilities, contracts, or any other obligations of the Company solely by reason of being a member of the Company. In addition, the member is not required to lend any funds to the Company.

Principles of Consolidation: The consolidated financial statements include the accounts of Titan America LLC and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Critical Accounting Estimates and Judgments: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The principal estimates are related to provisions, retirement benefit obligations, goodwill, identifiable intangible assets, deferred and other non-current income taxes, and insurance accruals.

Provisions and retirement benefit obligations include estimates of discounted expected future cash outflows. The retirement benefit obligations include actuarial assumptions on medical costs increases and life expectancy, which could differ from actual experience.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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**Note 1. Organization, Nature of Business and Summary of Significant Accounting Policies
(continued)**

The Company tests annually whether goodwill and identifiable intangible assets have suffered any impairment. The recoverable amounts of related cash generating units have been determined based on discounted cash flow calculations. These calculations require use of estimates.

The Company's calculation of deferred and other non-current income taxes includes many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

Insurance accruals include estimates of settlement or claims against the company based on loss development factors and estimates of incurred but not reported healthcare costs, which could differ from actual experience.

Cash and Cash Equivalents: The Company considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents. Cash equivalents consist of overnight repurchase agreements, and a bank money market fund (investing primarily in obligations of U.S. banks, commercial paper and other high quality, short-term obligations of U.S. companies and securities of the U.S. Government).

The Company excludes outstanding checks in excess of funds on deposit with a bank from the reported amounts of cash and cash equivalents. This net liability is classified as a book overdraft in the accompanying consolidated balance sheets.

Borrowings: The Company recognizes borrowings initially at fair value, net of transaction costs. Transaction costs are amortized on an interest to maturity basis over the term of the borrowings. Amortization is included in interest expense in the accompanying consolidated statements of income.

Inventories: Inventories are stated at the lower of cost or market (estimated net realizable value). Cost is determined as follows:

- Finished goods and work in process – Average production cost for the most recent 12 month period.
- Spare parts and raw materials – Moving average or standard cost method.
- Manufacturing supplies and other – Moving average method.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Trade Receivables: Trade receivables are recognized initially at fair value and subsequently at amortized cost, less a provision for impairment. An allowance for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the asset's carrying amount and the estimated future cash flows. Changes to the allowance are recognized as cost of goods sold in the accompanying consolidated statements of income.

Property, Plant, Equipment and Mineral Deposits: Property, plant, equipment and mineral deposits are stated at historical cost, less accumulated depreciation and depletion.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Amortization expense on assets under capital leases is included with depreciation expense on company owned assets. Mineral deposits are depleted using the units-of-production method on the basis of the relationship of quantities mined to total estimated recoverable quantities.

Expenditures incurred to replace or overhaul a component of an item of property, plant and equipment are accounted for separately and, if the future economic benefits are probable and extend the useful life or

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increase capacity, the items are capitalized. Repair and maintenance expenditures are expensed as incurred.

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**Note 1. Organization, Nature of Business and Summary of Significant Accounting Policies
(continued)**

The estimated useful lives for the major components of property, plant and equipment are:

	Years
Land improvements	15-39
Building and improvements	15-39
Machinery and equipment	5-30
Mobile equipment	7-25
Marine equipment	15-25
Auto and truck	7-8
Furniture and fixtures	3-5

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date. When assets are retired or sold, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the accompanying consolidated statements of income.

Capitalized Interest: The Company has elected the allowed alternative treatment to capitalize interest costs for qualifying capital projects. The amount of capitalized interest is based on the Company's weighted average borrowing rate and the average outstanding capital spending for a project. The capitalized interest is recorded as part of the asset to which it relates and is depreciated over the asset's estimated useful life.

Goodwill: Goodwill is stated at acquisition value less accumulated amortization. Prior to January 1, 2005, goodwill was amortized over its expected period of benefit (15 to 20 years) on a straight line basis (see Recent Accounting Pronouncements paragraph below). Amortization is included in general and administrative expense in the accompanying 2004 consolidated statement of income.

Identifiable Intangible Assets: Identifiable intangible assets are stated at acquisition value less accumulated amortization and are amortized over their expected period of benefit on a straight line basis. Amortization of identifiable intangible assets is included in cost of goods sold in the accompanying consolidated statements of income.

The estimated useful lives for the major components of identifiable intangible assets are:

	Years
Core Technology	10
Customer Relations	5
Trademarks	10

Deferred Stripping: Costs associated with removing overburden from mineral deposits are deferred and amortized on the units-of-production method proportionate to the extraction of the related mineral deposits. Amortization of deferred stripping is included in costs of goods sold in the accompanying consolidated statements of income.

Insurance: The Company maintains insurance to cover property, casualty, liability, and workers' compensation losses above certain retained limits. The Company provides accruals for estimates of the retained portion of probable settlement amounts, net of deposits held by insurance companies. This liability is included in accrued expenses in the accompanying consolidated balance sheets.

Income Taxes: Titan America LLC is a non-taxable entity whose items of income, expense, gains and losses are taxed to its member, Titan Atlantic. For financial reporting purposes, the Company reports Titan Atlantic's United States income tax expense and related income tax assets and liabilities as if the Company had filed separate company income tax returns.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Note 1. Organization, Nature of Business and Summary of Significant Accounting Policies
(continued)**

The Company accounts for income taxes using the liability method. Under the liability method, deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the financial statement reported amounts of assets and liabilities and their tax bases. Deferred tax assets are recognized only when, in the opinion of management, it is probable that they will be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Company is subject to compliance reviews by the Internal Revenue Service and other taxing authorities on various tax matters, including challenges to various positions the Company asserts. The Company believes it has adequately accrued for tax contingencies that have met both the probable and reasonably estimable criteria. These amounts are reflected in other noncurrent income tax liabilities in the accompanying consolidated balance sheets.

Commitments, Contingencies, and Provisions: Liabilities for loss contingencies, including environmental remediation costs, arising from claims, assessments, litigation, fines and penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Such provisions are adjusted as further information develops or circumstances change. Provisions for environmental remediation costs are determined by forecasting future costs and discounting these costs using risk free rates for periods that approximate the expected timing of the obligation and are included in provisions in the accompanying consolidated balance sheets.

Impairment of Long-Lived Assets: Property, plant, equipment and mineral deposits and other noncurrent assets, including goodwill, deferred stripping and identifiable intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In addition, assets with indefinite lives, such as goodwill, must be reviewed annually for impairment. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell or value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Leases: Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Revenue Recognition: Revenue from product sales is recognized upon shipment to customers. Provisions for discounts, returns, and other adjustments are provided for in the same period the related sales are recorded.

Deferred income represents receivables or payments received prior to the delivery of products, services or rights.

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**Note 1. Organization, Nature of Business and Summary of Significant Accounting Policies
(continued)**

Recent Accounting Pronouncements: In February 2004, the IASB issued IFRS No. 2, "Share-based Payment," which addresses the recognition of share-based payment transactions in financial statements. For equity-settled share-based payment transactions, the statement requires an entity to measure the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received unless that fair value cannot be estimated reliably. If the entity cannot reliably estimate the fair value of the goods or services received, then the entity is required to measure their fair value, and the corresponding increase in equity, indirectly by reference to the fair value of the equity instrument granted. The statement was effective for the Company beginning January 1, 2005. The adoption of this standard did not have a material impact on the Company's results of operations or financial position.

In March 2004, the IASB issued IFRS No. 3, "Business Combinations," which addresses the accounting for business combination transactions in financial statements. For previously recognized goodwill, the standard requires that the entity (i) cease amortization beginning with the first annual period after March 31, 2004, (ii) eliminate the carrying amount of the related accumulated amortization with a corresponding decrease in goodwill, and (iii) from the beginning of the first annual period after March 31, 2004, test the goodwill for impairment in accordance with IAS No. 36, "Impairment of Assets." The Company adopted the business combinations provisions of this standard effective April 1, 2004. Accordingly, business combinations initiated subsequent to April 1, 2004 will be accounted for under this new standard. The adoption of this standard is expected to increase net income by approximately \$1,000,000 on an annual basis beginning in 2005.

Note 2. Financial Instruments and Other Financial Assets and Liabilities

The following methods and assumptions were used to estimate the fair value of financial instruments:

Cash and cash equivalents, trade receivables, related party receivables, other receivables, accounts payable, and accounts payable-related parties: At December 31, 2005 and 2004, the carrying amounts approximate fair value based on the short maturity of these instruments.

Short-term borrowings and long-term debt: The fair values of the Company's long-term debt obligations (other than capital lease obligations) are based on discounted cash flows using a discount rate which management expects would be available to the Company at the balance sheet date. The carrying amounts of short-term borrowings and capital lease obligations approximate their fair value.

