

CONSOLIDATED FINANCIAL STATEMENTS
(INTERNATIONAL FINANCIAL REPORTING STANDARDS
BASIS)

Titan America LLC and Subsidiaries
Year Ended December 31, 2013 and 2012

Ernst & Young LLP



Building a better
working world

Titan America LLC and Subsidiaries
Consolidated Financial Statements
(International Financial Reporting Standards Basis)
Years Ended December 31, 2013 and 2012

Contents

Report of Independent Auditors	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Operations.....	5
Consolidated Statements of Comprehensive Loss	6
Consolidated Statements of Changes in Member's Equity	7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	10



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Report of Independent Auditors

To the Members of Titan America LLC

We have audited the accompanying consolidated financial statements of Titan America LLC and subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2013 and 2012, and the related consolidated statements of operations and comprehensive loss, changes in member's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with International Financial Reporting Standards; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Titan America LLC and subsidiaries at December 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for the years then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Ernst + Young LLP

April 30, 2014

Titan America LLC and Subsidiaries

Consolidated Statements of Financial Position

		December 31	
		2013	2012
Noncurrent assets:			
Property, plant, equipment and mineral deposits, net	Note 7	\$ 671,849,184	\$ 713,340,695
Goodwill, net	Note 8	221,561,698	221,866,942
Identifiable intangible assets, net	Note 9	19,609,814	31,385,596
Deferred stripping, net	Note 10	5,781,684	6,585,617
Other assets	Note 12	7,111,593	7,040,979
Total noncurrent assets		925,913,973	980,219,829
Current assets:			
Inventories	Note 4	83,630,810	83,791,915
Trade receivables, net	Notes 2, 3	62,033,300	59,353,599
Prepaid expenses and other current assets	Note 6	4,516,966	6,894,540
Other receivables, net	Notes 2, 5	2,784,251	2,333,496
Derivative financial instruments	Note 17	2,159,420	-
Related party receivables	Notes 2, 20	-	950,441
Income taxes receivable		467,582	1,746,830
Cash and cash equivalents	Note 2	15,878,733	15,386,007
Total current assets		171,471,062	170,456,828
Total assets		\$ 1,097,385,035	\$ 1,150,676,657

See accompanying notes.

Titan America LLC and Subsidiaries

Consolidated Statements of Financial Position (continued)

		December 31	
		2013	2012
		<u>2013</u>	<u>2012</u>
Member's equity:			
Capital contributions		\$ 648,677,733	\$ 648,713,157
Retained earnings, before current period net loss		(78,421,928)	11,205,666
Current period net loss		(65,348,463)	(89,627,594)
Accumulated other comprehensive loss		(1,189,801)	(2,888,984)
Total member's equity		<u>503,717,541</u>	<u>567,402,245</u>
Noncurrent liabilities:			
Long-term debt, including obligations under capital leases, less current obligations	Notes 2, 15, 16	431,014,975	276,882,517
Deferred and other noncurrent income tax liabilities, net	Note 11	62,064,352	58,063,197
Retirement benefit obligations	Note 19	10,877,362	13,578,413
Derivative financial instruments	Note 17	-	14,393,588
Provisions, less current portion	Note 14	5,465,357	9,854,060
Deferred income, less current portion	Note 20	2,115,030	2,102,829
Other noncurrent liabilities		230,317	1,301,805
Total noncurrent liabilities		<u>511,767,393</u>	<u>376,176,409</u>
Current liabilities:			
Accounts payable	Note 2	52,248,826	49,536,348
Short-term borrowings	Notes 2, 15, 16	-	133,833,703
Accrued expenses	Note 13	21,100,920	18,507,672
Book overdraft		5,126,888	3,126,840
Current portion of deferred income		584,251	1,131,282
Current portion of long-term debt, including obligations under capital leases	Notes 2, 15, 16	65,233	67,078
Accounts payable, related parties	Notes 2, 20	2,022,054	503,739
Current portion of provisions	Note 14	751,929	391,341
Total current liabilities		<u>81,900,101</u>	<u>207,098,003</u>
Total liabilities		<u>593,667,494</u>	583,274,412
Total liabilities and member's equity		<u>\$ 1,097,385,035</u>	<u>\$ 1,150,676,657</u>

See accompanying notes.

Titan America LLC and Subsidiaries
Consolidated Statements of Operations

		Year Ended December 31	
		2013	2012
Net sales	Note 23	\$ 512,715,785	\$ 448,742,632
Freight revenues		26,241,033	25,177,588
Total sales		538,956,818	473,920,220
<hr/>			
Cost of goods sold, excluding freight and distribution expenses	Note 24	461,217,319	430,616,483
Freight expense		26,241,033	25,177,588
Distribution expense	Note 25	26,805,525	27,940,453
Cost of goods sold		514,263,877	483,734,524
Gross profit/(loss)		24,692,941	(9,814,304)
<hr/>			
Selling expense	Note 26	12,869,735	13,164,788
General and administrative expense	Note 27	43,089,240	41,304,275
Other operating expense	Note 28	202,597	248,944
Operating loss		(31,468,631)	(64,532,311)
<hr/>			
Finance income		64,299	121,358
Finance cost	Note 29	(26,428,461)	(23,582,202)
Foreign exchange (loss)/gain	Note 17	(6,067,482)	62,391
Other non-operating income/(expense)	Note 31	1,004,623	(4,715,730)
<hr/>			
Loss before income taxes		(62,895,652)	(92,646,494)
<hr/>			
Federal income tax expense/(benefit)	Note 11	3,375,823	(242,588)
State income tax benefit	Note 11	(923,012)	(2,776,312)
Net loss		\$ (65,348,463)	\$ (89,627,594)

See accompanying notes.

Titan America LLC and Subsidiaries

Consolidated Statements of Comprehensive Loss

		Year Ended December 31	
		2013	2012
Net loss		\$ (65,348,463)	\$ (89,627,594)
Other comprehensive income/(loss):			
Net movement on cash flow hedge	Note 17	302,280	(685,772)
Income tax effect		(314,601)	267,451
Net loss on cash flow hedge		(12,321)	(418,321)
Actuarial gain/(loss) on defined benefit plans	Note 19	2,805,742	(1,543,802)
Income tax effect		(1,094,238)	602,082
Net gain/(loss) on defined benefit plans		1,711,504	(941,720)
Other comprehensive income/(loss), net of tax		1,699,183	(1,360,041)
Total comprehensive loss, net of tax		\$ (63,649,280)	\$ (90,987,635)

See accompanying notes.

Titan America LLC and Subsidiaries

Consolidated Statements of Changes in Member's Equity

	Capital Contributions	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Member's Equity
January 1, 2012	\$ 647,919,733	\$ 11,205,666	\$ (1,528,943)	\$ 657,596,456
Net loss	-	(89,627,594)	-	(89,627,594)
Actuarial loss on defined benefit plans	-	-	(941,720)	(941,720)
Cash flow hedge	-	-	(418,321)	(418,321)
Stock compensation	531,546	-	-	531,546
Stock compensation excess tax benefit	261,878	-	-	261,878
December 31, 2012	<u>\$ 648,713,157</u>	<u>\$ (78,421,928)</u>	<u>\$ (2,888,984)</u>	<u>\$ 567,402,245</u>
Net loss	-	(65,348,463)	-	(65,348,463)
Actuarial gain on defined benefit plans	-	-	1,711,504	1,711,504
Cash flow hedge	-	-	(12,321)	(12,321)
Stock compensation	275,733	-	-	275,733
Stock compensation excess tax benefit	(311,157)	-	-	(311,157)
December 31, 2013	<u>\$ 648,677,733</u>	<u>\$ (143,770,391)</u>	<u>\$ (1,189,801)</u>	<u>\$ 503,717,541</u>

See accompanying notes.

Titan America LLC and Subsidiaries

Consolidated Statements of Cash Flows

		Year Ended December 31	
		2013	2012
Cash flows from operating activities			
Loss before income taxes		\$ (62,895,652)	\$ (92,646,494)
Adjustments for:			
Depreciation, depletion and amortization	Notes 7,9,10	69,535,347	75,050,786
Deferred income	Note 20	(534,830)	(1,000,512)
Gain on disposal of assets, net	Note 7	(2,185,129)	(4,376,328)
Finance cost	Note 29	26,428,461	23,582,202
Finance income		(64,299)	(121,358)
Foreign exchange loss/(gain)		6,067,482	(62,391)
Stock compensation expense	Note 20	275,733	531,546
Bad debt expense	Note 3	806,137	2,488,059
Change in net operating assets		(2,481,034)	3,809,768
Other		(4,282)	(26,049)
Cash generated from operations before interest and income taxes		34,947,934	7,229,229
Income taxes refunded/(paid)		1,107,597	(1,904,335)
Net cash provided by operating activities		36,055,531	5,324,894
Cash flows from investing activities			
Purchases of property, plant and equipment	Note 7	(15,343,900)	(7,759,913)
Expenditures on deferred stripping	Note 10	(612,486)	(770,842)
Interest received		64,299	121,358
Proceeds from the sale of assets, net of disposition costs	Note 7	4,805,052	35,602,721
Net cash (used)/provided by investing activities		(11,087,035)	27,193,324

Titan America LLC and Subsidiaries

Consolidated Statements of Cash Flows (continued)

		Year Ended December 31	
		2013	2012
Cash flows from financing activities			
Borrowings from/(repayments to) affiliated party	Note 20	17,000,000	(17,000,000)
Offering costs associated with borrowings	Note 15, 20	(5,346,775)	-
Increase/(decrease) in book overdraft		2,000,048	(3,224,301)
Principal payments on capital lease obligations	Note 16	(31,018)	(2,132,178)
Settlement of derivative financial instrument	Note 17	(13,928,400)	-
Net (payments)/borrowings under lines of credit	Note 15	(2,377,329)	853,393
Interest paid		(21,751,127)	(21,104,342)
Principal payments on debt		(41,169)	(38,393)
Net cash used in financing activities		(24,475,770)	(42,645,821)
Net increase/(decrease) in cash and cash equivalents		492,726	(10,127,603)
Cash and cash equivalents at:			
Beginning of period		15,386,007	25,513,610
End of period		\$ 15,878,733	\$ 15,386,007
Changes in net operating assets			
Inventories		\$ (579,698)	\$ 3,627,306
Trade receivables, net		(4,721,731)	(8,252,384)
Other receivables, net		(450,754)	1,305,220
Prepaid expenses and other current assets		2,377,576	11,768,339
Other assets		(70,614)	314,023
Accounts payable		2,912,789	2,899,349
Accrued expenses		948,723	(4,094,492)
Provisions - current		360,588	(14,584)
Provisions - non-current		(4,492,171)	356,913
Other liabilities		(1,071,488)	(511,247)
Retirement benefit obligations		(163,010)	(1,089,336)
Operating related party activity		2,468,756	(2,499,339)
Change in net operating assets		\$ (2,481,034)	\$ 3,809,768

Non-cash transactions: The principal non-cash investing and financing transactions are accrued purchases of property, plant, and equipment, derivative movements, and write off of unamortized borrowing costs (see Notes 7, 15, and 17).

See accompanying notes.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2013

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

The consolidated financial statements for the years ended December 31, 2013 and 2012 were authorized for issue by the management of Titan America LLC on April 30, 2014.

