

**TITAN AMERICA LLC
AND SUBSIDIARIES**

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

DECEMBER 31, 2006 AND 2005

(ALL AMOUNTS IN U.S. DOLLARS)

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INDEPENDENT AUDITORS' REPORT

To the Member of Titan America LLC

We have audited the accompanying financial statements of Titan America LLC ('the Company'), which comprise the consolidated balance sheet as at December 31, 2006 and the consolidated statement of income, consolidated statement of changes in member's equity and consolidated statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

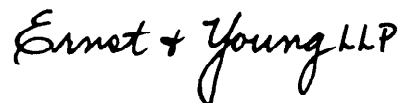
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether 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 auditors' 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 for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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 consolidated financial statements give a true and fair view of the financial position of the Company as of December 31, 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



March 16, 2007

**TITAN AMERICA LLC
AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2006 AND 2005**

		<u>December 31, 2006</u>	<u>December 31, 2005</u>
Noncurrent assets:			
Property, plant, equipment and mineral deposits, net	Note 7	\$ 852,509,699	\$ 766,191,431
Related party receivables, less current portion	Note 19	1,332,000	1,998,000
Deferred stripping, net	Note 10	6,299,762	3,596,529
Goodwill	Note 8	66,813,673	17,949,569
Identifiable intangible assets, net	Note 9	28,183,294	7,345,834
Investment in associate		1,250,000	-
Other assets	Notes 12, 18	7,488,928	3,411,676
Total noncurrent assets		<u>963,877,356</u>	<u>800,493,039</u>
Current assets:			
Inventories	Note 4	108,460,439	75,810,564
Trade receivables, net	Notes 2, 3	88,684,887	88,659,353
Current portion of related party receivables	Note 19	1,595,995	6,104,075
Other receivables, net	Notes 2, 5	5,007,211	1,764,934
Income taxes receivable		7,975,530	-
Prepaid expenses and other current assets	Note 6	5,619,695	3,640,310
Cash and cash equivalents	Note 2	4,235,431	4,214,479
Total current assets		<u>221,579,188</u>	<u>180,193,715</u>
Total assets		<u>\$ 1,185,456,544</u>	<u>\$ 980,686,754</u>
Member's equity:			
Capital contributions		\$ 241,578,244	\$ 240,363,192
Retained earnings, before current period net income		167,159,351	99,064,466
Current period net income		94,843,542	67,643,894
Total member's equity		<u>503,581,137</u>	<u>407,071,552</u>
Noncurrent liabilities:			
Long-term debt, including obligations under capital leases, less current obligations	Notes 2, 15, 16	357,911,120	358,451,219
Provisions, less current portion	Note 14	6,767,056	6,638,967
Retirement benefit obligations	Note 18	7,585,025	7,715,188
Deferred income, less current portion	Note 19	2,836,667	3,225,000
Deferred and other noncurrent income tax liabilities, net	Note 11	133,809,866	131,473,251
Total noncurrent liabilities		<u>508,909,734</u>	<u>507,503,625</u>
Current liabilities:			
Accounts payable	Note 2	41,931,938	34,026,458
Accounts payable, related parties	Notes 2, 19	320,184	2,928,162
Book overdraft		5,645,988	-
Accrued expenses	Note 13	24,206,829	21,711,123
Income taxes payable		-	4,263,973
Current portion of provisions	Note 14	4,504,730	2,078,473
Short-term borrowings	Notes 2, 15	93,918,654	-
Current portion of long-term debt, including obligations under capital leases	Notes 2, 15, 16	743,946	706,721
Current portion of deferred income	Note 19	1,693,404	396,667
Total current liabilities		<u>172,965,673</u>	<u>66,111,577</u>
Total liabilities		<u>681,875,407</u>	<u>573,615,202</u>
Total liabilities and member's equity		<u>\$ 1,185,456,544</u>	<u>\$ 980,686,754</u>

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

**TITAN AMERICA LLC
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2006 AND 2005**

		<u>2006</u>	<u>2005</u>
Net sales	Note 24	\$ 857,429,604	\$ 718,242,691
Freight revenues		<u>38,593,306</u>	<u>34,048,748</u>
Total sales		<u>896,022,910</u>	<u>752,291,439</u>
Cost of goods sold, excluding freight and distribution expenses	Note 25	598,894,683	513,306,593
Freight expense		38,593,306	34,048,748
Distribution expense	Note 26	<u>29,677,158</u>	<u>28,451,150</u>
Cost of goods sold		<u>667,165,147</u>	<u>575,806,491</u>
Gross profit		<u>228,857,763</u>	<u>176,484,948</u>
Selling expense	Note 27	15,128,490	12,966,961
General and administrative expense	Note 28	49,400,646	36,683,206
Other operating, net	Note 29	<u>(6,916,690)</u>	<u>16,085</u>
Operating income		<u>171,245,317</u>	<u>126,818,696</u>
Interest income		691,056	890,283
Interest expense		<u>(27,117,954)</u>	<u>(22,950,342)</u>
Income before income taxes		<u>144,818,419</u>	<u>104,758,637</u>
State income tax expense	Note 11	7,316,678	6,525,491
Federal income tax expense	Note 11	<u>42,658,199</u>	<u>30,589,252</u>
Net income		<u>\$ 94,843,542</u>	<u>\$ 67,643,894</u>