Note 3. Trade Receivables, Net

Trade receivables at December 31, 2005 and 2004, consist of the following:

	December 31, 2005	December 31, 2004
Trade receivables	\$ 92,671,153	\$ 71,466,726
Allowance for doubtful accounts	(1,915,894)	(1,969,997)
Allowance for cash discounts and rebates	(1,687,131)	(1,176,467)
Allowance for service fees	(408,775)	(282,508)
Trade receivables, net	<u>\$ 88,659,353</u>	<u>\$ 68,037,754</u>

Bad debt expense is included in cost of goods sold in the accompanying consolidated statements of income. For the year ended December 31, 2005, the Company recognized \$347,236 of bad debt expense. For the year ended December 31, 2004, the Company recognized a net benefit of \$601,780 from reversals of bad debt allowances.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Inventories, Net

Inventories at December 31, 2005 and 2004, consist of the following:

	December 31, 2005	December 31, 2004
Finished goods	\$ 23,345,136	\$ 16,358,263
Work in process	19,275,733	13,245,314
Raw materials	10,515,516	7,419,315
Spare parts, net of allowance for obsolescence	18,382,122	15,219,284
Manufacturing supplies and other	4,292,057	4,950,641
Inventories, net	<u>\$ 75,810,564</u>	<u>\$ 57,192,817</u>

At December 31, 2005 and 2004, the Company's consolidated balance sheets included an allowance for spare parts inventory valuation of \$1,110,531 and \$883,499, respectively. During 2005, \$277,436 was recorded in cost of goods sold in the accompanying consolidated statement of income for increases to the provision. During this period, the provision was reduced by \$50,404 related to usage of the reserved inventory. During 2004, the provision was reduced by \$137,342. The impairment allowance results primarily from the modernization of the Company's Florida cement plant.

Note 5. Other Receivables, Net

Other receivables at December 31, 2005 and 2004, consist of the following:

	December 31, 2005	December 31, 2004
Accounts receivable, non-trade, net	\$ 435,491	\$ 1,579,249
Deposits	115,000	-
Employee receivables	480,344	220,940
Property and fuel tax refunds	487,734	200,568
Other	246,365	167,341
Other receivables, net	<u>\$ 1,764,934</u>	<u>\$ 2,168,098</u>

Note 6. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets at December 31, 2005 and 2004, consist of the following:

	December 31, 2005	December 31, 2004
Prepaid insurance	\$ 1,866,383	\$ 1,975,061
Prepaid licenses	520,187	442,336
Prepaid overhead expenses (rent, software maintenance, dues and subscriptions)	729,328	626,509
Prepaid environmental costs	-	-
Prepaid highway use tax	261,319	184,578
Prepaid royalty	167,051	-
Other	96,042	69,157
Prepaid expenses and other current assets	<u>\$ 3,640,310</u>	<u>\$ 3,297,641</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Property, Plant, Equipment and Mineral Deposits

Activity within property, plant, equipment and mineral deposits for the year ended December 31, 2005 consists of the following:

	Balance at 1/1/05	Additions	Disposals	Other	Balance at 12/31/05
Historical cost:					
Mineral reserves	\$ 128,216,832	\$ -	\$ -	\$ -	\$ 128,216,832
Land	80,067,424	1,403,656	-	-	81,471,080
Land improvements	13,478,195	3,964,840	(11,999)	-	17,431,036
Building & improvements	70,133,016	3,792,637	(142,111)	3,754,502	77,538,044
Machinery & equipment	443,939,300	20,657,654	(1,243,950)	(3,729,150)	459,623,854
Mobile equipment	41,071,707	5,194,746	(2,555,005)	474,308	44,185,756
Marine equipment	6,397,170	-	-	-	6,397,170
Auto & truck	50,201,365	15,059,824	(1,612,482)	(497,288)	63,151,419
Furniture & fixtures	5,449,677	827,408	(3,575)	(2,372)	6,271,138
Construction in progress	36,735,602	52,946,445	-	-	89,682,047
Total historical cost	\$ 875,690,288	\$ 103,847,210	\$ (5,569,122)	\$ -	\$ 973,968,376
Accumulated depreciation:					
Mineral reserves	\$ 13,346,182	\$ 3,051,427	\$ -	\$ -	\$ 16,397,609
Land improvements	3,729,198	1,044,653	(5,200)	-	4,768,651
Building & improvements	16,681,555	4,011,725	(63,261)	1,143,883	21,773,902
Machinery & equipment	88,629,843	26,892,086	(899,285)	(1,134,093)	113,488,551
Mobile equipment	16,209,141	3,916,176	(2,541,442)	447,282	18,031,157
Marine equipment	1,830,451	264,323	-	(2,575)	2,092,199
Auto & truck	21,724,049	7,086,639	(1,606,780)	(469,976)	26,733,932
Furniture & fixtures	3,394,871	931,457	(3,575)	(2,102)	4,320,651
Accrued depreciation	20,121	87,320	(37,701)	17,581	87,321
Other	193,599	(110,627)	-	-	82,972
Total accumulated depreciation	\$ 165,759,010	\$ 47,175,179	\$ (5,157,244)	\$ -	\$ 207,776,945
Net book value:					
Mineral reserves	\$ 114,870,650	\$ (3,051,427)	\$ -	\$ -	\$ 111,819,223
Land	80,067,424	1,403,656	-	-	81,471,080
Land improvements	9,748,997	2,920,187	(6,799)	-	12,662,385
Building & improvements	53,451,461	(219,088)	(78,850)	2,610,619	55,764,142
Machinery & equipment	355,309,457	(6,234,432)	(344,665)	(2,595,057)	346,135,303
Mobile equipment	24,862,566	1,278,570	(13,563)	27,026	26,154,599
Marine equipment	4,566,719	(264,323)	-	2,575	4,304,971
Auto & truck	28,477,316	7,973,185	(5,702)	(27,312)	36,417,487
Furniture & fixtures	2,054,806	(104,049)	-	(270)	1,950,487
Construction in progress	36,735,602	52,946,445	-	-	89,682,047
Accrued depreciation	(20,121)	(87,320)	37,701	(17,581)	(87,321)
Other	(193,599)	110,627	-	-	(82,972)
Total net book value	\$ 709,931,278	\$ 56,672,031	\$ (411,878)	\$ -	\$ 766,191,431

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Property, Plant, and Equipment and Mineral Deposits (continued)

Activity within property, plant, equipment and mineral deposits for the year ended December 31, 2004 consists of the following:

	Balance at 1/1/04	Additions	Disposals	Other	Balance at 12/31/04
Historical cost:					
Mineral reserves	\$ 128,216,832	\$ -	\$ -	\$ -	\$ 128,216,832
Land	78,211,988	2,180,415	(324,979)	-	80,067,424
Land improvements	4,686,111	4,681,067	-	4,111,017	13,478,195
Building & improvements	66,755,746	8,291,780	(909,627)	(4,004,883)	70,133,016
Machinery & equipment	194,776,348	260,900,849	(5,235,925)	(6,501,972)	443,939,300
Mobile equipment	26,234,122	11,241,963	(1,343,808)	4,939,430	41,071,707
Marine equipment	2,949,079	3,382,437	-	65,654	6,397,170
Auto & truck	39,645,881	10,342,923	(562,372)	774,933	50,201,365
Furniture & fixtures	4,264,149	1,201,307	(631,600)	615,821	5,449,677
Construction in progress	211,497,338	(174,573,303)	(188,433)	-	36,735,602
Total historical cost	\$ 757,237,594	\$ 127,649,438	\$ (9,196,744)	\$ -	\$ 875,690,288
Accumulated depreciation:					
Mineral reserves	\$ 10,345,739	\$ 3,000,443	\$ -	\$ -	\$ 13,346,182
Land improvements	1,748,874	633,749	-	1,346,575	3,729,198
Building & improvements	14,814,281	4,016,223	(858,471)	(1,290,478)	16,681,555
Machinery & equipment	77,033,882	22,034,875	(4,736,880)	(5,702,034)	88,629,843
Mobile equipment	9,566,083	3,357,454	(1,286,260)	4,571,864	16,209,141
Marine equipment	1,554,413	152,063	-	123,975	1,830,451
Auto & truck	14,688,109	7,229,313	(543,991)	350,618	21,724,049
Furniture & fixtures	2,648,294	778,697	(631,600)	599,480	3,394,871
Accrued depreciation	-	20,121	-	-	20,121
Other	108,978	(37,407)	248,913	(126,885)	193,599
Total accumulated depreciation	\$ 132,508,653	\$ 41,185,531	\$ (7,808,289)	\$ (126,885)	\$ 165,759,010
Net book value:					
Mineral reserves	\$ 117,871,093	\$ (3,000,443)	\$ -	\$ -	\$ 114,870,650
Land	78,211,988	2,180,415	(324,979)	-	80,067,424
Land improvements	2,937,237	4,047,318	-	2,764,442	9,748,997
Building & improvements	51,941,465	4,275,557	(51,156)	(2,714,405)	53,451,461
Machinery & equipment	117,742,466	238,865,974	(499,045)	(799,938)	355,309,457
Mobile equipment	16,668,039	7,884,509	(57,548)	367,566	24,862,566
Marine equipment	1,394,666	3,230,374	-	(58,321)	4,566,719
Auto & truck	24,957,772	3,113,610	(18,381)	424,315	28,477,316
Furniture & fixtures	1,615,855	422,610	-	16,341	2,054,806
Construction in progress	211,497,338	(174,573,303)	(188,433)	-	36,735,602
Accrued depreciation	-	(20,121)	-	-	(20,121)
Other	(108,978)	37,407	(248,913)	126,885	(193,599)
Total net book value	\$ 624,728,941	\$ 86,463,907	\$ (1,388,455)	\$ 126,885	\$ 709,931,278

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Property, Plant, and Equipment and Mineral Deposits (continued)

At December 31, 2005 and 2004, property, plant, and equipment under capital leases consisted of mobile equipment, autos and trucks with a cost basis of \$9,744,965 and \$9,744,965, respectively, and accumulated amortization of \$966,694 and \$546,129, respectively. For the years ended December 31, 2005 and 2004, amortization of property, plant, and equipment under capital leases totaled \$420,565 and \$2,208,082, respectively.