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 (including processed fly ash), construction aggregates, ready-mixed concrete, and concrete blocks to resellers and construction contractors in the Eastern region 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 (“RCC”), Titan Virginia Ready-Mix LLC, Mechanicsville Concrete LLC (“Mechanicsville Concrete”), S&W Ready Mix Concrete Company LLC (“S&W”), Tarmac America LLC (“Tarmac”), Separation Technologies LLC (“ST”) and Essex Cement Company LLC (“Essex”).

Related Party Activity

Related party activity is primarily comprised of an affiliated party loan, affiliated party borrowing facilities, and cement purchases from Titan Cement and its operating subsidiaries. The initial affiliated party borrowing facility with Titan Global Finance, PLC (“TGF”), was established in August 2007. A second affiliated party borrowing facility with TGF was established in June 2013. Both affiliated party borrowing facilities bear interest at variable rates and are further described in Note 15. In addition and as further described in Note 15, the Company has outstanding fixed rate borrowings from TGF in the amount of Euro 100,000,000.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

In 2012 and 2013 the Company sold spare parts and technical and administrative support services to Separation Technologies Canada LTD (“STC”) and Separation Technologies UK LTD (“STUK”), both wholly-owned indirect subsidiaries of Titan Cement (see Note 20).

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

Limited Liability Company Operating Agreement, 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.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation.

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 noncurrent 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.

In accordance with International Accounting Standard (IAS) No. 36, *Impairment of Assets*, the Company tests annually, as of December 31, or upon occurrence if indicators of impairment are present, 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 the use of estimates.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

The Company's calculation of deferred and other noncurrent income taxes includes transactions and estimates for which the ultimate tax determination is uncertain.

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

Financial Risk Management

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, and cash flow interest rate risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Credit Risk

The Company has no significant concentrations of credit risk (see Note 22).

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Company aims to maintain flexibility in funding by keeping committed credit lines available, each of which is guaranteed by Titan Cement (see Note 15).

Borrowings Denominated in Foreign Currencies

The Company is exposed to foreign currency exchange rate risk associated with borrowings denominated in foreign currencies. The Company has entered into foreign currency forward contracts to manage a portion of its exposure to fluctuations in currency values (see Note 17).

Cash flow and Fair Value Interest Rate Risk

As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are not directly impacted by changes in market interest rates. The Company's interest rate risk arises from short-term and long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. Borrowings denominated in foreign currencies expose the Company to foreign exchange risk. The Company's policy for long term borrowings will vary and is managed by Titan Cement's group treasury function.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

The following table demonstrates the sensitivity of the Company's loss before income tax (through the impact of the outstanding floating rate borrowings at the end of the period on profits) to reasonable changes in interest rates, with all other variables held constant:

Year Ended	Interest Rate Variation	Increase in Loss before income taxes	Interest Rate Variation	Decrease in Loss before income taxes
12/31/13	1.0%	\$ 2,981,177	(1.0)%	\$ (2,981,177)
12/31/12	1.0%	\$ 2,803,017	(1.0)%	\$ (2,803,017)

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments with original 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. When applicable, 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 finance cost 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 – Purchase cost or average production cost for the most recent 12 month period.
- Spare parts and raw materials – Moving average or purchase 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 direct selling expenses.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

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 the related sale. The amount of the allowance is the difference between the carrying amount of the receivable and the estimated future cash flows. Changes to the allowance are recognized as cost of goods sold in the accompanying consolidated statements of operations.

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

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

	Cement	Aggregates	Ready Mix	Block	Other
Land improvements	15-30	15	15	15	15
Building and improvements	25	25	25	25	25
Machinery and equipment	15-30	10-15	10-15	15-30	5-15
Mobile equipment	7-25	7-8	7	7	7
Marine equipment	20	20	n/a	n/a	n/a
Auto and truck	8	8	8	8	8
Furniture and fixtures	3-5	3-5	3-5	3-5	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 operations.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

Capitalized Interest

The Company has applied the provisions of IAS No. 23(R), *Borrowing Costs*, 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 estimated useful life of the asset.

Goodwill

Goodwill related to acquisitions before April 1, 2004 is stated at acquisition value less accumulated amortization and accumulated impairment losses, if any. In accordance with IFRS No. 3, "Business Combinations," the Company ceased amortization of existing goodwill on January 1, 2005. Goodwill related to acquisitions on or after April 1, 2004 is carried at cost less accumulated impairment losses, if any. Goodwill is allocated to cash-generating units ("CGU"s) for the purpose of impairment testing. A CGU is an identified business unit of the Company. A business unit can include interdependent activities (e.g., cement, aggregates, and ready-mixed concrete), typically within a contiguous market territory. The impairment of goodwill assets associated with the CGU is tested at least annually through assessment of the amount recoverable from future projected operations.

Identifiable Intangible Assets

Identifiable intangible assets are stated at acquisition value less accumulated amortization and accumulated impairment losses, if any, and are amortized over their expected period of benefit on a straight line basis. The Company annually reviews the methods of amortization and estimated useful lives of its identifiable intangible assets. Amortization of identifiable intangible assets is included in cost of goods sold in the accompanying consolidated statements of operations. Acquired tradenames were recorded as indefinite-lived intangible assets, were measured at fair value at the date of acquisition, and are tested annually for impairment.

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

	<u>Years</u>
Core Technology - Processed Fly Ash	10
Non-Compete Agreements	3-5
Customer Relationships	5-7
Trademarks	10
Tradenames	Indefinite

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

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 operations.

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 statements of financial position.

Income Taxes

Titan America LLC is a nontaxable entity whose items of income, expense, gains, and losses are taxed to its member, Titan Atlantic. For financial reporting purposes, the Company reports its proportionate share of Titan Atlantic's income tax expense and related income tax assets and liabilities as if the Company had filed separate Company income tax returns.

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 amount of assets and liabilities and their tax bases. Deferred tax assets are recognized only when it is probable that they will be realized. Further, the Company recognizes a deferred tax asset arising from unused tax losses or tax credits only to the extent that the Company has sufficient future taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized by the Company. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws on the date of enactment.

The Company is subject to compliance reviews by the Internal Revenue Service ("IRS") 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 statements of financial position.

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

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

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 statements of financial position.

Impairment of Long-Lived Assets

Property, plant, equipment, 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, are 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 purposes of assessing impairment, assets are grouped by business unit, which may include interdependent business activities (e.g., cement, aggregates, and ready-mixed concrete), typically within a contiguous market territory.

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 statements of operations on a straight-line basis over the period of the lease. Leases in which a significant portion of the risks and rewards of ownership are held by the Company are classified as capital leases.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Revenue Recognition

Revenue from product sales is recognized upon shipment to customers. Revenue for services is recognized when the service is provided. Provisions for discounts, returns, and other adjustments are provided for in the same period the related sales are recorded as a reduction of revenue. Deferred income represents payments received or receivables established prior to the delivery of products, services or rights.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

Pension and Other Post-retirement Obligations

All of the Company's defined benefit pension plans and all but one of the Company's other postretirement benefit plans were previously frozen to new participants and credited service. One postretirement 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. The Company sponsors defined contribution retirement (currently suspended – see Note 19) and 401(k) savings plans which cover substantially all employees of the Company.

The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality U.S. corporate bonds that have terms to maturity approximating the terms of the related pension liability.

During 2011, the Company elected to early adopt the provisions of IAS 19R, *Employee Benefits*. As a result of the early adoption, actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized immediately as they occur within other comprehensive income. In addition, all past service costs are recognized in the consolidated statements of operations as they occur. Finally, under the new standard, the Company recognizes net interest cost (as a single item) within the consolidated statements of operations.

For defined contribution plans, the Company makes contributions in accordance with established plan provisions for both union and nonunion employees and has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are earned.

Share-Based Payments

Titan Cement operates an equity-settled, share-based compensation plan. The Company recognizes the fair value of the employee service received in exchange for the grant of Titan Cement stock options as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted on the date of grant, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each statement of financial position date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the statements of operations with a corresponding adjustment to equity.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

Recently Issued Accounting Pronouncements

The financial statements have been prepared with the same accounting policies of the prior financial year, except with respect to the following new standards and interpretations that had to be adopted as of January 1, 2013.

IAS 1, Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

Effective for annual periods beginning on or after July 1, 2012, the amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or ‘recycled’) to profit or loss at a future point in time are presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Company’s financial position or performance. The standard did not affect the presentation of the Company’s financial statements.

IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation requires costs to be capitalized if certain criteria are met and amortized on a units of production basis unless another method is more appropriate. The interpretation is effective for annual periods beginning on or after January 1, 2013. The adoption of this standard resulted in no impact on the financial position of the Company.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning January 1, 2013. They have not been early adopted and the Company is currently assessing possible impacts in the financial statements from their adoption.

IFRS 9, Financial Instruments: Classification and Measurement

This standard applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after January 1, 2013, but amendments have moved the mandatory effective date to January 1, 2015. The Company will determine the effect on reporting once the final standard is effective.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

IAS 32, Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments clarify the meaning of “currently has a legally enforceable right to set-off”. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Company’s financial position performance and become effective for annual periods beginning on or after January 1, 2014.

Subsequent Events

The Company has evaluated subsequent events through the date the financial statements were available to be issued, April 30, 2014.

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, 2013 and 2012, the carrying amounts approximate fair value based on the short maturity of these instruments.

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 statement of financial position date for instruments with comparable terms. The carrying amounts of short-term borrowings and capital lease obligations approximate their fair value.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Financial Instruments and Other Financial Assets and Liabilities (continued)

Derivative financial instruments

The fair values of the Company's foreign exchange forward contracts are determined by using level two measurements defined as inputs other than quoted prices that are observable for similar contracts in active markets.

3. Trade Receivables, Net

Trade receivables at December 31, 2013 and 2012, consist of the following:

	December 31	
	2013	2012
Trade receivables	\$ 73,210,655	\$ 69,529,823
Allowance for doubtful accounts	(7,129,183)	(7,288,268)
Allowance for cash discounts and rebates	(2,801,565)	(1,692,319)
Allowance for service fees	(1,246,607)	(1,195,637)
Total trade receivables, net	\$ 62,033,300	\$ 59,353,599

Trade receivables are non-interest bearing and normally settled within the terms of the contract. Bad debt expense is included in cost of goods sold in the accompanying consolidated statements of operations. For the years ended December 31, 2013 and 2012, the Company recognized \$806,137 and \$2,488,059 of bad debt expense, respectively.