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

**TITAN AMERICA LLC
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN MEMBER'S EQUITY
YEARS ENDED DECEMBER 31, 2006 AND 2005**

		Capital Contributions	Retained Earnings	Total Member's Equity
January 1, 2005		240,097,771	99,064,466	339,162,237
Net income		-	67,643,894	67,643,894
Stock compensation expense	Note 19	265,421	-	265,421
December 31, 2005		<u>\$ 240,363,192</u>	<u>\$ 166,708,360</u>	<u>\$ 407,071,552</u>
Net income		-	94,843,542	94,843,542
Stock compensation expense	Note 19	1,127,191	-	1,127,191
Stock compensation excess tax benefit		87,861	450,991	538,852
December 31, 2006		<u>\$ 241,578,244</u>	<u>\$ 262,002,893</u>	<u>\$ 503,581,137</u>

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

**TITAN AMERICA LLC
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**CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2006 AND 2005**

		<u>2006</u>	<u>2005</u>
Cash flows from operating activities:			
Income before income taxes		\$ 144,818,419	\$ 104,758,637
Adjustments for:			
Depreciation, depletion and amortization	Notes 7,8,9,10	60,475,546	50,292,902
Deferred income	Note 19	1,155,070	(279,333)
Loss/(gain) on disposal of assets	Note 7	1,655,198	(180,762)
Interest expense	Note 14	27,117,954	22,950,342
Interest income	Note 14	(691,056)	(890,283)
Stock option expense	Note 19	1,127,191	265,421
Change in net operating assets, net of acquisitions		<u>(32,116,743)</u>	<u>(36,080,016)</u>
Cash generated from operations before interest and income taxes		203,541,579	140,836,908
Income taxes paid, net		<u>(65,278,822)</u>	<u>(6,393,041)</u>
Net cash provided by operating activities		<u>138,262,757</u>	<u>134,443,867</u>
Cash flows from investing activities:			
Purchases of property, plant and equipment, exclusive of capitalized interest	Note 7	(113,951,048)	(102,021,265)
Acquisition of businesses, net of cash acquired	Note 22	(96,429,067)	-
Investment in associate		(1,250,000)	-
Expenditures on deferred stripping	Note 10	(4,431,848)	(1,830,542)
Proceeds from the sale of assets	Note 7	(130,217)	592,640
Interest received		1,450,906	453,118
Net advances from related parties		<u>5,602,448</u>	<u>1,448,724</u>
Net cash used by investing activities		<u>(209,138,826)</u>	<u>(101,357,325)</u>
Cash flows from financing activities:			
Principal payments on capital lease obligations	Note 16	(706,721)	(698,524)
Interest paid		(27,960,900)	(22,959,352)
Net borrowings under lines of credit		93,918,654	-
Offering costs associated with borrowings under long-term debt		-	(4,861)
Increase/(decrease) in book overdraft		<u>5,645,988</u>	<u>(5,276,239)</u>
Net cash provided by/(used in) financing activities		<u>70,897,021</u>	<u>(28,938,976)</u>
Net increase in cash and cash equivalents		20,952	4,147,566
Cash and cash equivalents at:			
Beginning of period		<u>4,214,479</u>	<u>66,913</u>
End of period		<u>\$ 4,235,431</u>	<u>\$ 4,214,479</u>

**TITAN AMERICA LLC
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**CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
Changes in net operating assets:		
Inventories	\$ (31,637,839)	\$ (18,617,747)
Trade receivables, net	6,124,811	(20,621,599)
Other receivables, net	(3,122,883)	403,164
Prepaid expenses and other current assets	(1,762,514)	(342,669)
Other assets	(4,077,252)	(1,816,318)
Accounts payable	2,321,463	1,611,086
Accrued expenses	2,145,253	1,848,632
Provisions	1,305,394	(597,350)
Retirement benefit obligations	(130,163)	437,830
Operating related party activity, net	(3,283,013)	1,614,955
Change in net operating assets	<u>\$ (32,116,743)</u>	<u>\$ (36,080,016)</u>

Non-cash transactions: The principal non-cash transactions are accrued purchases of property, plant and equipment, and capitalized interest (see Note 7).

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