Reserves for impaired assets totaled \$82,971 and \$193,599 at December 31, 2005 and 2004, respectively.

At December 31, 2005 and 2004, the Company had accruals for capital projects totaling \$5,645,147 and \$4,484,785, respectively.

For the years ended December 31, 2005 and 2004, the Company capitalized interest of \$665,583 and \$4,436,900, respectively, based on a weighted average borrowing rate that varies monthly. The weighted average borrowing rate for the years ended December 31, 2005 and 2004 was 6.63% and 5.47%, respectively. The capitalization of interest results from the modernization of the Company's Florida cement mill, the construction of the Tampa cement import terminal, and the modernization of the New Jersey cement import terminal.

Note 8. Goodwill, Net

Activity within net goodwill for the years ended December 31, 2005 and 2004 consists of the following:

	Balance at 1/1/04	Additions	Balance at 12/31/04	Transfers	Balance at 12/31/05
Historical cost	\$ 21,873,469	\$ -	\$ 21,873,469	\$ (3,923,900)	\$ 17,949,569
Accumulated amortization	<u>(2,908,802)</u>	<u>(1,015,098)</u>	<u>(3,923,900)</u>	<u>3,923,900</u>	<u>-</u>
Net book value	<u>\$ 18,964,667</u>	<u>\$ (1,015,098)</u>	<u>\$ 17,949,569</u>	<u>\$ -</u>	<u>\$ 17,949,569</u>

Goodwill primarily results from the 2002 acquisition of Separation Technologies. Effective January 1, 2005, the Company ceased amortization of goodwill in accordance with IFRS No. 3, "Business Combinations" (see Note 1) and the balance of the accumulated amortization was eliminated with a corresponding decrease in the historical cost basis.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9. Identifiable Intangible Assets, Net

Identifiable intangible assets are comprised principally of acquired patents and trademarks of Separation Technologies.

Activity within net identifiable intangible assets for the years ended December 31, 2005 and 2004 consists of the following:

	Balance at 1/1/04	Additions	Balance at 12/31/04	Additions	Balance at 12/31/05
Historical cost:					
Core Technology	\$ 9,700,000	\$ -	\$ 9,700,000	\$ -	\$ 9,700,000
Customer Relations	2,200,000	-	2,200,000	-	2,200,000
Trademarks	400,000	-	400,000	-	400,000
Total historical cost	\$ 12,300,000	\$ -	\$ 12,300,000	\$ -	\$ 12,300,000
Accumulated amortization:					
Core Technology	\$ 1,374,166	\$ 970,000	\$ 2,344,166	\$ 970,000	\$ 3,314,166
Customer Relations	623,333	440,000	1,063,333	440,000	1,503,333
Trademarks	56,667	40,000	96,667	40,000	136,667
Total accumulated amortization	\$ 2,054,166	\$ 1,450,000	\$ 3,504,166	\$ 1,450,000	\$ 4,954,166
Net book value:					
Core Technology	\$ 8,325,834	\$ (970,000)	\$ 7,355,834	\$ (970,000)	\$ 6,385,834
Customer Relations	1,576,667	(440,000)	1,136,667	(440,000)	696,667
Trademarks	343,333	(40,000)	303,333	(40,000)	263,333
Total net book value	\$ 10,245,834	\$ (1,450,000)	\$ 8,795,834	\$ (1,450,000)	\$ 7,345,834

Note 10. Deferred Stripping, Net

The activity within deferred stripping for the years ended December 31, 2005 and 2004 consists of the following:

	Balance at January 1	Additions	Amortization	Balance at December 31
2005	\$ 3,433,710	\$ 1,830,542	\$ (1,667,723)	\$ 3,596,529
2004	\$ 3,053,312	\$ 1,558,434	\$ (1,178,036)	\$ 3,433,710

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11. Income Taxes

The components of income tax expense for the year ended December 31, 2005 consist of:

	Current	Deferred	Other	Total
U.S. Federal	\$ 7,442,492	\$ 22,359,230	\$ 787,530	\$ 30,589,252
State	<u>3,254,344</u>	<u>3,177,892</u>	<u>93,255</u>	<u>6,525,491</u>
Total	<u>\$ 10,696,836</u>	<u>\$ 25,537,122</u>	<u>\$ 880,785</u>	<u>\$ 37,114,743</u>

The components of income tax expense for the year ended December 31, 2004 consist of:

	Current	Deferred	Other	Total
U.S. Federal	\$ -	\$ 13,496,055	\$ (6,774,738)	\$ 6,721,317
State	<u>674,242</u>	<u>635,725</u>	<u>(273,517)</u>	<u>1,036,450</u>
Total	<u>\$ 674,242</u>	<u>\$ 14,131,780</u>	<u>\$ (7,048,255)</u>	<u>\$ 7,757,767</u>

Income tax expense differs from the amounts computed by applying the U.S. Federal statutory income tax rate to income before income taxes for the years ended December 31, 2005 and 2004, as a result of the following:

	2005	2004
Income before income taxes	<u>\$ 104,758,637</u>	<u>\$ 41,392,584</u>
Income tax expense at applicable statutory U.S. Federal tax rate	36,665,522	14,487,405
Differences resulting from:		
State income taxes, net of federal tax benefit	4,180,953	851,478
Mineral deposit depletion in excess of cost basis	(4,357,123)	(1,162,705)
Nondeductible expenses	332,052	593,046
Provision for noncurrent income tax liabilities	880,785	(7,048,255)
Manufacturing deduction in excess of cost	(304,512)	-
Stock options deduction in excess of cost	(333,919)	-
Other	<u>50,985</u>	<u>36,798</u>
Income tax expense	<u>\$ 37,114,743</u>	<u>\$ 7,757,767</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11. Income Taxes (continued)

Net deferred tax liabilities consist of the following components as of December 31, 2005 and 2004:

	December 31, 2005	December 31, 2004
Deferred tax assets:		
Provisions and reserves, not deductible for tax purposes until paid	\$ 11,207,098	\$ 11,175,428
Net operating loss and contribution carryforwards	1,191,383	23,692,099
Tax credit carryforwards	300,016	2,703,421
Accounts receivable and inventory valuation and costing	2,192,840	3,898,360
Intangibles principally due to differences in amortization methods	488,078	299,959
Other	1,554,207	1,582,292
	<u>16,933,622</u>	<u>43,351,559</u>
Deferred tax liabilities:		
Property, plant and equipment, principally due to differences in depreciation methods	99,234,823	98,931,172
Mineral deposits, principally due to differences in depletion methods	43,609,497	44,799,554
Prepaid expenses principally due to differences in amortization methods	1,058,682	1,076,666
Deferred stripping, principally due to differences in amortization methods	930,169	906,595
	<u>144,833,171</u>	<u>145,713,987</u>
Total deferred tax liabilities	<u>144,833,171</u>	<u>145,713,987</u>
Deferred tax liabilities, net	<u>\$ 127,899,549</u>	<u>\$ 102,362,428</u>

The deferred tax amounts mentioned above have been classified on the accompanying consolidated balance sheets as of December 31, 2005 and 2004 as follows:

	December 31, 2005	December 31, 2004
Deferred tax liabilities, net	\$ 127,899,549	\$ 102,362,428
Other noncurrent income tax liabilities	3,573,702	2,692,916
Deferred and other noncurrent income tax liabilities, net	<u>\$ 131,473,251</u>	<u>\$ 105,055,344</u>

At December 31, 2005, the Company had remaining net operating loss carryforwards of \$62,446,117 expiring in years 2010 through 2024. All of these net operating loss carryforwards are limited to use as a result of a change in control, subject to carryover, to offset taxable income of the Company. These losses will be carried forward to future periods and are expected to be fully utilized prior to expiration.