4. Inventories

Inventories at December 31, 2013 and 2012, consist of the following:

	December 31	
	2013	2012
Spare parts	\$ 22,614,473	\$ 22,272,567
Work in process	21,790,935	24,677,779
Finished goods	18,577,613	17,945,198
Raw materials	14,848,152	12,783,948
Manufacturing supplies and other	5,799,637	6,112,423
Total inventories	\$ 83,630,810	\$ 83,791,915

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Other Receivables, Net

Other receivables at December 31, 2013 and 2012, consist of the following:

	December 31	
	2013	2012
Escrow receivable	\$ 750,000	\$ -
Receivables, non-trade, net	596,192	662,765
Mineral tax refund	510,770	510,770
Deposits	341,233	312,989
Rebates and refunds due	285,924	408,669
Employee receivables	74,841	172,808
Other	225,291	265,495
Total other receivables, net	\$ 2,784,251	\$ 2,333,496

6. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets at December 31, 2013 and 2012, consist of the following:

	December 31	
	2013	2012
Prepaid insurance	\$ 1,639,993	\$ 1,679,557
Advance payment for inventory (see Note 21)	-	2,634,205
Prepaid licenses, permits and other taxes	1,270,780	1,037,606
Prepaid overhead expenses (rent, software maintenance dues and subscriptions)	1,164,623	1,282,208
Prepaid highway use tax	121,919	125,020
Purchase deposit	20,000	-
Other	299,651	135,944
Total prepaid expenses and other current assets	\$ 4,516,966	\$ 6,894,540

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

7. Property, Plant, Equipment, and Mineral Deposits, Net

Activity within property, plant, equipment, and mineral deposits for the year ended December 31, 2013 consists of the following:

	Balance at 1/1/13	Additions	Disposals	Other	Balance at 12/31/13
Historical Cost:					
Mineral reserves	\$ 154,394,841	\$ -	\$ -	\$ 1,041,252 (1)	\$ 155,436,093
Land	131,628,297	36,559	(1,327,439)	194,641 (1)	130,532,058
Land improvements	49,990,838	46,931	(7,466)	(46,814)	49,983,489
Building & improvements	107,457,268	281,312	(190,946)	10,616	107,558,250
Machinery & equipment	665,281,466	4,066,211	(580,503)	701,400 (2)	669,468,574
Mobile equipment	53,097,784	2,571,328	(1,386,014)	-	54,283,098
Marine equipment	9,552,557	1,002,338	-	-	10,554,895
Auto & truck	105,849,944	29,901	(866,077)	-	105,013,768
Furniture & fixtures	17,218,260	97,819	-	75,602	17,391,681
Construction and equipment installations in progress	16,933,897	7,358,180	(898,761)	-	23,393,316
Total historical cost	\$ 1,311,405,152	\$ 15,490,579	\$ (5,257,206)	\$ 1,976,697	\$ 1,323,615,222
Accumulated depreciation:					
Mineral reserves	\$ 31,641,637	\$ 1,970,795	\$ -	\$ -	\$ 33,612,432
Land improvements	24,210,585	3,009,756	(6,755)	(11,861)	27,201,725
Building & improvements	53,134,067	4,033,266	(84,023)	(24,867)	57,058,443
Machinery & equipment	336,721,454	33,187,298	(489,294)	(33,221)	369,386,237
Mobile equipment	44,857,442	3,320,427	(1,306,575)	-	46,871,294
Marine equipment	4,849,881	491,755	-	-	5,341,636
Auto & truck	88,451,801	9,119,789	(750,636)	-	96,820,954
Furniture & fixtures	14,197,590	1,210,060	-	65,667	15,473,317
Total accumulated depreciation	\$ 598,064,457	\$ 56,343,146	\$ (2,637,283)	\$ (4,282)	\$ 651,766,038
Net book value:					
Mineral reserves	\$ 122,753,204	\$ (1,970,795)	\$ -	\$ 1,041,252	\$ 121,823,661
Land	131,628,297	36,559	(1,327,439)	194,641	130,532,058
Land improvements	25,780,253	(2,962,825)	(711)	(34,953)	22,781,764
Building & improvements	54,323,201	(3,751,954)	(106,923)	35,483	50,499,807
Machinery & equipment	328,560,012	(29,121,087)	(91,209)	734,621	300,082,337
Mobile equipment	8,240,342	(749,099)	(79,439)	-	7,411,804
Marine equipment	4,702,676	510,583	-	-	5,213,259
Auto & truck	17,398,143	(9,089,888)	(115,441)	-	8,192,814
Furniture & fixtures	3,020,670	(1,112,241)	-	9,935	1,918,364
Construction and equipment installations in progress	16,933,897	7,358,180	(898,761)	-	23,393,316
Total net book value	\$ 713,340,695	\$ (40,852,567)	\$ (2,619,923)	\$ 1,980,979	\$ 671,849,184

(1) Mineral reserves and land acquired as settlement for trade receivables.

(2) Capitalization of spare parts inventory.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

Activity within property, plant, equipment, and mineral deposits for the year ended December 31, 2012 consists of the following:

	Balance at 1/1/12	Additions	Disposals	Other	Balance at 12/31/12
Historical cost:					
Mineral reserves	\$ 154,394,841	\$ -	\$ -	\$ -	\$ 154,394,841
Land	131,578,297	50,000	-	-	131,628,297
Land improvements	49,686,813	321,025	(17,000)	-	49,990,838
Building & improvements	107,452,768	4,500	-	-	107,457,268
Machinery & equipment	663,146,710	3,643,233	(839,074)	(669,403) (1)	665,281,466
Mobile equipment	65,798,719	701,204	(13,453,159)	51,020	53,097,784
Marine equipment	9,552,557	-	-	-	9,552,557
Auto & truck	107,920,297	51,020	(2,070,353)	(51,020)	105,849,944
Furniture & fixtures	17,106,219	119,682	(7,641)	-	17,218,260
Construction and equipment installations in progress	37,847,889	1,974,812	(22,888,804)	-	16,933,897
Total historical cost	<u>\$ 1,344,485,110</u>	<u>\$ 6,865,476</u>	<u>\$ (39,276,031)</u>	<u>\$ (669,403)</u>	<u>\$ 1,311,405,152</u>
Accumulated depreciation:					
Mineral reserves	\$ 29,709,684	\$ 1,931,953	\$ -	\$ -	\$ 31,641,637
Land improvements	21,185,212	3,031,066	(5,289)	(404)	24,210,585
Building & improvements	49,133,800	4,004,062	-	(3,795)	53,134,067
Machinery & equipment	303,920,485	33,624,331	(801,548)	(21,814)	336,721,454
Mobile equipment	46,282,551	3,850,368	(5,275,468)	(9)	44,857,442
Marine equipment	4,441,681	408,226	-	(26)	4,849,881
Auto & truck	78,867,091	11,544,404	(1,959,693)	(1)	88,451,801
Furniture & fixtures	12,852,518	1,352,713	(7,641)	-	14,197,590
Total accumulated depreciation	<u>\$ 546,393,022</u>	<u>\$ 59,747,123</u>	<u>\$ (8,049,639)</u>	<u>\$ (26,049)</u>	<u>\$ 598,064,457</u>
Net book value:					
Mineral reserves	\$ 124,685,157	\$ (1,931,953)	\$ -	\$ -	\$ 122,753,204
Land	131,578,297	50,000	-	-	131,628,297
Land improvements	28,501,601	(2,710,041)	(11,711)	404	25,780,253
Building & improvements	58,318,968	(3,999,562)	-	3,795	54,323,201
Machinery & equipment	359,226,225	(29,981,098)	(37,526)	(647,589)	328,560,012
Mobile equipment	19,516,168	(3,149,164)	(8,177,691)	51,029	8,240,342
Marine equipment	5,110,876	(408,226)	-	26	4,702,676
Auto & truck	29,053,206	(11,493,384)	(110,660)	(51,019)	17,398,143
Furniture & fixtures	4,253,701	(1,233,031)	-	-	3,020,670
Construction and equipment installations in progress	37,847,889	1,974,812	(22,888,804)	-	16,933,897
Other	-	-	-	-	-
Total net book value	<u>\$ 798,092,088</u>	<u>\$ (52,881,647)</u>	<u>\$ (31,226,392)</u>	<u>\$ (643,354)</u>	<u>\$ 713,340,695</u>

⁽¹⁾Machinery and equipment separator sale reclassified to inventory.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

At December 31, 2013 and 2012, property, plant, and equipment under capital leases consisted of mobile equipment, autos, and trucks with a cost basis of \$316,605 and \$265,992, respectively and accumulated depreciation of \$179,211 and \$127,502, respectively. For the years ended December 31, 2013 and 2012, depreciation of property, plant, and equipment under capital leases totaled \$51,709 and \$207,384, respectively.

The gross carrying amount of fully depreciated property, plant, and equipment as of December 31, 2013 and 2012 was \$169,497,035 and \$144,836,640, respectively.

At December 31, 2013 and 2012, the Company had accruals for capital projects totaling \$190,616 and \$94,549, respectively.

For the years ended December 31, 2013 and 2012, the Company did not capitalize any interest.

Gain on Sale of Assets

In September 2013, the Company sold a parcel of surplus property adjacent to its Florida cement plant for \$4,558,225. Net of transaction and other costs, the Company received \$4,016,830 at closing with another \$455,822 withheld in accordance with U.S. tax law applicable to foreign land owners in the United States and \$36,599 withheld for local real estate taxes. At December 31, 2013, the remaining proceeds receivable of \$455,822 has been classified as income taxes receivable in the accompanying consolidated statement of financial position. The book value of the parcel disposed was \$1,327,439. Consequently, the Company recognized a gain on disposal of \$3,181,812 in 2013. The gain recognized is included in cost of goods sold, excluding freight and distribution expense in the accompanying consolidated statements of operations.

In addition to the above, the Company completed other asset retirements in 2013 which, in the aggregate, generated net proceeds of \$295,801 and a recognized loss on disposal of assets of \$996,683. All of the loss recognized is included in cost of goods sold, excluding freight and distribution expense in the accompanying consolidated statements of operations.

In June 2012, the Company completed a sale/leaseback of 170 railcars used in its cement and fly ash businesses. The Company received \$12,072,500 at closing and repaid capital lease obligations in the amount of \$1,607,853. The net book value of the assets disposed was \$8,089,121. Consequently, the Company recognized a gain on disposal of \$3,983,379 in 2012. The gain recognized is included in cost of goods sold, excluding freight and distribution expense in the accompanying consolidated statements of operations. The leaseback is over a term of 10 years and is further described in Note 18.

In May 2012, the Company sold a dragline and related assets that was originally purchased for installation at a proposed quarry in Northwest Florida. The book value of the assets disposed was \$22,835,775 and was previously included in construction and equipment installation in progress. The Company received \$22,800,000 at closing. Consequently, the Company recognized a loss on disposal of \$35,775.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

In 2012, the Company completed other ordinary course asset retirements which, in the aggregate, generated net proceeds of \$730,220 and a recognized gain on sale of assets of \$428,725. Substantially all of the gain recognized is included in cost of goods sold, excluding freight and distribution expense in the accompanying consolidated statement of comprehensive loss.

8. Goodwill, Net

Goodwill at December 31, 2013 and 2012 primarily results from the following acquisitions:

Acquisition	Activity	Geography	Year Acquired	2013 Balance	2012 Balance
Separation Technologies	Fly Ash	Eastern US	2002	\$ 15,259,141	\$ 15,259,141
Summit/Metro/Miami Valley/Supermix	Ready-mixed concrete and concrete block	Western Florida	2006	48,558,860	48,864,104
S&W Ready Mix	Ready-mixed concrete	Carolinas	2007	146,852,616	146,852,616
Mechanicsville Concrete	Ready-mixed concrete	Central Virginia	2007	8,200,653	8,200,653
Other				2,690,428	2,690,428
Total goodwill				<u>\$ 221,561,698</u>	<u>\$ 221,866,942</u>

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Goodwill, Net (continued)

Impairment testing of Goodwill

Goodwill acquired through business combinations has been allocated to the following cash generating units (“CGUs”):

	December 31	
	2013	2012
Mid Atlantic Business Unit	\$ 155,328,080	\$ 155,328,080
Florida Business Unit	48,558,860	48,864,104
Separation Technologies Business Unit	15,259,141	15,259,141
Essex Business Unit	2,415,617	2,415,617
Total goodwill	<u>\$ 221,561,698</u>	<u>\$ 221,866,942</u>

Management tests goodwill annually at December 31 or more frequently if indications of impairment exist.

