

CONSOLIDATED FINANCIAL STATEMENTS
(INTERNATIONAL FINANCIAL REPORTING
STANDARDS BASIS)

Titan America LLC and Subsidiaries
December 31, 2008 and 2007
(All Amounts in U.S. Dollars)

Report of Independent Auditors

To the Member of Titan America LLC

We have audited the accompanying consolidated statements of financial position of Titan America LLC as of December 31, 2008 and 2007, and the related consolidated statements of income, member's equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Titan America LLC at December 31, 2008 and 2007, and the consolidated results of its operations and its cash flows for the years then ended in conformity with International Financial Reporting Standards.

Ernst & Young LLP

March 13, 2009

**TITAN AMERICA LLC
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2008 & 2007

	December 31, 2008	December 31, 2007
Noncurrent assets:		
Property, plant, equipment and mineral deposits, net	\$ 1,038,971,559	\$ 1,052,151,509
Goodwill, net	221,866,942	221,636,991
Identifiable intangible assets, net	84,349,455	97,894,192
Deferred stripping, net	7,511,992	6,361,272
Related party receivables, less current portion	-	666,000
Other assets	3,843,416	5,461,561
Total noncurrent assets	<u>1,356,543,364</u>	<u>1,384,171,525</u>
Current assets:		
Inventories	127,401,880	120,100,192
Trade receivables, net	78,443,194	87,272,975
Income taxes receivable	38,948,354	15,312,025
Other receivables, net	2,943,987	2,757,225
Current portion of related party receivables	1,352,173	1,385,308
Prepaid expenses and other current assets	8,193,376	4,225,215
Cash and cash equivalents	18,242	1,102,607
Total current assets	<u>257,301,206</u>	<u>232,155,547</u>
Total assets	<u>\$ 1,613,844,570</u>	<u>\$ 1,616,327,072</u>
Member's equity:		
Capital contributions	\$ 644,984,920	\$ 243,102,690
Retained earnings, before current period net income	277,040,814	262,002,893
Current period net income/(loss)	(37,375,392)	18,937,921
Total member's equity	<u>884,650,342</u>	<u>524,043,504</u>
Noncurrent liabilities:		
Long-term debt, including obligations under capital leases, less current obligations	370,169,847	803,708,762
Deferred and other noncurrent income tax liabilities, net	140,857,932	131,525,627
Provisions, less current portion	6,637,879	6,850,890
Retirement benefit obligations	9,664,659	6,847,946
Other noncurrent liabilities	3,056,000	5,704,000
Deferred income, less current portion	3,234,568	2,590,000
Total noncurrent liabilities	<u>533,620,885</u>	<u>957,227,225</u>
Current liabilities:		
Accounts payable	43,578,994	37,839,443
Accounts payable, related parties	226,984	2,444,876
Book overdraft	280,534	5,191,469
Accrued expenses	32,369,287	28,260,043
Current portion of provisions	4,333,534	3,855,648
Short-term borrowings	112,458,546	55,921,461
Current portion of deferred income	2,325,464	1,543,403
Total current liabilities	<u>195,573,343</u>	<u>135,056,343</u>
Total liabilities	<u>729,194,228</u>	<u>1,092,283,568</u>
Total liabilities and member's equity	<u>\$ 1,613,844,570</u>	<u>\$ 1,616,327,072</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, 2008 & 2007

	<u>2008</u>	<u>2007</u>
Net sales	\$ 676,826,313	\$ 787,368,410
Freight revenues	31,786,838	25,959,908
Total sales	<u>708,613,151</u>	<u>813,328,318</u>
Cost of goods sold, excluding freight and distribution expenses	583,004,297	620,981,206
Freight expense	31,786,839	25,959,908
Distribution expense	28,748,341	26,969,924
Cost of goods sold	<u>643,539,477</u>	<u>673,911,038</u>
Gross profit	<u>65,073,674</u>	<u>139,417,280</u>
Selling expense	19,989,845	18,117,933
General and administrative expense	65,179,885	57,758,988
Other operating income, net	920,279	(694,560)
Operating income/(loss)	<u>(21,016,335)</u>	<u>64,234,919</u>
Finance income	530,555	2,166,110
Finance cost	(45,330,952)	(46,583,834)
Income/(loss) before income taxes	<u>(65,816,732)</u>	<u>19,817,195</u>
State income tax expense/(benefit)	(2,571,033)	625,086
Federal income tax expense/(benefit)	(25,870,307)	254,188
Net income/(loss)	<u>\$ (37,375,392)</u>	<u>\$ 18,937,921</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, 2008 & 2007**