At December 31, 2005, the Company had remaining tax credit carryforwards of \$300,016 which will expire between 6 and 13 years. These tax credit carryforwards may be used to offset future U.S. Federal income taxes payable subject to certain IRS limitations.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12. Other Assets

Other assets at December 31, 2005 and 2004 consist of the following:

	December 31, 2005	December 31, 2004
Excess benefit plan assets	\$ 1,896,018	\$ 1,307,769
Security deposit	176,827	128,250
Prepaid overhead costs	264,283	87,991
Prepaid development costs	1,050,361	-
Other	24,187	71,348
Other assets	<u>\$ 3,411,676</u>	<u>\$ 1,595,358</u>

Note 13. Accrued Expenses

Accrued expenses at December 31, 2005 and 2004 consist of the following:

	December 31, 2005	December 31, 2004
Insurance	\$ 10,550,053	\$ 10,864,169
Employee benefits	5,679,637	4,340,501
Taxes payable, other than income taxes	2,409,039	1,452,311
Interest payable	2,662,439	2,628,551
Professional fees	333,708	383,762
Accrued royalties and dues	31,147	24,012
Other	45,100	135,296
Accrued expenses	<u>\$ 21,711,123</u>	<u>\$ 19,828,602</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14. Provisions

The activity within the Company's provision accounts for the year ended December 31, 2005 is summarized as follows:

Provision Description	Balance at 1/1/05	Charges (Credits) to Income Statement	Cash Receipts (Payments)	Balance at 12/31/05
Restoration obligations	\$ 5,353,039	\$ 109,478	\$ -	\$ 5,462,517
Environmental	1,076,518	452,873	(3,391)	1,526,000
Sales and use tax provision	472,636	(125,837)	380,371	727,170
Early retirement provision	721,954	21,286	(606,887)	136,353
Idle asset provision	279,813	(162,388)	(92,025)	25,400
Litigation	1,173,310	2,008,727	(2,489,037)	693,000
Other	248,469	(174,417)	72,948	147,000
Total	<u>\$ 9,325,739</u>	<u>\$ 2,129,722</u>	<u>\$ (2,738,021)</u>	<u>\$ 8,717,440</u>

Analysis of Provisions	December 31, 2004	December 31, 2005
Current portion of provisions	\$ 2,520,321	\$ 2,078,473
Non-current portion of provisions	6,805,418	6,638,967
Total	<u>\$ 9,325,739</u>	<u>\$ 8,717,440</u>

Restoration obligations: This provision represents the present value of the estimated costs to reclaim quarry sites and other similar post-closure obligations. It is expected that this amount will be used over the next 2 to 50 years.

Environmental: This provision represents the estimated costs of removing and monitoring underground storage tanks and cement kiln dust stock piles at certain of the Company's operating facilities. It is expected that \$586,000 will be utilized in the next twelve months with the remaining amounts used over the next 2 to 40 years.

Sales and use tax: This provision has been established to cover the expected settlement of sales and use tax audits in states where the Company conducts business. It is expected that \$625,420 will be used in the next twelve months with the remaining amount used over the next 2 to 5 years.

Early retirement: This provision is for an early retirement program offered to employees eligible for participation. It is expected that this amount will be fully utilized in the next twelve months.

Idle asset: This provision represents the cost of maintaining facilities that are classified as surplus sites. This includes the cost of leases, property taxes, and cleanup required to prepare owned sites for sale. It is expected that \$23,700 will be used in the next twelve months with the remaining amount used over the next 2 years.

Litigation: This reserve has been established primarily for the costs of settling certain claims asserted against the Company. It is expected that this amount will be fully utilized in the next twelve months.

Other: These miscellaneous reserves are for various matters. It is expected that \$14,000 will be used in the next twelve months with the remaining amounts used over the next 2 to 20 years.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14. Provisions (continued)

During the year ended December 31, 2005, the Company increased provisions by a net amount of \$10,949 for the passage of time and changes in applicable discount rates. During the year ended December 31, 2004, the Company increased provisions by \$82,038 for the passage of time and changes in applicable discount rates. This accretion of provisions is included in interest expense or interest income in the accompanying consolidated statements of income.

Note 15. Credit Facilities and Long-Term Debt

Short-Term and Medium-Term Borrowing Facilities: At December 31, 2005 and 2004, the Company maintained short-term and medium-term borrowing facilities with banks as further described below:

Borrowing Facilities at December 31, 2005				
Facility Description	Borrowing Facility	Outstanding Borrowings	Undrawn Facility	Maturity Date
Committed Revolving Credit Facility*	\$ 28,000,000	\$ -	\$ 28,000,000	6/30/06
Uncommitted Revolving Credit Facility	21,000,000	-	21,000,000	N/A
Total	\$ 49,000,000	\$ -	\$ 49,000,000	

* The full value of this borrowing facility is \$75,000,000 but it has been reduced by \$47,000,000 for the letter of credit subfacility discussed below.

Borrowing Facilities at December 31, 2004				
Facility Description	Borrowing Facility	Outstanding Borrowings	Undrawn Facility	Maturity Date
Committed Revolving Credit Facility*	\$ 29,000,000	\$ -	\$ 29,000,000	6/30/05
Uncommitted Revolving Credit Facility	30,000,000	-	30,000,000	9/11/05
Total	\$ 59,000,000	\$ -	\$ 59,000,000	

* The full value of this borrowing facility is \$75,000,000 but it has been reduced by \$46,000,000 for the letter of credit subfacility discussed below.

Each of the borrowing facilities provides for loans at variable interest rates which are reset at daily, 1-month, 3-month, or 6-month intervals depending on the facility and the type of draw made thereunder. In connection with each borrowing facility, the Company has agreed to certain covenants including restrictions on incurring certain liens on or disposing of certain existing assets without notification to the lender. Each of the borrowing facilities is guaranteed by Titan Cement.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15. Credit Facilities and Long-Term Debt (continued)

Letter of Credit and Performance Bond Facilities: The Company maintains a letter of credit facility with a bank which is guaranteed by Titan Cement. No amounts were drawn against the letters of credit at December 31, 2005 and 2004. At December 31, 2005 and 2004, the bank had issued letters of credit on behalf of the Company totaling \$48,094,215 and \$45,469,235, respectively, as further described below:

	December 31, 2005	December 31, 2004
Facility Amount	\$ 47,000,000	\$ 46,000,000
Less letters of credit issued in support of:		
Casualty, liability and workers' compensation insurance programs	(14,090,706)	(13,997,819)
Variable rate industrial revenue bonds	(29,687,726)	(29,687,726)
Performance obligations	(5,000)	(140,000)
Other payment obligations	<u>(2,232,310)</u>	<u>(1,643,690)</u>
Available Facility Amount	<u>\$ 984,258</u>	<u>\$ 530,765</u>

In addition to the letter of credit facility described above, the Company maintains a performance bond facility with an insurance company which is guaranteed by Titan Cement. No amounts were drawn against the performance bonds at December 31, 2005 and 2004. At December 31, 2005 and 2004, the insurance company had issued performance bonds on behalf of the Company totaling \$9,160,539 and \$4,138,044, respectively, as further described below:

	December 31, 2005	December 31, 2004
Facility Amount	\$ 25,000,000	\$ 10,000,000
Less performance bonds issued in support of:		
Excavation and reclamation obligations	(2,774,010)	(2,316,010)
Supply obligations	(5,619,403)	(1,237,403)
Other payment and performance obligations	<u>(767,126)</u>	<u>(584,631)</u>
Available Facility Amount	<u>\$ 15,839,461</u>	<u>\$ 5,861,956</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15. Credit Facilities and Long-Term Debt (continued)

Borrowings: Borrowings at December 31, 2005 and 2004 consisted of the following:

	December 31, 2005		December 31, 2004	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Unsecured notes payable to insurance companies, bearing interest at 7.01% per annum, payable semi-annually, due on December 19, 2008 (A)	\$ 30,000,000	31,258,101	\$ 30,000,000	32,580,000
Unsecured notes payable to insurance companies, bearing interest at 7.51% per annum, payable semi-annually, due on December 19, 2011 (A)	105,000,000	115,278,014	105,000,000	119,930,000
Unsecured notes payable to insurance companies, bearing interest at 5.75% per annum, payable semi-annually, due on October 10, 2014 (A)	140,000,000	141,137,310	140,000,000	142,120,000
Unsecured notes payable to insurance companies, bearing interest at 7.89% per annum, payable semi-annually, due on December 19, 2016 (A)	25,000,000	29,419,330	25,000,000	29,750,000
Unsecured notes payable to insurance companies, bearing interest at 6.01% per annum, payable semi-annually, due on October 10, 2019 (A)	25,000,000	25,654,419	25,000,000	25,570,000
Industrial revenue bonds, bearing interest at variable rates, payable monthly, due on December 1, 2020	7,350,000	7,350,000	7,350,000	7,350,000
Industrial revenue bonds, bearing interest at variable rates, payable monthly, due on April 26, 2034	22,000,000	22,000,000	22,000,000	22,000,000
Capital lease obligations (Note 16)	6,933,560	6,933,560	7,632,083	7,632,083
Subtotal	<u>\$ 361,283,560</u>	<u>\$ 379,030,734</u>	<u>\$ 361,982,083</u>	<u>\$ 386,932,083</u>
Less amounts classified as current portion of long-term debt, including obligations under capital leases	(706,721)		(698,523)	
Less unamortized debt issuance costs	(2,125,620)		(2,317,226)	
Long-term debt, including obligations under capital leases, less current obligations	<u>\$ 358,451,219</u>		<u>\$ 358,966,334</u>	

(A) The unsecured notes payable to insurance companies are subject to make-whole provisions in the event of pre-payment and are guaranteed by Titan Cement. Under the terms of the note agreements, the Company is required to maintain compliance with certain covenants including restrictions on incurring certain liens on or disposing of certain existing assets without notification to the note holders, the maintenance by the Company and Titan Cement of certain financial ratios, and in the case of Titan Cement, a minimum equity position.