The recoverable amount of a CGU is determined based on the higher of its value-in-use and fair value less cost to sell. The value-in-use calculations use cash flow projections based on financial plans approved by management covering a five year period. The calculation of value-in-use for the Company’s evaluated CGUs is most sensitive to the following assumptions:

- Sales volumes;
- Selling prices;
- Growth rate used to extrapolate cash flows beyond the specific projection period; and
- Discount rates

Sales volumes

Management estimates sales volumes utilizing independent industry forecasts taking into consideration its position in the market, relative to its competitors. Management expects construction spending and sales volumes in key markets to continue to recover during 2014. At December 31, 2013, the date of the most recent impairment test, the Company has assumed the following compound average annual growth rates in its sales volumes for the period 2014-2018:

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Goodwill, Net (continued)

Florida - Cement	6.2%
Florida - Aggregates	11.5%
Florida - Readymix	11.7%
Florida - Block	14.5%
Mid-Atlantic - Cement	5.1%
Mid-Atlantic - Virginia Readymix	11.6%
Mid-Atlantic - Carolinas Readymix	11.6%
Separation Technologies - Processed Fly Ash	1.2%
Essex - Cement	5.9%

Selling prices

Selling prices in all markets improved during 2013 from 2012 levels as markets continue to recover from the severe contraction in demand for building materials that began in 2006. For the period 2014-2018, management expects selling prices to improve as supply and demand imbalances continue to be corrected. At December 31, 2013, the date of the most recent impairment test, the Company has assumed the following compound annual growth rates in external net realized selling prices for the period 2014-2018:

Florida - Cement	4.2%
Florida - Aggregates	4.8%
Florida - Readymix	5.6%
Florida - Block	4.4%
Mid-Atlantic - Cement	3.8%
Mid-Atlantic - Virginia Readymix	3.0%
Mid-Atlantic - Carolinas Readymix	3.7%
Separation Technologies - Processed Fly Ash	6.4%
Essex - Cement	5.0%

Growth rate estimates

Following the five year specific forecast period, management used a fading-growth-rate model in the value-in-use calculations associated with the impairment tests performed over the Florida and Mid-Atlantic Business Units. Under this approach, cash flows are assumed to increase at a higher rate following the specific projection period before settling into a long-term growth rate. Sales volume growth rates are based on published industry research and take into account demographic trends including population growth, household formation, and economic output (among other factors) in the states where the Company operates. In addition to demographic trends, long-term growth rates take into account cement/concrete intensity in construction which has historically varied from state to state based on building codes, availability of raw materials, and other factors. At December 31, 2013, the date of the most recent impairment test, growth rates have been estimated by management as follows:

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Goodwill, Net (continued)

	Year 6 Cash Flow Growth Rate	Fading Growth Rate Period	Long-term Growth Rate
Florida Business Unit	10.0%	2 years	4.0%
Mid-Atlantic Business Unit	7.0%	2 years	3.0%
Separation Technologies Business Unit	3.0%	N/A	3.0%
Essex Business Unit	3.0%	N/A	3.0%

Discount rates

A pre-tax discount rate of 9.58% was used in the value in use calculations at December 31, 2013, the date of the most recent impairment test.

As of December 31, 2013 no goodwill impairments have been recorded.

9. Identifiable Intangible Assets, Net

Identifiable intangible assets are comprised principally of:

- (1) acquired customer relationships of Mechanicsville Concrete;
- (2) core technology, patents, and trademarks of Separation Technologies;
- (3) acquired customer relationships and tradename of S&W Ready Mix; and
- (4) acquired rights (contract rights) to market fly ash produced by a public utility in Florida.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Identifiable Intangible Assets, Net (continued)

Activity within net identifiable intangible assets for the years ended December 31, 2013 and 2012 consists of the following:

	Balance at		Balance at		Disposals of fully amortized items	Balance at 12/31/13
	1/1/12	Additions	12/31/12	Additions		
Historical cost:						
Core technology	\$ 9,700,000	\$ -	\$ 9,700,000	\$ -		\$ 9,700,000
Customer relationships	87,941,006	-	87,941,006	-	(26,240,000)	61,701,006
Trademarks	400,000	-	400,000	-		400,000
Tradenames	13,980,000	-	13,980,000	-		13,980,000
Contract rights	-	5,951,270	5,951,270	-		5,951,270
Non-compete agreements	2,995,081	170,000	3,165,081	-	(2,587,027)	578,054
Total historical cost	\$ 115,016,087	\$ 6,121,270	\$ 121,137,357	\$ -	\$ (28,827,027)	\$ 92,310,330
Accumulated amortization:						
Core technology	\$ 9,134,166	\$ 565,834	\$ 9,700,000	\$ -		\$ 9,700,000
Customer relationships	63,602,697	12,248,713	75,851,410	9,848,120	(26,240,000)	59,459,530
Trademarks	376,666	23,334	400,000	-		400,000
Contract rights	-	1,022,875	1,022,875	1,754,385		2,777,260
Non-compete agreements	2,578,979	198,497	2,777,476	173,277	(2,587,027)	363,726
Total accumulated amortization	\$ 75,692,508	\$ 14,059,253	\$ 89,751,761	\$ 11,775,782	\$ (28,827,027)	\$ 72,700,516
Net book value:						
Core technology	\$ 565,834	\$ (565,834)	\$ -	\$ -	\$ -	\$ -
Customer relationships	24,338,309	(12,248,713)	12,089,596	(9,848,120)	-	2,241,476
Trademarks	23,334	(23,334)	-	-	-	-
Tradenames	13,980,000	-	13,980,000	-	-	13,980,000
Contract rights	-	4,928,395	4,928,395	(1,754,385)	-	3,174,010
Non-compete agreements	416,102	(28,497)	387,605	(173,277)	-	214,328
Total net book value	\$ 39,323,579	\$ (7,937,983)	\$ 31,385,596	\$ (11,775,782)	\$ -	\$ 19,609,814

At December 31, 2013, customer relationships had estimated remaining economic useful lives of between four months and five months, non-compete agreements had estimated remaining economic useful lives between nine months and two years, and contract rights had an estimated remaining economic useful life of one year and three months.

10. Deferred Stripping, Net

The activity within deferred stripping for the years ended December 31, 2013 and 2012 consists of the following:

	Balance at January 1	Additions	Amortization	Balance at December 31
2013	\$ 6,585,617	\$ 612,486	\$ (1,416,419)	\$ 5,781,684
2012	\$ 7,059,185	\$ 770,843	\$ (1,244,411)	\$ 6,585,617

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Income Taxes

The components of income tax expense (benefit) for the year ended December 31, 2013 consist of:

	Current	Deferred	Other	Total
U.S. Federal	\$ -	\$ 3,364,946	\$ 10,877	\$ 3,375,823
State	171,652	(1,097,326)	2,662	(923,012)
Total	\$ 171,652	\$ 2,267,620	\$ 13,539	\$ 2,452,811

The components of income tax expense (benefit) for the year ended December 31, 2012 consist of:

	Current	Deferred	Other	Total
U.S. Federal	\$ -	\$ (308,028)	\$ 65,440	\$ (242,588)
State	258,707	(3,036,568)	1,549	(2,776,312)
Total	\$ 258,707	\$ (3,344,596)	\$ 66,989	\$ (3,018,900)

Income tax expense/(benefit) differs from the amounts computed by applying the U.S. federal statutory income tax rate to loss before income taxes for the years ended December 31, 2013 and 2012, as a result of the following:

	Year Ended December 31	
	2013	2012
Loss before income taxes	\$ (62,895,652)	\$ (92,646,494)
Income tax benefit at applicable statutory U.S. Federal tax rate	(22,013,478)	(32,426,273)
Differences resulting from:		
State income taxes, net of federal tax effect	(2,450,989)	(3,520,225)
Mineral deposit depletion in excess of cost basis	(1,593,146)	(1,580,119)
Nondeductible expenses	280,364	428,286
Recognized tax benefit under stock option program	134,209	-
Provision for noncurrent income tax liabilities	13,539	66,989
Federal net operating loss carryforwards	25,030,637	31,294,183
State net operating loss carryforwards	2,843,963	2,662,867
Other	207,712	55,392
Income tax expense/(benefit)	\$ 2,452,811	\$ (3,018,900)

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Income Taxes (continued)

Net deferred tax liabilities consist of the following components as of December 31, 2013 and 2012:

	December 31	
	2013	2012
Deferred tax assets:		
Provisions and accrued expenses, not deductible for tax until paid	\$ 7,586,628	\$ 8,750,841
Retirement benefit obligations, not deductible for tax until paid	4,144,400	5,269,563
Deferred income, resulting from revenue recognition differences	1,052,720	1,261,303
Identifiable intangible assets, principally due to differences in amortization methods	15,806,807	14,584,318
Accounts receivable valuation	2,718,663	1,802,598
Inventory valuation and costing	1,395,977	1,497,940
Derivative financial instruments	397,275	1,374,082
Unrealized foreign exchange losses on debt obligations	2,289,936	28,962
Net operating loss and charitable contribution carryforwards	50,913,880	60,497,588
Tax credit carryforwards	5,933,413	5,933,413
Other	383,301	730,618
Total deferred tax assets	92,623,000	101,731,226
Deferred tax liabilities:		
Plant and equipment, principally due to differences in depreciation methods	82,433,974	90,852,602
Mineral deposits, principally due to differences in depletion methods	36,895,716	37,664,326
Goodwill, principally due to differences in amortization methods	32,091,972	27,673,880
Deferred stripping costs, principally due to differences in amortization methods	2,039,911	2,320,934
Prepaid expenses, principally due to differences in amortization methods	1,129,955	1,200,396
Total deferred tax liabilities	154,591,528	159,712,138
Net deferred income tax liabilities	\$ 61,968,528	\$ 57,980,912

The deferred tax amounts mentioned above have been classified on the accompanying consolidated balance sheets as of December 31, 2013 and 2012 as follows:

	December 31	
	2013	2012
Deferred tax liabilities, net	\$ 61,968,528	\$ 57,980,912
Other noncurrent income tax liabilities	95,824	82,285
Deferred and other noncurrent income tax liabilities, net	\$ 62,064,352	\$ 58,063,197

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Income Taxes (continued)

At December 31, 2013, the Company had charitable contribution carryforwards of \$1,187,771 expiring in years 2014 through 2018. These expenses will be carried forward to future periods. The deferred tax asset has been reduced by \$319,950 due to the likelihood of partial expiration prior to use. Additionally, at December 31, 2013, the Company had an interest expense carryforward of \$22,602,812 which may be carried forward indefinitely. The 2013 tax net operating loss was \$41,860,937. At December 31, 2013, the Company had net operating loss carryforwards of \$346,229,728 expiring in the years 2029 through 2033. The Company limits the recognition of deferred tax assets for interest expense and net operating loss carryforwards in circumstances where it has a recent history of tax losses in more than one year. In these circumstances, the deferred tax asset recognition is generally limited to an amount equivalent to the net deferred tax liabilities scheduled to be realized within the net operating loss carryforward period. Accordingly, the Company has reduced the deferred tax asset arising from the Company's federal and state net operating loss carryforwards by \$90,551,445 and from the interest expense carryforward by \$8,815,097.