	Capital Contributions	Retained Earnings	Total Member's Equity
January 1, 2007	\$ 241,578,244	\$ 262,002,893	\$ 503,581,137
Net income	-	18,937,921	18,937,921
Stock compensation expense	1,612,307	-	1,612,307
Stock compensation excess tax benefit	(87,861)	-	(87,861)
December 31, 2007	<u>\$ 243,102,690</u>	<u>\$ 280,940,814</u>	<u>\$ 524,043,504</u>
Net income	-	(37,375,392)	(37,375,392)
Contributions by Member	400,000,000		400,000,000
Distributions to Member		(3,900,000)	(3,900,000)
Stock compensation expense	1,882,230	-	1,882,230
December 31, 2008	<u>\$ 644,984,920</u>	<u>\$ 239,665,422</u>	<u>\$ 884,650,342</u>

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

**TITAN AMERICA LLC
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2008 & 2007

	<u>2008</u>	<u>2007</u>
<i>Cash flows from operating activities:</i>		
Income before income taxes	\$ (65,816,732)	\$ 19,817,195
Adjustments for:		
Depreciation, depletion and amortization	89,231,082	80,992,093
Deferred income	1,426,628	(396,668)
(Gain)/Loss on disposal of assets	(1,317,550)	733,808
Finance cost	45,330,952	46,583,834
Finance income	(530,555)	(2,166,110)
Stock option expense	1,882,231	1,612,307
Bad debt expense	4,117,129	910,342
Change in net operating assets, net of acquisitions (*)	12,921,965	8,001,291
Cash generated from operations before interest and income taxes:	<u>87,245,150</u>	<u>156,088,092</u>
Income taxes (paid)/refunded, net	14,182,567	(33,233,587)
<i>Net cash provided by operating activities</i>	<u>101,427,717</u>	<u>122,854,505</u>
<i>Cash flows from investing activities:</i>		
Acquisition of businesses, net of cash acquired and contingent consideration	(3,283,102)	(301,685,011)
Purchases of property, plant and equipment	(71,307,209)	(183,987,703)
Expenditures on deferred stripping	(2,566,079)	(1,678,941)
Interest received	798,565	277,494
Net advances from related parties	-	666,000
Proceeds from the sale of assets, net of disposition costs	2,721,744	1,551,159
<i>Net cash used by investing activities</i>	<u>(73,636,081)</u>	<u>(484,857,002)</u>
<i>Cash flows from financing activities:</i>		
Borrowings/(repayments) from affiliated party	(371,800,000)	477,000,000
Borrowing under short-term debt	-	300,000,000
Distributions to member	(3,900,000)	-
Contributions by member	400,000,000	-
Principal payments on short-term debt	(30,080,001)	(300,000,000)
Decrease in book overdraft	(4,910,935)	(454,519)
Offering costs associated with borrowings	(1,225,763)	(1,700,000)
Principal payments on capital lease obligations	(1,507,784)	(1,581,166)
Interest paid	(41,934,451)	(45,388,001)
Net (payments)/borrowings under lines of credit	26,482,933	(69,006,641)
<i>Net cash provided by/(used in) financing activities</i>	<u>(28,876,001)</u>	<u>358,869,673</u>
Net increase (decrease) in cash and cash equivalents	(1,084,365)	(3,132,824)
Cash and cash equivalents at:		
Beginning of period	1,102,607	4,235,431
End of period	<u>\$ 18,242</u>	<u>\$ 1,102,607</u>
(*) Changes in net operating assets (net of acquisitions):		
Inventories	(7,301,688)	(6,258,705)
Trade receivables, net	4,712,652	20,215,398
Other receivables, net	(454,766)	2,903,494
Prepaid expenses and other current assets	(3,968,161)	2,632,679
Other assets	1,618,145	2,228,523
Accounts payable	14,130,159	(13,403,359)
Accrued expenses	7,176,799	(1,100,202)
Provisions	(213,519)	(1,351,234)
Retirement benefit obligations	(1,258,893)	(200,682)
Operating related party activity	(1,518,763)	2,335,379
Change in net operating assets, net of acquisitions	<u>\$ 12,921,965</u>	<u>\$ 8,001,291</u>