In April 2004, the Company issued \$22,000,000 in tax exempt industrial revenue bonds, exclusive of \$348,437 in issuance costs. Interest on the bonds, 3.60% at December 31, 2005, is reset weekly and, as discussed above, the bonds are collateralized by a letter of credit. While the bonds have a stated maturity date of April 26, 2034, the Company, at its option, may retire the bonds at any time.

The exposure of the borrowings of the Company to interest rate changes and the periods in which the borrowings mature or re-price were as follows at December 31, 2005 and 2004:

	December 31, 2005	December 31, 2004
Within 6 months	\$ 29,698,826	\$ 29,708,536
Between 6 months and 1 year	357,895	339,987
Between 1 and 5 years	33,219,273	33,058,185
Later years	298,007,566	298,875,375
Total	<u>\$ 361,283,560</u>	<u>\$ 361,982,083</u>

**TITAN AMERICA LLC
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15. Credit Facilities and Long-Term Debt (continued)

The weighted average effective interest rates of the Company's borrowings at December 31, 2005 and 2004 were as follows:

	December 31, 2005	December 31, 2004
Unsecured notes payable to insurance companies	6.63%	6.63%
Industrial revenue bonds	3.60%	2.05%
Capital lease obligations (Note 16)	5.14%	5.14%

Maturity of borrowings (including short-term borrowings and capital lease obligations) at December 31, 2005 and 2004 were as follows:

	December 31, 2005	December 31, 2004
Within 1 year	\$ 706,721	\$ 698,523
Between 1 and 2 years	743,946	706,721
Between 2 and 3 years	30,783,133	743,946
Between 3 and 4 years	824,384	30,783,133
Between 4 and 5 years	867,810	824,385
Later years	327,357,566	328,225,375
Total	<u>\$ 361,283,560</u>	<u>\$ 361,982,083</u>

Note 16. Capital Leases

At December 31, 2005 and 2004, the Company leased certain equipment under agreements classified as capital leases. The equipment and the related liabilities under the capital leases were recorded at the present value of the future payments due under the leases, using the weighted average discount rates disclosed in Note 15. Total principal payments made under these leases for the years ended December 31, 2005 and 2004 totaled \$698,523 and \$14,536,380, respectively.

The following is a schedule, by year, of the future minimum lease payments under capital lease obligations together with the present value of the future minimum lease payments at December 31, 2005 and 2004:

	December 31, 2005	December 31, 2004
Within 1 year	\$ 1,046,837	\$ 1,074,272
Between 1 and 2 years	1,046,836	1,046,836
Between 2 and 3 years	1,046,837	1,046,837
Between 3 and 4 years	1,046,837	1,046,837
Between 4 and 5 years	1,046,837	1,046,837
Later years	3,261,366	4,308,203
Total minimum lease payments	<u>8,495,550</u>	<u>9,569,822</u>
Less amount representing interest	<u>(1,561,990)</u>	<u>(1,937,739)</u>
Present value of minimum lease payments	<u>\$ 6,933,560</u>	<u>\$ 7,632,083</u>

The fair value of capital lease obligations, at December 31, 2005 and 2004 approximate book value.

The Company did not enter into any new capital leases during the year ended December 31, 2005. During the year ended December 31, 2004, the Company entered into new capital leases in the principal amount of \$5,676,300 with a ten year term and a weighted average interest rate of 5.08%.

**TITAN AMERICA LLC
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17. Operating Lease Commitments

The Company leases certain facilities and equipment under operating lease agreements, which expire at various dates through 2034. Future minimum lease payments under noncancellable operating leases are as follows:

	December 31, 2005	December 31, 2004
Within 1 year	\$ 4,961,335	\$ 5,266,448
Between 1 and 2 years	2,718,710	4,168,487
Between 2 and 3 years	1,780,721	2,098,280
Between 3 and 4 years	1,149,724	1,560,342
Between 4 and 5 years	684,069	784,448
Later years	4,397,699	4,444,022
Total	<u>\$ 15,692,258</u>	<u>\$ 18,322,027</u>

Total rent expense under these noncancellable operating leases included in the accompanying consolidated statements of income for the years ended December 31, 2005 and 2004 was \$6,105,754 and \$4,745,354, respectively.

Note 18. Retirement Benefit Obligations

Retirement benefit obligations at December 31, 2005 and 2004, consist of the following:

	December 31, 2005	December 31, 2004
Pension benefits	\$ 2,851,504	\$ 2,554,641
Other post-retirement benefits	2,967,666	3,414,948
Excess benefit plan benefits	1,896,018	1,307,769
Retirement benefit obligations	<u>\$ 7,715,188</u>	<u>\$ 7,277,358</u>

All of the Company's defined benefit pension plans and all but one of the Company's other post-retirement benefit plans were previously frozen as to new participants and credited service. One post-retirement benefit plan exists for certain active and former employees of the Company. Under this plan, eligible retirees receive a benefit consisting primarily of assistance with medical insurance costs between the dates of early retirement and Medicare eligibility.

**TITAN AMERICA LLC
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 18. Retirement Benefit Obligations (continued)

For measurement purposes, at the end of the year included in the foregoing tables, a 9.0% rate of increase in the cost of covered health care benefits was assumed for 2003 through 2006, and gradually lower rates of increase were assumed for years after 2006, until the rate is assumed to be 5% in 2016 and remain at that level.

A reconciliation of the movements during the years ended December 31, 2005 and 2004 in the net liability follows:

	Pension Benefits		Other Post-retirement Benefits	
	2005	2004	2005	2004
Accrued cost, January 1	\$ 2,554,641	\$ 2,059,699	\$ 3,414,948	\$ 3,556,472
Expense/(benefit) recognized	492,332	765,845	(254,664)	(43,872)
Contributions	(195,469)	(270,903)	(192,618)	(97,652)
Accrued cost, June 30	<u>\$ 2,851,504</u>	<u>\$ 2,554,641</u>	<u>\$ 2,967,666</u>	<u>\$ 3,414,948</u>

The components of net periodic pension and other post-retirement benefit costs are as follows for the years ended December 31, 2005 and 2004:

	Pension Benefits		Other Post-retirement Benefits	
	2005	2004	2005	2004
Service cost	\$ 60,278	\$ 60,563	\$ 5,513	\$ 3,773
Interest cost	780,663	791,511	177,295	209,737
Expected return on plan assets	(884,875)	(961,158)	-	-
Actuarial (gain)/loss	536,266	874,929	(462,964)	(315,152)
Amortization of prior service costs/other	-	-	25,492	57,770
Net periodic pension expense/(benefit)	<u>\$ 492,332</u>	<u>\$ 765,845</u>	<u>\$ (254,664)</u>	<u>\$ (43,872)</u>
Actual return on plan assets	\$ 839,721	\$ 853,933	N/A	N/A

Of the total cost for the year ended December 31, 2005, \$67,748 was included in cost of goods sold and \$169,920 was included in general and administrative expense in the accompanying consolidated statements of income. Of the total cost for the year ended December 31, 2004, \$429,131 was included in cost of goods sold and \$292,842 was included in general and administrative expense in the accompanying consolidated statements of income.

Defined Contribution Plans: The Company sponsors a defined contribution retirement and 401(k) savings plan which covers substantially all employees of the Company. The Company contributes an amount equal to 3.5% of each participant's eligible compensation up to the Social Security Integration Level and 7.0% of eligible compensation in excess of that level. Total costs for this element of the plan were \$2,746,785 and \$2,596,109, respectively, for the years ended December 31, 2005 and 2004. In addition, the plan allows a voluntary employer after-tax contribution of up to 2.0% of eligible compensation for eligible employees. No voluntary employer contribution was made in either 2005 or 2004.

The plan also provides for voluntary employee pre-tax contributions for eligible employees. The Company matches 50% of eligible employees' contributions up to 6% of the employee's eligible wages, subject to IRS limitations on maximum elective deferrals. Total costs charged against income for this element of the plan were \$1,744,539 and \$1,627,299, respectively, for the years ended December 31, 2005 and 2004.