At December 31, 2013, the Company had tax credit carryforwards in the amount of \$5,933,413 which may be carried forward indefinitely. These credits may be used to offset future U.S. federal income taxes payable subject to certain IRS limitations.

The Company is currently undergoing IRS audits of the 2008 through 2009 tax years. All anticipated adjustments are to deferred tax and were recorded in 2011.

12. Other Assets

Other assets at December 31, 2013 and 2012 consist of the following:

	December 31	
	2013	2012
Excess benefit plan assets (see Note 19)	\$ 5,549,668	\$ 5,257,806
Noncurrent portion of prepaid expenses	706,587	576,587
Notes receivable - trade	645,430	1,024,349
Deposits	190,175	164,242
Other	19,733	17,995
Total other assets	<u>\$ 7,111,593</u>	<u>\$ 7,040,979</u>

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

13. Accrued Expenses

Accrued expenses at December 31, 2013 and 2012 consist of the following:

	December 31	
	2013	2012
Insurance reserves	\$ 9,155,855	\$ 9,191,955
Interest payable	6,160,211	4,515,687
Taxes payable, other than income taxes	2,433,935	1,739,336
Employee compensation and benefits	1,363,163	686,268
Accrued liabilities related to acquisitions	1,051,027	1,586,149
Accrued royalties and dues	425,035	456,078
Professional fees	323,500	230,554
Other	188,194	101,645
Total accrued expenses	\$ 21,100,920	\$ 18,507,672

14. Provisions and Other Noncurrent Liabilities

Provisions

The activity within the Company's provision accounts for the year ended December 31, 2013 is summarized as follows:

Provision Description	Balance at 1/1/13	Charges (Credits) to Income Statement	Cash Receipts (Payments)	Balance at 12/31/13
Restoration obligations	\$ 6,154,928	\$ (936,199)	\$ (39,010)	\$ 5,179,719
Contract obligations	3,098,060	(3,098,060)	-	-
Sales and use tax	337,655	(3,254)	-	334,401
Environmental	1,477	10,000	(4,873)	6,604
Severance	558,064	1,061,852	(1,005,090)	614,826
Other	95,217	-	(13,481)	81,736
Total	\$ 10,245,401	\$ (2,965,661)	\$ (1,062,454)	\$ 6,217,286

Analysis of Provisions	December 31	
	2013	2012
Current portion of provisions	\$ 751,929	\$ 391,341
Noncurrent portion of provisions	5,465,357	9,854,060
Total	\$ 6,217,286	\$ 10,245,401

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Provisions and Other Noncurrent Liabilities (continued)

- Restoration:** 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. The Company estimates its ultimate restoration liability using detailed engineering calculations which takes into account the amount and timing of the future cash flows. Future cash flows are determined by applying inflation factors to the estimated current cost of reclamation. The present value of these future cash flows is determined by applying discount rates consistent with the time horizons of the expected future cash flow. Discount rates under IFRS are required to be at the risk free rate. Accordingly, the Company selects discount rates using U.S. treasury bonds with maturities similar to the duration of the obligation.
- Contract:** This provision represents estimated costs to install permanent cover to 27 acres at a landfill site owned by a Florida utility. The Company assumed the obligation to install permanent cover as part of an ash management contract acquired in July 2012 from a third party. The liability estimate was based upon the utility's closure plan and schedule, contractor estimates for installation of permanent cover and an April 2012 aerial survey estimating consumed and available landfill space at contract acquisition. A September 2013 amendment to the ash management contract between the Company and the utility eliminated this obligation in return for an increase in the per ton royalty fee paid to the utility for the sale of ash from its facility.
- 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 \$122,000 will be utilized in the next twelve months with the remaining amounts used over the next 2 to 5 years.
- Environmental:** This provision represents the estimated cost for current and former Company operating facilities for various environmental clean-up and monitoring obligations. It is expected that \$6,604 will be utilized in the next twelve months.
- Severance:** This provision is for specific employee reduction in force obligations. It is expected that the balance will be fully utilized in the next twelve months.
- Other:** These miscellaneous reserves are for various matters. It is expected that \$8,499 will be used in the next twelve months with the remaining amounts used over the next 2 to 12 years.

During the years ended December 31, 2013 and 2012, the Company increased provisions by the net amounts of \$103,469 and \$192,817, respectively, for the passage of time and changes in applicable discount rates. This accretion of provisions is included in finance cost in the accompanying consolidated statements of operations.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

15. Credit Facilities and Long-Term Debt

Bank Borrowing Facilities

At December 31, 2013 and 2012, the Company maintained a borrowing facility with a bank as further described below:

Facility Description	Borrowing Facilities at December 31, 2013			
	Borrowing Facility	Outstanding Borrowings	Undrawn Facility	Maturity Date
Committed Revolving Credit Facility*	\$ 10,000,000	\$ -	\$ 10,000,000	4/30/14

* The full value of this borrowing facility is \$50,000,000 but it was reduced by \$40,000,000 for the letter of credit sub-facility discussed below.

Facility Description	Borrowing Facilities at December 31, 2012			
	Borrowing Facility	Outstanding Borrowings	Undrawn Facility	Maturity Date
Committed Revolving Credit Facility*	\$ 10,000,000	\$ 2,377,329	\$ 7,622,671	4/30/13

* The full amount of this borrowing facility was \$50,000,000 but it was reduced by \$40,000,000 for the letter of credit sub-facility discussed below.

The bank borrowing facility provides for loans at variable interest rates which are reset at daily, one-month, two-month, three-month, or six-month intervals depending on the type of draw made thereunder. In connection with the 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. The borrowing facility is guaranteed by Titan Cement.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

Affiliated Party Borrowing Facility

At December 31, 2013 and 2012, the Company maintained affiliated party borrowing facilities further described below:

Facility Description	Borrowing Facility at December 31, 2013			
	Borrowing Facility	Outstanding Borrowings	Undrawn Facility	Maturity Date
Multi-Currency US Dollar Denominated Committed Revolving Credit Facility	\$ 330,000,000	\$ 268,767,714	\$ 61,232,286	1/5/15
Single-Currency Euro-Denominated Committed Revolving Credit Facility *	172,387,500	-	172,387,500	1/5/15

* €125,000,000 facility converted to US Dollars at year-end exchange rate of 1.3791.

Facility Description	Borrowing Facility at December 31, 2012			
	Borrowing Facility	Outstanding Borrowings	Undrawn Facility	Maturity Date
Multi-Currency US Dollar Denominated Committed Revolving Credit Facility	\$ 330,000,000	\$ 248,574,377	\$ 81,425,623	12/5/14

The multi-currency US dollar denominated affiliated party borrowing facility provides the Company with a committed credit facility in a total amount of up to \$330,000,000 or its equivalent in Euros. An additional 125,000,000 Euro denominated single-currency affiliated party borrowing facility (\$172,387,500 at December 31, 2013) commenced on June 1, 2013 with borrowings limited to Euros. Both facilities provide for loans at variable interest rates which are reset at one-month, two-month, three-month, or six-month intervals depending on the type of draw made thereunder. There are no covenants associated with these borrowing facilities.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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, 2013 and 2012. At December 31, 2013 and 2012, the bank had issued letters of credit on behalf of the Company totaling \$38,044,670, and \$39,846,868, respectively, as further described below:

	December 31	
	2013	2012
Facility Amount	\$ 40,000,000	\$ 40,000,000
Less letters of credit issued in support of:		
Variable rate industrial revenue bonds	(29,687,726)	(29,687,726)
Casualty, liability and workers' compensation insurance programs	(7,683,944)	(8,747,742)
Performance obligations	(105,000)	(105,000)
Other payment obligations	(568,000)	(1,306,400)
Available facility amount	\$ 1,955,330	\$ 153,132

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, 2013 and 2012. At December 31, 2013 and 2012, the insurance company had issued performance bonds on behalf of the Company totaling \$16,424,863 and \$13,185,410, respectively, as further described below:

	December 31	
	2013	2012
Facility Amount	\$ 40,000,000	\$ 40,000,000
Less performance bonds issued in support of:		
Supply obligations	(8,237,260)	(7,886,460)
Excavation and reclamation obligations	(4,958,689)	(2,466,889)
Surety bond	(1,454,160)	(2,402,590)
Other payment and performance obligations	(1,774,754)	(429,471)
Available facility amount	\$ 23,575,137	\$ 26,814,590

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

Borrowings

Borrowings at December 31, 2013 consisted of the following:

	December 31, 2013	
	Carrying Amount	Fair Value
Unsecured notes payable to affiliated party, under committed borrowing facility, bearing interest at variable interest rates (3.179% per annum at December 31, 2013), due on January 5, 2015.	\$ 195,000,000	\$ 195,000,000
Unsecured Euro denominated notes payable to affiliated party, under committed borrowing facility, bearing interest at variable interest rates (3.284% per annum at December 31, 2013), due on January 5, 2015.	73,767,714	73,767,714
Unsecured Euro denominated notes payable to affiliated party, bearing interest at 9.49%, due on January 18, 2017.	137,910,000	153,887,219
Industrial revenue bonds, bearing interest at variable rates (0.18% per annum at December 31, 2013), payable monthly, due on December 1, 2020.	7,350,000	7,350,000
Industrial revenue bonds, bearing interest at variable rates (0.10% per annum at December 31, 2013), payable monthly, due on April 26, 2034.	22,000,000	22,000,000
Capital lease obligations (<i>Note 16</i>)	46,395	46,395
Unsecured note payable	245,576	245,576
Subtotal	436,319,685	<u>\$ 452,296,904</u>
Less amounts classified as short-term borrowings	-	
Less amounts classified as current portion of long-term debt, including obligations under capital leases	(65,233)	
Less unamortized borrowing costs	(5,239,477)	
Long-term debt, including obligations under capital leases, less current obligations	<u>\$ 431,014,975</u>	

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

Borrowings at December 31, 2012 consisted of the following:

	December 31, 2012	
	Carrying Amount	Fair Value
Unsecured loans under committed borrowing facility, bearing interest at variable interest rates (2.21% per annum at December 31, 2012)	\$ 2,377,329	\$ 2,377,329
Unsecured notes payable to affiliated party, under committed borrowing facility, bearing interest at variable interest rates (3.26% per annum at December 31, 2012), due on December 5, 2014.	178,000,000	178,000,000
Unsecured Euro denominated notes payable to affiliated party, under committed borrowing facility, bearing interest at variable interest rates (3.16% per annum at December 31, 2012), due on December 5, 2014.	70,574,377	70,574,377
Unsecured Euro denominated notes payable to affiliated party, bearing interest at 7.07%, due on July 26, 2013.	131,940,000	137,351,556
Industrial revenue bonds, bearing interest at variable rates (0.29% per annum at December 31, 2012), payable monthly, due on December 1, 2020.	7,350,000	7,350,000
Industrial revenue bonds, bearing interest at variable rates (0.18% per annum at December 31, 2012), payable monthly, due on April 26, 2034.	22,000,000	22,000,000
Capital lease obligations (Note 16)	26,797	26,797
Unsecured note payable	286,745	286,745
Subtotal	412,555,248	\$ 417,966,804
Less amounts classified as short-term borrowings	(133,833,703)	
Less amounts classified as current portion of long-term debt, including obligations under capital leases	(67,078)	
Less unamortized borrowing costs	(1,771,950)	
Long-term debt, including obligations under capital leases, less current obligations	\$ 276,882,517	

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

The exposure of the Company's borrowings, including capital lease obligations, to interest rate changes and the periods in which the borrowings mature or re-price were as follows December 31, 2013 and 2012:

	December 31	
	2013	2012
Within 6 months	\$ 298,153,210	\$ 280,345,215
Between 6 months and 1 year	34,425	131,963,569
Between 1 and 5 years	138,132,050	246,464
Later years	-	-
Total	\$ 436,319,685	\$ 412,555,248

The weighted average effective interest rates of the Company's borrowings at December 31, 2013 and 2012 were as follows:

	December 31	
	2013	2012
Industrial revenue bonds	0.12%	0.21%
Capital lease obligations (<i>Note 16</i>)	4.95%	6.98%
Unsecured borrowings under affiliated party credit facility	3.21%	3.23%
Unsecured note payable to affiliated party	9.49%	7.07%
Unsecured borrowings under bank credit facility	N/A	2.21%

Maturity of borrowings (including capital lease obligations) at December 31, 2013 and 2012 were as follows:

	December 31	
	2013	2012
Within one year	\$ 65,233	\$ 134,384,408
Between one and two years	268,840,357	248,619,666
Between two and three years	154,095	201,174
Between three and four years	137,910,000	-
Later years	29,350,000	29,350,000
Total	\$ 436,319,685	\$ 412,555,248

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

16. Capital Leases

At December 31, 2013 and 2012, 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. Principal payments made under these leases for the years ended December 31, 2013 and 2012 totaled \$31,015 and \$2,132,177 (including \$1,607,853 associated with the sale/leaseback described in Note 7), respectively.

The following is a schedule of the future minimum lease payments under capital lease obligations together with the present value of the future minimum lease payments at December 31, 2013:

Within one year	\$ 26,967
Between one and two years	<u>21,560</u>
Total minimum lease payments	<u>48,527</u>
Less amount representing interest	<u>(2,132)</u>
Present value of minimum lease payments	<u><u>\$ 46,395</u></u>

The fair value of capital lease obligations at December 31, 2013 and 2012 approximate book value.

During the year ended December 31, 2013, the Company entered into a new capital lease in the principal amount of \$48,290 with a term of two years and an interest rate of 4.95%. The Company did not enter into any new capital leases during the year ended December 31, 2012.

17. Hedging Activities and Derivatives

Cash Flow Hedge

Foreign Currency Risk

Upon execution of the Company's Euro 100,000,000 borrowing from TGF during 2009 (fixed rate Euro Loan), the Company entered into three forward foreign currency exchange contracts with third party financial institutions to hedge the foreign currency risk associated with the Euro denominated borrowing. Under the terms of those agreements, the Company fixed the July 26, 2013 US Dollar to Euro exchange rate for the scheduled Euro 100,000,000 repayment at \$1.46329 to €1.00. In 2013, the hedging instrument was settled with a cash payment of \$13,928,400 representing the difference between the contracted exchange rate and the spot rate prevailing at the date of settlement multiplied by the Euro 100,000,000 notional amount. The Company has not entered into new forward foreign currency exchange contracts related to the Euro 100,000,000 borrowing from TGF refinanced in 2013.. As a result, the Company remains exposed to foreign currency exchange rate risk associated with the unhedged Euro 100,000,000 loan (see Note 15).

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Hedging Activities and Derivatives (continued)

During March and April of 2012, upon execution of the Company's Euro 53,489,751 borrowing from TGF (variable rate Euro Loan) (see Note 15), the Company entered into four forward foreign exchange contracts with third party financial institutions to hedge the foreign currency risk associated with Euro 52,294,550 of the total borrowings. Under the terms of those agreements, the Company has fixed the December 5, 2014 US Dollar to Euro exchange rate for the scheduled Euro 52,294,550 repayment at \$1.33857 to €1.00. The Company remains exposed to foreign currency exchange rate risk associated with the Euro 1,195,200 unhedged portion of the loan.

At the inception of each hedge relationship, the Company formally designated and documented the hedge as a cash flow hedge and the risk management objective and strategy for undertaking the hedge. Since the terms of the derivative financial instruments have been negotiated to match the terms of the associated Euro Loan, each hedge was assessed to be highly effective.

These derivative financial instruments were initially recognized at fair value on the effective dates of the contracts, and are being subsequently remeasured at fair value. As of December 31, 2013, the fair value of the derivative financial instruments was an asset of \$2,159,420. As these derivative financial instruments have been designated as cash flow hedges, any gains or losses arising from changes in fair value of the derivatives are recognized in other comprehensive income/loss as a separate component of equity. Amounts recognized as other comprehensive income/loss are transferred to the statement of income to the extent that the hedged transactions affect profit or loss (i.e. upon remeasurement of the Euro Loans to U.S. dollars based on the current spot rate).

At December 31, 2013 and 2012, the Company had unrealized foreign currency exchange losses related to unhedged Euro denominated loan balances of \$5,732,953 and gains of \$13,894, respectively. The components of foreign exchange (loss)/gain, for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
Unrealized foreign exchange related to unhedged Euro debt	\$ (5,732,953)	\$ (13,894)
Unrealized foreign exchange related to Euro denominated interest	(11,884)	638,708
Realized foreign exchange related to Euro denominated interest	(252,635)	(562,423)
Realized foreign exchange related to foreign currency denominated payables	(70,010)	-
Total foreign exchange (loss)/gain	\$ (6,067,482)	\$ 62,391

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Hedging Activities and Derivatives (continued)

Activity within the Company's Euro denominated loans and related derivative financial instruments for the years ended December 31, 2013 and 2012 consist of the following:

	Derivative Financial Instruments	Euro Denominated Loans
Balance at 1/1/12	\$ 15,530,050	\$ 129,390,000
Additional borrowing	-	70,000,000
Amortization of forward points	-	1,288,249
Unrealized foreign exchange loss	-	13,894
Remeasurement of Euro loan and derivative financial instrument	(1,136,462)	1,822,234
Balance at 12/31/12	\$ 14,393,588	\$ 202,514,377
Settlement of derivative financial instrument	(13,928,400)	
Amortization of forward points	-	1,108,055
Unrealized foreign exchange loss	-	5,732,954
Remeasurement of Euro loan and derivative financial instrument	(2,624,608)	2,322,328
Balance at 12/31/13	\$ (2,159,420)	\$ 211,677,714

During the years ended December 31, 2013 and 2012 the Company recorded the following amounts in other comprehensive income/(loss):

	December 31 2013	December 31 2012
Amounts charged to other comprehensive loss:		
Unrealized loss on derivative financial instruments	\$ 2,624,608	\$ 1,136,462
Less tax effect	(1,023,597)	(443,220)
Unrealized loss on derivative financial instruments, net of tax	\$ 1,601,011	\$ 693,242
Remeasurement of Euro loans to US Dollars	\$ (2,322,328)	\$ (1,822,234)
Less tax effect	708,996	710,671
Remeasurement of Euro loans to US Dollars, net of tax	\$ (1,613,332)	\$ (1,111,563)
Net movement on cash flow hedges	\$ 302,280	\$ (685,772)
Net tax effect	(314,601)	267,451
Other comprehensive loss, net of tax	\$ (12,321)	\$ (418,321)

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

18. 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 as of December 31, 2013 are as follows:

Within one year	\$ 8,394,481
Between one and two years	6,796,735
Between two and three years	5,396,127
Between three and four years	3,275,851
Between four and five years	2,816,441
Later years	19,313,616
Total	<u><u>45,993,251</u></u>

Total rent expense under noncancellable operating leases included in the accompanying consolidated statements of operations for the years ended December 31, 2013 and 2012 was \$9,262,981 and \$8,950,469, respectively. In addition to rent expense, certain of the Company's lease agreements contain provisions which require the payment of other fees (e.g., wharfage and dockage at import facilities) which are dependent, in part, on the volume of material passed through the leased facilities. In some cases these leases require minimum payments regardless of the actual quantities passed through the facilities. These fees amounted to \$1,449,509 and \$1,160,550 for the years ended December 31, 2013 and 2012, respectively.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

18. Operating Lease Commitments (continued)

It is reasonably certain that the Company will exercise the renewal options contained within two operating lease commitments. The lease between the Company and Tampa Port Authority (“Authority”), which expires in 2021, contains a lease extension option which allows the Company to extend the lease for three consecutive option periods of ten years each with the following provisions:

- The rent for each of the three option terms shall be adjusted at the commencement of the option term to the fair market rent for the premises.
- Once the adjusted rent for the commencement of the option term is determined, it will be the rent for the first twelve months of that option term.
- Rent will be increased by three percent at the beginning of each succeeding twelve months during the option term.

Under this lease, the Company is required to pay dockage and wharfage fees related to its use of the Authority’s berths based on prescribed rates and tonnage. Additionally the Company is required to pay the Authority an annual tonnage guarantee which represents a charge calculated on the minimum tonnage that the Company is expected to import through the port.

The lease between the Company and The Port Authority of New York and New Jersey, which expires in 2030, contains a lease extension option which allows the Company to extend the lease for two consecutive option periods of five years each. The rent for each of these two option periods shall be a minimum of three percent and a maximum of five percent higher than the rent prescribed during the final year of the initial lease term. Under the terms of the lease, the Company is required to pay an annual tonnage guarantee which represents a charge calculated on the minimum tonnage that the Company is expected to import through the port.

As described in Note 7, during 2012 the Company completed a sale / leaseback of 170 railcars used in its cement and fly-ash business. The lease term is for 120 months expiring June 2022. Rent under the lease agreement is straight-line in the aggregate amount of \$77,450 per month (\$929,400 per year). The lease contains a purchase option exercisable by the Company that allows for the purchase of all, but not less than all, of railcars within three groups of railcars subject to the lease at the expiration of the lease. The fixed purchase option groups are as follows:

<u>Group</u>	<u>Quantity</u>	<u>Description</u>
Group A	81	2003-built railcars
Group B	66	2003-built railcars
Group C	23	2005-built railcars

Under the terms of the lease, the Company is responsible for all maintenance and other operating costs (including taxes) of the railcars during the lease term. In the event the Company does not exercise its purchase option at the end of the lease term, the Company is obligated to pay all reasonable costs associated with remarking each railcar and returning the cars to the lessor.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

19. Retirement Benefit Obligations

Retirement benefit obligations at December 31, 2013 and 2012, consist of the following:

	December 31	
	2013	2012
Excess benefit plan benefits	\$ 5,549,668	\$ 5,257,806
Pension benefits	2,831,535	5,797,531
Other post-retirement benefits	2,496,159	2,523,076
Retirement benefit obligations	\$ 10,877,362	\$ 13,578,413

All of the Company's defined benefit pension plans and all but one of the Company's other postretirement benefit plans were previously frozen to new participants and credited service. One postretirement 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. At December 31, 2013, defined benefit pension plan assets are invested approximately 58% in equity investments and 42% in fixed income investments. Information relative to the Company's defined benefit pension and other postretirement benefit plans is presented below. Amounts reported below for these plans are as of the most recent measurement dates, December 31, 2013 and 2012.