**TITAN AMERICA LLC
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 18. Retirement Benefit Obligations (continued)

Multiemployer Plan: Approximately 100 of the Company's employees participate in a union sponsored, defined benefit multi-employer pension plan. This plan is not administered by the Company and contributions are determined in accordance with the provisions of the negotiated labor contract. Company costs for this plan were \$374,862 and \$359,244 for the years ended December 31, 2005 and 2004, respectively. The Company's contribution will be affected by the funded status of the plan. Based on the latest financial statements dated January 31, 2005, the plan had \$8.20 billion in assets available for benefits and the actuarial present value of accumulated plan benefits was \$8.05 billion.

Excess Benefit Plan: The Company sponsors an Excess Benefit Plan that is intended to constitute an unfunded plan of deferred compensation for a select group of highly compensated employees under the Employee Retirement Income Security Act of 1974 (ERISA). The Company has created an irrevocable trust to facilitate the payment of deferred compensation to participants under this plan.

Under this plan the participants are eligible to defer from 0% to 20% of eligible compensation for the applicable plan year. The Company matches 50% of the participant's contributions to the plan. At December 31, 2005 and 2004, plan assets totaled \$1,896,018 and \$1,307,769, respectively, and are classified as other assets in the accompanying consolidated balance sheets (see Note 12). Company costs for the plan for the years ended December 31, 2005 and 2004 were \$220,111 and \$172,775, respectively.

Note 19. Related Party Transactions

The components of related party balances at December 31, 2005 and 2004 are as follows:

	December 31, 2005	December 31, 2004
Related party receivables, less current portion		
Iapetos	\$ 1,998,000	\$ 2,664,000
Current portion of related party receivables		
STC	\$ 5,259,138	\$ 5,974,132
Iapetos	666,000	1,036,000
STUK	178,937	-
	<u>\$ 6,104,075</u>	<u>\$ 7,010,132</u>
Non-current deferred income		
Iapetos	\$ 3,083,333	\$ 3,330,000
Current portion of deferred income		
Iapetos	\$ 246,667	\$ 246,667
Accounts payable, related parties		
Titan Cement	\$ 2,928,162	\$ 1,313,207

**TITAN AMERICA LLC
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 19. Related Party Transactions (continued)

The components of related party activity for the years ended December 31, 2005 and 2004 are as follows:

	December 31, 2005	December 31, 2004
Sales - ash and related products and services		
STC	\$ 2,257,325	\$ -
STUK	2,599,841	-
Iapetos	246,667	-
	<u>\$ 5,103,833</u>	<u>\$ -</u>
Cost of sales - purchased cement		
Titan Cement	\$ 12,646,594	\$ 1,084,969
Titan Cement International	1,207,057	-
	<u>\$ 13,853,651</u>	<u>\$ 1,084,969</u>
General and administrative support		
STC	\$ 55,996	\$ -

During 2004, the Company sold the international territory development rights for its patented ash separation technology to Iapetos in exchange for a non-interest bearing receivable of \$3,700,000. The next four equal installments in the amount of \$666,000 are due annually on December 31, 2006 through 2009.

Stock Option/Stock Incentive Programs: Titan Cement sponsors a stock option program for certain executives of Titan Cement and its subsidiaries, including the Company. Under this plan, all options granted must be exercised by November 30, 2007. Options were granted to Company executives at a fixed exercise price of €14.68. No expense related to this program has been recorded in accompanying consolidated statements of income.

Information related to stock options granted under this plan during the years ended December 31, 2005 and 2004 follows:

	2005	2004
Shares under option, January 1	84,200	117,600
Granted	-	-
Exercised	(55,200)	(22,400)
Expired/cancelled	(3,200)	(11,000)
	<u>25,800</u>	<u>84,200</u>
Options exercisable	<u>25,800</u>	<u>66,400</u>

On June 8, 2004 Titan Cement approved a new stock incentive plan for the three year period 2004 – 2006 for certain executives of Titan Cement and its subsidiaries, including the Company. Under this plan, vesting is determined in December of the third year following the grant date as follows:

- One-third of options granted vest automatically at the completion of the three year period.
- One-third of options granted vest based on Titan Cement's stock performance relative to three Athens Stock Exchange indices during the three year period.
- One-third of options granted vest based on Titan Cement's stock performance relative to that of 12 predefined cement producing companies during the three year period.

**TITAN AMERICA LLC
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 19. Related Party Transactions (continued)

All vesting is conditional on the employee's continued employment throughout the vesting period. Once vested, options expire in the December of the following year. The exercise price is fixed at €2.00 per share. For the year ended December 31, 2005, \$265,421 has been recorded in the accompanying consolidated statement of income.

Information related to stock options granted under this plan during the years ended December 31, 2005 and 2004 follows:

	2005	2004
Shares under option, January 1	32,400	-
Granted	43,800	32,400
Exercised	-	-
Expired/cancelled	-	-
Shares under option, December 31	<u>76,200</u>	<u>32,400</u>
Options exercisable	<u>-</u>	<u>-</u>

Stock prices for Titan Cement common shares were €34.50 and €1.80 at December 31, 2005 and 2004, respectively.

Note 20. Commitments and Contingencies

Litigation: Management is aware of certain asserted claims that have arisen in the ordinary course of business. Management believes that the Company has meritorious defenses against these claims but has provided for costs associated with settling or litigating such claims whenever such costs are determined to be probable and reasonably estimable.

Environmental remediation: The Company is subject to certain environmental regulations and normal business operations may cause conditions requiring remedial action. Management has provided for all known, probable and estimable costs related to such occurrences.

Purchase commitments: The Company has contracted to purchase raw materials and manufacturing supplies as part of its ongoing operations in Florida as follows:

Contracted purchases amount to 2,400,000 tons of construction aggregates per year in 2005 through 2013. The Company has guaranteed that it will accept, take and pay for at least ninety percent of this contracted volume. Purchases will be made at current market prices, subject to adjustment every January 1st and July 1st. Market prices ranged from \$11.50 to \$12.00 per ton at July 1, 2005.

Contracts for the purchase and rail delivery of coal amount to 120,000 tons per year in 2005 through 2007. The Company has guaranteed that it will accept, take and pay for this contracted volume. Purchases will be made at contracted prices, subject to annual stated rate adjustments and other conditions that might result in temporary rate adjustments. Prices, including the cost of delivery to the Florida cement plant, range from \$70.50 to \$71.75 per ton.

Supply Commitments: In 2004, the Company committed to supply a customer a minimum of six ash separator packages through 2010, including the separator unit and ancillary equipment, engineering review and commissioning service for a minimum price of \$2.5M per separator package. The timing of the sale of separators and services is at the discretion of the customer.

James Hardee...

**TITAN AMERICA LLC
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 21. Concentration of Credit Risk

Cash and Cash Equivalents: The Company maintains demand deposits, with one financial institution, the balances of which from time-to-time exceed the federally insured amount.

Trade Receivables: The Company grants credit to its customers, most of whom are in the construction business, resulting in a concentration of credit risk. However, management believes that trade receivables are well diversified with no single customer or group of customers comprising a significant portion of total trade receivables. Further, a significant portion of the trade receivables is secured by mechanic's lien rights and payment bonds, thereby reducing potential credit risk to the Company. The Company estimates an allowance for doubtful accounts based on the creditworthiness of its customers, as well as general economic conditions. Consequently, any adverse change in these factors could affect the Company's estimate of its allowance for doubtful accounts.

Note 22. Business Acquisition

Anchor Block Florida: On December 2, 2004, the Company acquired the rights from Oldcastle Matt Stone Holdings, Inc. ("Oldcastle") for the purchase from Anchor Block Florida of certain assets located at a concrete block manufacturing facility in Edgewater, Florida for consideration of \$5,250,000 plus or minus net working capital. The Company has accounted for this transaction as an asset purchase and has initially recorded no goodwill associated with the purchase. The acquisition was comprised of \$5,061,663 of fixed assets and \$188,337 of inventory.

As part of the purchase, the Company signed a manufacturing agreement with Oldcastle for the continued production of architectural block currently produced by the facility. The initial agreement was modified in 2005 and the Company is committed to produce this architectural block at 100% of the facility's capacity until August 31, 2005. The modified contract will expire on August 31, 2005.

The Company's margin for producing the architectural block product for Oldcastle will initially be 15% of the agreed upon standard manufacturing cost, subject to monthly adjustments for Oldcastle's experience with similar product in other Florida plants. The standard cost will also be adjusted for changes in material and labor costs subject to review and approval by Oldcastle.

Note 23. Subsequent Events

On February.....