	Pension Benefits		Other Post-retirement Benefits	
	2013	2012	2013	2012
Benefit obligations	\$ 14,891,531	\$ 16,623,189	\$ 2,496,159	\$ 2,523,076
Fair value of plan assets	12,059,996	10,825,658	-	-
Accrued cost, December 31	\$ 2,831,535	\$ 5,797,531	\$ 2,496,159	\$ 2,523,076

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

19. Retirement Benefit Obligations (continued)

Changes in the present value of the defined benefit obligations for the years ended December 31, 2013 and 2012 are as follows:

	Pension Benefits		Other Post-retirement Benefits	
	2013	2012	2013	2012
Benefit obligation, January 1	\$ 16,623,189	\$ 15,214,407	\$ 2,523,076	\$ 2,037,116
Service cost	-	-	172,936	4,775
Interest cost	557,383	621,104	83,095	94,944
Benefits paid	(881,994)	(855,619)	(57,657)	(116,901)
Actuarial (gain)/loss	(1,407,047)	1,643,297	(225,292)	503,142
Benefit obligation, December 31	<u>\$ 14,891,531</u>	<u>\$ 16,623,189</u>	<u>\$ 2,496,158</u>	<u>\$ 2,523,076</u>
Discount rate used in computing ending obligations	4.25%	3.50%	4.25%	3.50%

For measurement purposes, at the end of the year included in the foregoing tables, the following rates of increase in the cost of covered health care benefits was assumed:

	Other Post-retirement Benefits	
	2013	2012
Health care cost trend rate:		
2013	N/A	5.0%
2014 to 2020	8.1% to 5.0%	5.0%
2021 and thereafter	5.0%	5.0%

Changes in the fair value of plan assets for the years ended December 31, 2013 and 2012 are as follows:

	Pension Benefits		Other Post-retirement Benefits	
	2013	2012	2013	2012
Fair value of plan assets, January 1	\$ 10,825,658	\$ 9,554,339	\$ -	\$ -
Return on plan assets	1,546,180	1,013,920	-	-
Contributions	570,152	1,113,018	57,657	116,901
Benefits paid	(881,994)	(855,619)	(57,657)	(116,901)
Other	-	-	-	-
Fair value of plan assets, December 31	<u>\$ 12,059,996</u>	<u>\$ 10,825,658</u>	<u>\$ -</u>	<u>\$ -</u>

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

19. Retirement Benefit Obligations (continued)

The Company expects to contribute \$801,631, which is the minimum ERISA requirement, to its defined benefit pension plans in 2014. The Company's other post-retirement benefit plans are unfunded obligations and will be funded, consistent with past practice, on a pay-as-you go basis.

A reconciliation of the movements during the years ended December 31, 2013 and 2012 in the net pension and other postretirement benefit liabilities follows:

	Pension Benefits		Other Post-retirement Benefits	
	2013	2012	2013	2012
Accrued cost, January 1	\$ 5,797,531	\$ 5,660,068	\$ 2,523,076	\$ 2,037,116
Expense recognized in statement of income	184,606	209,821	256,031	99,719
Amount recognized as other comprehensive (income)/loss	(2,580,450)	1,040,660	(225,292)	503,142
Contributions	(570,152)	(1,113,018)	(57,657)	(116,901)
Accrued cost, December 31	<u>\$ 2,831,535</u>	<u>\$ 5,797,531</u>	<u>\$ 2,496,158</u>	<u>\$ 2,523,076</u>

The components of net periodic pension and other post-retirement benefit costs are as follows for the years ended December 31, 2013 and 2012:

	Pension Benefits		Other Post-retirement Benefits	
	2013	2012	2013	2012
Service cost	\$ -	\$ -	\$ 172,936	\$ 4,775
Net interest cost	184,606	209,821	83,095	94,944
Net periodic pension expense	184,606	209,821	256,031	99,719
Other comprehensive (income)/loss	(2,580,450)	1,040,660	(225,292)	503,142
Total comprehensive loss	<u>\$ (2,395,844)</u>	<u>\$ 1,250,481</u>	<u>\$ 30,739</u>	<u>\$ 602,861</u>

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

19. Retirement Benefit Obligations (continued)

For the year ended December 31, 2013, the Company recorded total comprehensive gain of \$2,365,105 related to its pension and other post-retirement benefit plans. For the year ended December 31, 2012, the Company recorded total comprehensive loss of \$1,853,342 related to its pension and other post-retirement benefit plans. These amounts have been included in the accompanying consolidated statements of operations and comprehensive loss as follows:

	December 31	
	2013	2012
Cost of goods sold	\$ 172,936	\$ 4,775
Finance cost	267,701	304,765
Net periodic expense	440,637	309,540
Other comprehensive (gain)/loss	(2,805,742)	1,543,802
Total comprehensive (gain)/loss	\$ (2,365,105)	\$ 1,853,342

The components of actuarial (gains)/losses included in other comprehensive loss for the years ended December 31, 2013 and 2012 are as follows:

	December 31	
	2013	2012
Asset gain	\$ (1,173,403)	\$ (602,637)
Demographic gain	(307,339)	(269,960)
Assumption (gain)/loss	(1,325,000)	2,416,399
Total actuarial (gain)/loss	\$ (2,805,742)	\$ 1,543,802

A one percentage point change in the assumed rate of increase in healthcare costs would have the following effects:

	Increase	Decrease
2013		
Effect on the aggregate current service cost and interest cost	\$ 6,169	\$ (5,295)
Effect on other post-retirement benefit obligation	\$ 174,301	\$ (150,469)
2012		
Effect on the aggregate current service cost and interest cost	\$ 7,102	\$ (6,140)
Effect on other post-retirement benefit obligation	\$ 207,583	\$ (177,884)

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

19. Retirement Benefit Obligations (continued)

A one percentage point change in the assumed discount rate would have the following effects:

	<u>Increase</u>	<u>Decrease</u>
2013		
Effect on the aggregate current service cost and interest cost	\$ 96,121	\$ (124,184)
Effect on pension and other post-retirement benefit obligation	\$ (1,599,242)	\$ 1,900,699
2012		
Effect on the aggregate current service cost and interest cost	\$ 80,291	\$ (103,082)
Effect on pension and other post-retirement benefit obligation	\$ (1,900,805)	\$ 2,282,301

Defined Contribution Plans

The Company sponsors a defined contribution retirement and 401(k) savings plan which covers substantially all employees of the Company. Until February 15, 2009, the Company contributed 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. Contributions for periods after February 15, 2009 have been temporarily suspended for all employees.

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 \$2,007,876 and \$1,775,896, respectively, for the years ended December 31, 2013 and 2012.

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. In 2012, the Company suspended its matching amounts for all contributions.

At December 31, 2013 and 2012, plan assets totaled \$5,549,668 and \$5,257,806, respectively, and are classified as other assets in the accompanying consolidated balance sheets (see Note 12). There were no Company costs for the plan for the year ended December 31, 2013 or 2012.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Related Party Transactions

The components of related party balances at December 31, 2013 and 2012 are as follows:

	December 31 2013	December 31 2012
Current portion of related party receivables/(payables):		
Separation Technologies Canada, Ltd	\$ 20,609	\$ 61,399
Separation Technologies UK, Ltd	(222,799)	29,028
Titan Global Finance Ltd	792	-
Titan Cement, SA	(1,820,656)	356,275
	<u>\$ (2,022,054)</u>	<u>\$ 446,702</u>
Non-current deferred income:		
Iapetos, Ltd	\$ 1,110,000	\$ 1,356,666
Current portion of deferred income:		
Iapetos, Ltd	\$ 246,667	\$ 246,667
Accrued interest payable, related parties:		
Titan Global Finance, PLC	\$ 6,143,781	\$ 4,510,086
Variable rate Euro denominated notes payable, related parties:		
Titan Global Finance, PLC	\$ 73,767,714	\$ 70,574,377
Variable rate US Dollar notes payable, related parties:		
Titan Global Finance, PLC	\$ 195,000,000	\$ 178,000,000
Fixed rate Euro denominated note payable, related parties:		
Titan Global Finance, PLC	\$ 137,910,000	\$ 131,940,000
Unamortized offering costs on borrowings:		
Titan Global Finance, PLC	\$ 4,926,861	\$ 1,436,876

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Related Party Transactions (continued)

The components of related party activity for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
<hr/>		
Sales - products and services for fly ash separation:		
Separation Technologies Canada, Ltd	\$ 199,325	\$ 264,955
Separation Technologies UK, Ltd	56,538	285,870
Iapetos, Ltd	246,667	246,667
	\$ 502,530	\$ 797,492
<hr/>		
Cost of sales - purchased cement:		
Titan Cement, SA	\$ 20,535,658	\$ 14,800,075
General and administrative support services provided:		
Separation Technologies Canada, Ltd	\$ 33,507	\$ 105,374
Interest expense on borrowings		
Titan Global Finance, PLC	\$ 20,385,437	\$ 18,412,266
Line of credit commitment fees		
Titan Global Finance, PLC	\$ 1,787,772	\$ 1,029,737
Amortization of debt issuance costs		
Titan Global Finance, PLC	\$ 1,795,646	\$ 1,269,597
<hr/>		

Key Management Compensation

Key management compensation expenses, which include all payroll-related expenses for vice-president level positions and higher, for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
<hr/>		
Salaries and related payroll taxes	\$ 4,798,221	\$ 5,793,838
Short-term employee benefits	336,650	264,847
Retirement plan contributions	103,358	112,892
Long-term incentives, including share-based payments	687,733	502,578
Termination benefits	499,696	-
Total key management compensation	\$ 6,425,657	\$ 6,674,154
<hr/>		
Number of key management employees at December 31	17	20

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Related Party Transactions (continued)

Restricted Stock Incentive Plan

On May 29, 2007 Titan Cement approved the introduction of a three-year Restricted Stock Incentive Plan for certain executives of Titan Cement and its subsidiaries, including the Company. Under this plan, participants are granted options, the exercise of which is subject to the financial results of Titan Cement and the performance of its ordinary share, relative to peer companies and stock market indices. The options granted each year have a maturity period of three years and can be exercised after the completion of the three year period at an exercise price equal to the nominal value of the common stock of Titan Cement Company S.A., currently €4.00 per share. Each option must be exercised within the year vested. If the deadline is exceeded then those particular options will irrevocably lapse. All vesting is conditional on the employee's continued employment throughout the vesting period. The number of options vested will be determined as follows:

- One-third of options granted vest based on the financial results of the Company during the three year vesting 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 vesting period.
- One-third of options granted vest based on Titan Cement's stock performance relative to a group of predefined international cement producing companies during the three year period.

On June 3, 2010 the Board extended the program for another three-year period.

The fair value of the options granted under the Plan was determined using the Monte Carlo valuation model for 2010 through 2012. No grants were issued in 2013. Key assumptions for each year's grants are as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Key assumptions at date of grant:			
Stock price	€14.72	€17.88	€15.90
Exercise price at date of grant	€4.00	€4.00	€4.00
Dividend yield	0.72%	2.74%	2.68%
Volatility	37.40%	43.98%	39.42%
Risk-free rate	0.32%	2.81%	2.25%
Option life	3 years	3 years	3 years
Fair value price	€3.05	€6.86	€5.36

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Related Party Transactions (continued)

For the years ended December 31, 2013 and 2012, \$275,733 and \$502,578 respectively, related to this program has been recorded as general and administrative expense in the accompanying consolidated statement of comprehensive loss.

Information related to stock options granted under this plan to employees of the Company during the years ended December 31, 2013 and 2012 follows:

	<u>2013</u>	<u>2012</u>
Shares under option, January 1	230,400	160,050
Granted	-	81,750
Exercised	(15,720)	-
Expired/cancelled	(74,880)	(11,400)
Shares under option, December 31	139,800	230,400
Options exercisable, December 31	-	-

The stock price of Titan Cement common shares was €19.80 and €13.96 at December 31, 2013 and 2012, respectively.

21. 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 and its subsidiaries have meritorious defenses against these claims but has a policy to provide for costs associated with settling or litigating such claims whenever such costs are determined to be probable and reasonably estimable.

Pennsuco Silo Roof Collapse

The roof of a concrete silo collapsed at the Company's Pennsuco Cement Plant on August 17, 2012, resulting in the fatality of one employee. The Company's internal investigation has indicated that the collapse occurred due to a latent construction defect when the silo was built approximately 30 years prior by a contractor when the facility was owned by a company unrelated to Titan America and its Florida subsidiary, Tarmac America LLC. However, the U.S. Department of Labor, Mine Safety and Health Administration ("MSHA") issued an investigation report, finding that the accident was also due to management's failure to correct silo defects and correspondingly issued two Notices of Violation with penalties totaling \$108,000. Tarmac has taken exception to the report in a letter to MSHA, arguing these latent construction and design defects were not detectable prior to the accident.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

21. Commitments and Contingencies (continued)

In addition, the deceased's estate has commenced action against multiple parties who have performed construction and/or maintenance work on the silo in the past several years. The deceased's estate has filed a motion to amend their complaint in order to bring a direct action also against Tarmac America LLC as a defendant in a wrongful death claim, however, it is premature to give an opinion as to the outcome with respect to any actions by the deceased's estate due to Tarmac America's defense rights relating to tort immunity under Florida's workers' compensation laws.

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 as follows:

Tarmac aggregates purchase commitment

In 2004, the Company entered into a supply agreement with a third party for the purchase of construction aggregates in Florida. The supply agreement contained various provisions including minimum annual volume guarantees and, in certain circumstances, prepayment obligations.

Subsequent amendments modified the original agreement and a 2012 amendment replaced the annual volume guarantees with an overall purchase commitment of approximately 12.1 million tons over a 20 year term commencing November 1, 2012. Provisions of the amended agreement include a 0.5 million ton minimum annual volume and a maximum annual volume of no more than 2.4 million tons. In addition, the 2012 amendment eliminated all future prepayment obligations and, as a result, the related prepayment balance was reduced to \$2,634,205 and \$0 at December 2012 and 2013, respectively (see Note 6).

In 2012 and 2013, the Company accepted delivery of approximately 0.5 million tons and 0.6 million tons of construction aggregates from the supplier, respectively. The remaining commitment under the supply agreement is approximately 11.0 million tons at December 31, 2013.

Under the terms of the supply agreement, purchases are made at current market prices, subject to periodic adjustments. As of January 1, 2014, prices, excluding taxes and fees, are approximately \$11.50 per ton.

Supply commitments

The Company does not currently have any significant contracted supply commitments.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

22. Concentration of Credit Risk

Cash and Cash Equivalents

The Company maintains demand deposits with financial institutions, 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 collateralized by 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.

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. Sales

The components of sales for the year ended December 31, 2013 are as follows:

	Total Sales	Less	
		Internal Sales	External Sales
Sales of cement	\$ 209,973,976	\$ 37,853,291	\$ 172,120,685
Sales of construction aggregates	75,312,143	30,916,785	44,395,358
Sales of ready-mixed concrete	237,473,266	-	237,473,266
Sales of concrete block and related products	24,634,013	-	24,634,013
Sales of ash and related products	37,220,356	3,983,448	33,236,908
Transportation services	5,301,552	4,445,997	855,555
Net sales	<u>589,915,306</u>	<u>77,199,521</u>	<u>512,715,785</u>
Freight revenues	47,915,597	21,674,564	26,241,033
Total sales	<u><u>\$ 637,830,903</u></u>	<u><u>\$ 98,874,085</u></u>	<u><u>\$ 538,956,818</u></u>

The components of sales for the year ended December 31, 2012 are as follows:

	Total Sales	Less	
		Internal Sales	External Sales
Sales of cement	\$ 177,267,292	\$ 36,898,227	\$ 140,369,065
Sales of construction aggregates	66,876,865	28,026,052	38,850,813
Sales of ready-mixed concrete	217,060,515	29,093	217,031,422
Sales of concrete block and related products	21,555,375	1,311	21,554,064
Sales of ash and related products	33,181,582	3,054,278	30,127,304
Transportation services	5,860,739	5,050,775	809,964
Net sales	<u>521,802,368</u>	<u>73,059,736</u>	<u>448,742,632</u>
Freight revenues	45,182,833	20,005,245	25,177,588
Total sales	<u><u>\$ 566,985,201</u></u>	<u><u>\$ 93,064,981</u></u>	<u><u>\$ 473,920,220</u></u>

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

24. 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, 2013 and 2012 are as follows:

	2013	2012
Material and other variable costs	\$ 186,336,744	\$ 179,423,157
Payroll and employee related expenses	109,201,054	98,116,211
Depreciation and depletion	53,313,744	56,767,491
Repairs and maintenance	31,253,880	26,012,400
Utilities	20,831,514	20,975,899
Amortization of identifiable intangible assets	11,690,782	14,038,003
Taxes other than income taxes	9,994,718	10,275,807
Rent and lease expense	10,180,110	9,570,657
Travel, training, and other employee expense	1,943,835	1,674,212
Risk insurance	3,080,557	2,750,956
Inventory change	9,667,677	2,351,721
Amortization of deferred stripping costs	1,416,419	1,244,410
Other	12,306,285	7,415,559
Total cost of goods sold, excluding freight and distribution expenses	\$ 461,217,319	\$ 430,616,483

25. Distribution Expense

The components of distribution expense for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
Freight to distribution yards/terminals	\$ 20,506,974	\$ 19,555,700
Payroll and employee related expenses	2,373,948	3,554,729
Depreciation	1,467,071	1,428,276
Repairs and maintenance	402,690	642,194
Utilities	258,025	375,888
Other variable costs	1,356,637	1,580,112
Other fixed costs	440,180	803,554
Total distribution expense	\$ 26,805,525	\$ 27,940,453

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

26. Selling Expense

The components of selling expense for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
Payroll and employee related expenses	\$ 8,739,978	\$ 9,221,388
Overhead (dues, advertising, professional fees, etc.)	2,541,520	2,255,185
Travel, entertainment, and other employee expense	1,459,088	1,570,251
Risk insurance and taxes other than income taxes	128,454	107,967
Depreciation	695	9,997
Total selling expense	\$ 12,869,735	\$ 13,164,788

27. General and Administrative Expense

The components of general and administrative expense for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
Payroll and employee related expenses	\$ 28,183,890	\$ 26,122,123
Office costs	5,093,909	5,209,367
Professional fees	3,674,046	3,292,745
Travel, entertainment, and auto expenses	2,273,350	2,223,428
Depreciation	1,474,867	1,541,360
Restructuring expense	-	550,849
Amortization of identifiable intangible assets	85,000	21,250
Other	2,304,178	2,343,153
Total general and administrative expense	\$ 43,089,240	\$ 41,304,275

28. Other Operating (Expense)/Income

The components of other operating (expense)/income for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
Rental income	\$ 223,903	\$ 303,914
Import terminal wharfage and tonnage fees	(846,002)	(803,489)
Other	419,502	250,631
Total other operating (expense)/income, net	\$ (202,597)	\$ (248,944)

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

29. Finance Cost

The components of finance cost for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
Interest expense on borrowings	\$ 20,466,508	\$ 18,545,261
Line of credit commitment fees	2,440,941	1,700,408
Amortization of debt issuance costs	1,818,103	1,292,054
Amortization of forward points on cash flow hedge	1,108,055	1,288,249
Net interest costs on pension and OPEB benefits	267,701	304,765
Accretion expense/interest on provisions	103,469	192,817
Other	223,684	258,648
Total finance cost	\$ 26,428,461	\$ 23,582,202

30. Payroll and Related Expenses

The components of payroll and related expenses (also included in Notes 24 through 27) for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
Wages	\$ 48,378,164	\$ 44,211,851
Salaries	46,269,258	45,719,167
Payroll taxes and benefits	32,637,499	29,958,143
Outsourced and temporary labor	17,344,383	14,149,342
Other payroll expenses	3,869,566	2,975,948
Total payroll and related expenses	\$ 148,498,870	\$ 137,014,451

Number of persons employed by the Company at December 31, 2013 and 2012 (unaudited):

	2013	2012
Full time	1,699	1,685
Part time	20	18
Total	1,719	1,703
Salary	595	609
Hourly	1,124	1,094
Total	1,719	1,703

Titan America LLC and Subsidiaries

Notes to Consolidated Financial Statements (continued)

31. Other Non-operating Income/(Expense)

Other non-operating income and expense pertains to the silo roof collapse at the Company's Pennsuco Cement Plant in August 2012, as described in Note 21. Expenses consist primarily of inventory losses, repair and maintenance of affected plant and equipment, and professional services including engineering and legal fees. The Company incurred \$ 895,377 and \$4,715,730 of other non-operating expenses in 2013 and 2012, respectively

As described in Note 1, the Company maintains insurance to cover property damage and business interruption costs above certain retained limits. In the case of the Pennsuco Cement Plant, the aggregate retained limit is \$1,000,000 per occurrence. While some of the costs incurred in excess of the deductible are covered by the Company's insurance policy, it is too early to estimate the total amount and timing of the recovery proceeds.

In 2013, the Company received \$2,500,000 of insurance proceeds as an advance payment against claimed amounts. Of this amount, \$1,900,000 is recorded within other non-operating income reflecting a recovery of the property damage related costs described above. The remaining \$600,000 of proceeds is recorded within cost of goods sold as a recovery of costs incurred to avert business interruption.

32. Subsequent Events

On March 21, 2014, the \$50,000,000 bank borrowing facility (see Note 15), which includes both the \$10,000,000 committed revolving credit facility and the \$40,000,000 letter of credit sub-facility, was amended to extend the maturity date of the facility from April 30, 2014, to July 31, 2014.

Effective February 1, 2014, the \$330,000,000 multi-currency US dollar denominated and €125,000,000 euro denominated single currency affiliated borrowing facilities (see Note 15) were amended to extend the maturity of each from January 5, 2015, to January 5, 2018. Borrowing costs associated with the amended credit facilities totaled \$3,506,345.

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