**TITAN AMERICA LLC
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 24. Sales

The components of sales to third parties for the year ended December 31, 2005 are as follows:

	Total Turnover	Less Internal Turnover	External Turnover
Sales of cement	\$ 312,779,119	\$ 93,403,693	\$ 219,375,426
Sales of construction aggregates	113,934,425	61,998,392	51,936,033
Sales of ready-mixed concrete	347,370,912	2,131,371	345,239,541
Sales of concrete block, and related products	74,630,586	22,853	74,607,733
Sales of ash and related products	23,172,441	2,663,873	20,508,568
Transportation services	13,099,805	6,524,415	6,575,390
Net sales	<u>884,987,288</u>	<u>166,744,597</u>	<u>718,242,691</u>
Freight revenues	62,181,179	28,132,431	34,048,748
Total sales	<u>\$ 947,168,467</u>	<u>\$ 194,877,028</u>	<u>\$ 752,291,439</u>

The components of sales to third parties for the year ended December 31, 2004 are as follows:

	Total Turnover	Less Internal Turnover	External Turnover
Sales of cement	\$ 221,291,020	\$ 80,340,091	\$ 140,950,929
Sales of construction aggregates	76,606,512	38,505,203	38,101,309
Sales of ready-mixed concrete	270,283,555	998,839	269,284,716
Sales of concrete block, and related products	54,870,934	15,258	54,855,676
Sales of ash and related products	12,191,458	1,988,925	10,202,533
Transportation services	9,688,765	5,294,638	4,394,127
Net sales	<u>644,932,244</u>	<u>127,142,954</u>	<u>517,789,290</u>
Freight revenues	49,586,165	22,704,761	26,881,404
Total sales	<u>\$ 694,518,409</u>	<u>\$ 149,847,715</u>	<u>\$ 544,670,694</u>

Note 25. Cost of Goods Sold, excluding Freight and Distribution Expenses

The components of cost of goods sold, excluding freight and distribution expenses, for the years ended December 31, 2005 and 2004 are as follows:

	2005	2004
Material and other variable costs	\$ 248,932,830	\$ 163,335,894
Payroll and related expenses	117,644,044	103,230,895
Depreciation and depletion	44,863,119	39,083,765
Amortization of deferred stripping costs	1,667,723	1,178,036
Amortization of identifiable intangible assets	1,450,000	1,450,000
Repairs and maintenance	35,997,466	30,554,681
Utilities	22,322,258	19,219,944
Insurance and taxes other than income taxes	18,223,583	12,347,323
Rent and lease expense	7,681,628	6,805,643
Travel, training, and other employee expense	4,798,393	4,052,972
Inventory change	(10,368,022)	(3,514,462)
Other	20,093,571	13,071,641
Cost of goods sold, excluding freight and distribution expenses	<u>\$ 513,306,593</u>	<u>\$ 390,816,332</u>

**TITAN AMERICA LLC
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 26. Distribution Expense

The components of distribution expense for the years ended December 31, 2005 and 2004 are as follows:

	2005	2004
Freight to distribution yards/terminals	\$ 19,191,277	\$ 17,614,597
Payroll and related expenses	3,971,772	3,496,738
Other variable costs	1,179,352	1,052,241
Repairs and maintenance	584,649	940,817
Depreciation	1,744,947	1,599,730
Utilities	466,578	433,085
Other fixed costs	1,312,575	1,015,022
Distribution expense	<u>\$ 28,451,150</u>	<u>\$ 26,152,230</u>

Note 27. Selling Expense

The components of selling expense for the years ended December 31, 2005 and 2004 are as follows:

	2005	2004
Payroll and related expenses	\$ 8,145,593	\$ 7,543,337
Travel, entertainment, and other employee expense	2,401,842	2,112,932
Overhead (dues, advertising, professional fees, etc.)	2,148,843	1,818,468
Insurance	270,683	293,356
Selling expense	<u>\$ 12,966,961</u>	<u>\$ 11,768,093</u>

Note 28. General and Administrative Expense

The components of general and administrative expense for the years ended December 31, 2005 and 2004 are as follows:

	2005	2004
Payroll and related expenses	\$ 23,110,469	\$ 21,878,052
Travel, entertainment, and other employee expense	4,485,464	4,104,836
Depreciation	567,113	502,036
Amortization of goodwill	-	1,015,098
Professional fees	2,948,072	2,957,775
Office costs	5,945,639	5,591,602
Other	(373,551)	(359,425)
General and administrative expense	<u>\$ 36,683,206</u>	<u>\$ 35,689,974</u>

Note 29. Other Operating, Net

The components of other operating net income/(expense) for the years ended December 31, 2005 and 2004 are as follows:

	2005	2004
Rental income	\$ 252,826	\$ 281,185
Anti-dumping tariff receipts	-	704,776
Non-operating provision adjustments	(226,632)	363,391
Other	(42,279)	32,448
Total other operating, net	<u>\$ (16,085)</u>	<u>\$ 1,381,800</u>

**TITAN AMERICA LLC
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 30. Staff Costs

Staff costs (also included in Notes 25 through 28) for the years ended December 31, 2005 and 2004 are as follows:

	2005	2004
Wages	\$ 56,938,959	\$ 50,870,881
Salaries	42,080,911	38,187,684
Temporary labor	21,029,255	13,925,365
Other payroll expenses	32,822,753	33,165,092
Total payroll and related expenses	<u>\$ 152,871,878</u>	<u>\$ 136,149,022</u>

Number of persons employed by the Company at December 31, 2005 and 2004:

	2005	2004
Full time	1,949	1,826
Part time	18	22
Total	<u>1,967</u>	<u>1,848</u>
Salary	602	606
Hourly	1,365	1,242
Total	<u>1,967</u>	<u>1,848</u>

SUPPLEMENTAL INFORMATION

**RECONCILIATION OF CONSOLIDATED STATEMENTS OF INCOME AND
CONSOLIDATED BALANCE SHEETS FROM AN
INTERNATIONAL FINANCIAL REPORTING STANDARDS BASIS TO A
U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES BASIS**

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

(ALL AMOUNTS IN U.S. DOLLARS)

**TITAN AMERICA LLC
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**CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2005**

	International Financial Reporting Standards Basis (IFRS)	(US GAAP) Adjustments	US Generally Accepted Accounting Principle Basis (US GAAP)	Notes
Net sales	\$ 718,242,691	\$ -	\$ 718,242,691	
Freight revenues	34,048,748	-	34,048,748	
Total sales	752,291,439	-	752,291,439	
Cost of goods sold, excluding freight and distribution expenses	513,306,593	(310,786)	512,995,807	A,B
Freight expense	34,048,748	-	34,048,748	
Distribution expense	28,451,150	-	28,451,150	
Cost of goods sold	575,806,491	(310,786)	575,495,705	
Gross profit	176,484,948	310,786	176,795,734	
Selling expense	12,966,961	-	12,966,961	
General and administrative expense	36,683,206	(806,670)	35,876,536	B
Other operating, net	16,085		16,085	
Operating income	126,818,696	1,117,456	127,936,152	
Interest income	890,283	(6,801)	883,482	C
Interest expense	(22,950,342)	53,917	(22,896,425)	C
Income before income taxes	104,758,637	1,164,572	105,923,209	
Income tax expense	37,114,743	79,729	37,194,472	D
Net income	\$ 67,643,894	\$ 1,084,843	\$ 68,728,737	

See accompanying notes explanation on page 45

**TITAN AMERICA LLC
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**CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2004**

	International Financial Reporting Standards Basis (IFRS)	(US GAAP) Adjustments	US Generally Accepted Accounting Principle Basis (US GAAP)	Notes
Net sales	\$ 517,789,290	\$ -	\$ 517,789,290	
Freight revenues	26,881,404	-	26,881,404	
Total sales	544,670,694	-	544,670,694	
Cost of goods sold, excluding freight and distribution expenses	390,816,332	(310,786)	390,505,546	A,B
Freight expense	26,881,404	-	26,881,404	
Distribution expense	26,152,230	-	26,152,230	
Cost of goods sold	443,849,966	(310,786)	443,539,180	
Gross profit	100,820,728	310,786	101,131,514	
Selling expense	11,768,093	-	11,768,093	
General and administrative expense	35,689,974	(806,670)	34,883,304	B
Other operating, net	(1,381,800)		(1,381,800)	
Operating income	54,744,461	1,117,456	55,861,917	
Interest income	397,301	(6,801)	390,500	C
Interest expense	(13,749,178)	53,917	(13,695,261)	C
Income before income taxes	41,392,584	1,164,572	42,557,156	
Income tax expense	7,757,767	79,729	7,837,496	D
Net income	\$ 33,634,817	\$ 1,084,843	\$ 34,719,660	

See accompanying notes explanation on page 45

**TITAN AMERICA LLC
AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2005**

	International Financial Reporting Standards Basis (IFRS)	(US GAAP) Adjustments	US Generally Accepted Accounting Principle Basis (US GAAP)	Notes
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 4,214,479	\$ -	\$ 4,214,479	
Trade receivables, net	88,659,353	-	88,659,353	
Affiliate advance receivable	6,104,075	-	6,104,075	
Inventories, net	75,810,564	-	75,810,564	
Other receivables, net	1,764,934	-	1,764,934	
Prepaid expenses and other current assets	3,640,310	-	3,640,310	
Deferred tax assets	-	8,184,082	8,184,082	F
Total current assets	180,193,715	8,184,082	188,377,797	
Property, plant, equipment and mineral deposits, net	766,191,431	-	766,191,431	
Other assets:				
Deferred stripping, net	3,596,529	-	3,596,529	
Affiliate advance receivable, less current portion	1,998,000	-	1,998,000	
Goodwill, net	17,949,569	2,713,565	20,663,134	G
Identifiable intangible assets, net	7,345,834	-	7,345,834	
Other assets	3,411,676	2,317,226	5,728,902	H
Total assets	\$ 980,686,754	\$ 13,214,873	\$ 993,901,627	

See accompanying notes explanation on page 45

**TITAN AMERICA LLC
AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEET (Continued)
DECEMBER 31, 2005**

	Financial Reporting Standards Basis (IFRS)	(US GAAP) Adjustments	Accepted Accounting Principle Basis (US GAAP)	Notes
<u>Liabilities and Member's Equity</u>				
Current liabilities:				
Current portion of long-term debt, including obligations under capital leases	\$ 706,721	\$ -	\$ 706,721	
Accounts payable	34,026,458	-	34,026,458	
Accounts payable, affiliates	2,928,162	-	2,928,162	
Accrued expenses	21,711,123	-	21,711,123	
Income taxes payable	4,263,973	-	4,263,973	
Current portion of provisions	2,078,473	-	2,078,473	
Current portion of deferred income	396,667	-	396,667	
Total current liabilities	66,111,577	-	66,111,577	
Long-term liabilities:				
Long-term debt, including obligations under capital leases, less current obligations	358,451,219	2,317,226	360,768,445	H
Deferred and other noncurrent income tax, liabilities, net	131,473,251	8,131,339	139,604,590	I
Provisions, less current portion	6,638,967	(531,717)	6,107,250	J
Retirement benefit obligations	7,715,188	35,950	7,751,138	J
Deferred income, less current portion	3,225,000	-	3,225,000	
Total liabilities	573,615,202	9,952,798	583,568,000	
Member's equity				
Capital contributions	240,363,192	594,975	240,958,167	K
Retained earnings, beginning of period	99,064,466	5,157,952	104,222,418	L
Current period net income	67,643,894	1,084,843	68,728,737	
Accumulated other comprehensive deficit	-	(3,472,248)	(3,472,248)	M
Deferred compensation	-	(103,447)	(103,447)	K
Total member's equity	407,071,552	3,262,075	410,333,627	
Total liabilities and member's equity	\$ 980,686,754	\$ 13,214,873	\$ 993,901,627	

See accompanying notes explanation on page 45

**TITAN AMERICA LLC
AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2004**

	International Financial Reporting Standards Basis (IFRS)	(US GAAP) Adjustments	US Generally Accepted Accounting Principle Basis (US GAAP)	Notes
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 66,913	\$ -	\$ 66,913	
Trade receivables, net	68,037,754	-	68,037,754	
Affiliate advance receivable	7,010,132	-	7,010,132	
Inventories, net	57,192,817	-	57,192,817	
Other receivables, net	2,168,098	-	2,168,098	
Prepaid expenses and other current assets	3,297,641	-	3,297,641	
Income taxes receivable	39,822	-	39,822	
Deferred tax assets	-	8,184,082	8,184,082	F
Total current assets	137,813,177	8,184,082	145,997,259	
Property, plant, equipment and mineral deposits, net	709,931,278	-	709,931,278	
Other assets:				
Deferred stripping, net	3,433,710	-	3,433,710	
Affiliate advance receivable	2,664,000	-	2,664,000	
Goodwill, net	17,949,569	2,713,565	20,663,134	G
Identifiable intangible assets, net	8,795,834	-	8,795,834	
Other assets	1,595,358	2,317,226	3,912,584	H
Total assets	\$ 882,182,926	\$ 13,214,873	\$ 895,397,799	

See accompanying notes explanation on page 45

**TITAN AMERICA LLC
AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEET (Continued)
DECEMBER 31, 2004**

	International Financial Reporting Standards Basis (IFRS)	(US GAAP) Adjustments	US Generally Accepted Accounting Principle Basis (US GAAP)	Notes
<u>Liabilities and Member's Equity</u>				
Current liabilities:				
Current portion of long-term debt, including obligations under capital leases	\$ 698,523	\$ -	\$ 698,523	
Accounts payable	31,255,010	-	31,255,010	
Accounts payable, affiliates	1,313,207	-	1,313,207	
Accrued expenses	19,828,602	-	19,828,602	
Book overdraft	5,276,239	-	5,276,239	
Current portion of provisions	2,520,321	-	2,520,321	
Current portion of deferred income	402,667	-	402,667	
Total current liabilities	<u>61,294,569</u>	<u>-</u>	<u>61,294,569</u>	
Long-term liabilities:				
Long-term debt, including obligations under capital leases, less current obligations	358,966,334	\$ 2,317,226	361,283,560	H
Deferred and other noncurrent income tax liabilities, net	105,055,344	8,131,339	113,186,683	I
Provisions, less current portion	6,805,418	(531,717)	6,273,701	J
Retirement benefit obligations	7,277,358	35,950	7,313,308	J
Deferred income, less current portion	3,621,666	-	3,621,666	
Total liabilities	<u>543,020,689</u>	<u>9,952,798</u>	<u>552,973,487</u>	
Member's equity				
Capital contributions	240,097,771	594,975	240,692,746	K
Retained earnings, beginning of period	65,429,649	5,157,952	70,587,601	L
Current period net income	33,634,817	1,084,843	34,719,660	
Accumulated other comprehensive deficit	-	(3,472,248)	(3,472,248)	M
Deferred compensation	-	(103,447)	(103,447)	K
Total member's equity	<u>339,162,237</u>	<u>3,262,075</u>	<u>342,424,312</u>	
Total liabilities and member's equity	<u>\$ 882,182,926</u>	<u>\$ 13,214,873</u>	<u>\$ 895,397,799</u>	

See accompanying notes explanation on page 45

TITAN AMERICA LLC AND SUBSIDIARIES

NOTE EXPLANATIONS

Basis of Presentation:

These supplemental schedules have been included to summarize the adjustments required to convert the consolidated statements of income and consolidated balance sheets from an International Financial Reporting Standards (“IFRS”) basis (See Note 1 on pages 7 through 12 for additional details) to a U.S. Generally Accepted Accounting Principles (“U.S. GAAP”) basis. The U.S. GAAP information included on pages 37-42 is not intended to provide a comprehensive presentation of the Company's financial position as of December 31, 2004 and 2003, or the results of its operations for the years then ended in accordance with U.S. GAAP. These supplemental schedules do not include certain financial statements (statements of cash flows, of comprehensive income and of changes in member's equity) and footnotes otherwise required by U.S. GAAP for the fair presentation of such statements. As noted in footnote E below, the Company adopted the provisions of Statement of Financial Accounting Standards No. 143, “Accounting for the obligations associated with the retirement of long-lived assets” for U.S. GAAP purposes effective January 1, 2003.

- A Adjustment is primarily for differences in the calculation and classification of restoration expense and accretion as required by SFAS No.143, “Accounting for obligations associated with the retirement of long-lived assets.”
- B Adjustment is for the adjustment to pension expense as required by SFAS No. 87 “Employers’ accounting for pensions” and the recognition of compensation expense for a stock option program as required by APB No. 25 “Accounting for stock issued to employees.”
- C Adjustment is primarily for the reversal of IFRS accretion expense as required by IAS No. 37 "Provisions, contingent liabilities, and contingent assets" associated with the restoration provision calculations.
- D Adjustment for the deferred tax impact of IFRS to U.S. GAAP adjustments.
- E Adjustment for the cumulative affect of the adoption of SFAS No. 143 "Accounting for obligations associated with the retirement of long-lived assets" at January 1, 2003.
- F Adjustment to separately present net current deferred tax assets as required by SFAS No. 109 “Accounting for income taxes.”
- G Adjustment is for the reversal of goodwill amortization for periods after January 1, 2002 as required by SFAS No. 142 "Goodwill and other intangible assets."
- H Adjustment is primarily for the reclassification of bond issue costs from long-term debt to other assets.
- I Adjustment for the deferred tax impact of IFRS to U.S. GAAP adjustments and the reclassification of net current deferred tax assets as required by SFAS No. 109 “Accounting for income taxes.”
- J Adjustment for the recognition of a minimum pension liability adjustment as required by SFAS No. 87 “Employers’ accounting for pensions,” adjustments to restoration provisions as required by SFAS No. 143 “Accounting for obligations associated with the retirement of long-lived assets,” and the reversal of IAS No. 37 “Provisions, the calculation of contingent liabilities, and contingent assets” present value accounting for environmental provisions.
- K Adjustment for the recognition of stock options value as contributed capital and deferred compensation.
- L Adjustment for the prior period impact of IFRS to U.S. GAAP adjustments.
- M Adjustment for the recognition of the equity component, net of deferred taxes, for the minimum pension liability adjustment as required by SFAS No. 87 “Employers’ accounting for pensions.”