

Consolidated Financial Statements of

CANACO RESOURCES INC.

As at and for the nine month period ended March 31, 2009 (Unaudited – prepared by management)

Responsibility for financial statements

The accompanying financial statements for Canaco Resources Inc. (the “Company”) have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. These financial statements are unaudited and have not been reviewed by the auditors. The most significant of these accounting principles have been set out in the June 30, 2008 audited financial statements. There have been no changes to the accounting policies from the latest completed financial year-end. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent on future events. Therefore, estimates and approximations have been made using careful judgements. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

CANACO RESOURCES INC.
Interim Consolidated Balance Sheet

	March 31, 2009 (unaudited)	June 30, 2008
Expressed in Canadian dollars		
ASSETS		
Current		
Cash	\$ 2,926	\$ 540,121
Accounts receivable	33,085	161,419
Prepaid expenses	22,437	92,233
	58,448	793,773
Capital assets , net of accumulated amortization of \$2,314 (June 30, 2008 - \$512)	6,617	6,414
Mineral properties (note 3)	4,980,173	4,300,042
	\$ 5,045,238	\$ 5,100,229
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 715,335	\$ 310,155
Share subscriptions received	10,000	-
	725,335	310,155
Provision for reclamation costs	14,003	14,003
	739,338	324,158
SHAREHOLDERS' EQUITY		
Capital stock (note 4)	16,302,012	16,302,012
Warrants (note 4(c))	312,942	368,840
Contributed surplus (note 5)	1,873,579	1,817,681
Deficit	(14,182,633)	(13,712,462)
	4,305,900	4,776,071
	\$ 5,045,238	\$ 5,100,229

Going-concern (note 1)
Subsequent events (notes 3, 4(d) & 11)

Approved on behalf of the Board:

(signed) David S. Parsons Director

(signed) Brian Lock Director

CANACO RESOURCES INC.
Interim Consolidated Statements of Loss, Comprehensive Loss and Deficit
(unaudited)

	Cumulative three month period ended March 31,		Cumulative nine month period ended March 31,	
	2009	2008	2009	2008
Expressed in Canadian dollars				
Expenses				
Amortization	\$ 631	\$ -	\$ 1,802	\$ -
Audit fees	-	-	1,935	1,911
Consulting and corporate development fees	53,725	53,853	153,597	163,136
Corporate financial services fees	45,000	-	75,000	-
Directors and advisory board fees	11,767	40,750	46,267	83,750
General and administrative	25,309	18,851	69,252	71,102
Investor/shareholder relations	20,501	52,817	95,515	192,320
Legal fees	441	725	7,848	14,689
Rent and occupancy costs	3,000	2,250	7,500	6,750
Stock-based compensation	-	-	-	67,071
Transfer agent and filing fees	8,986	7,326	21,633	21,469
Travel	20,173	21,776	36,075	62,650
	189,533	198,348	516,424	684,848
Loss before under noted items	(189,533)	(198,348)	(516,424)	(684,848)
Foreign exchange gain (loss)	(6,090)	(74,949)	45,166	(7,271)
Interest income	-	4,509	1,087	20,424
Net loss and comprehensive loss for period	(195,623)	(268,788)	(470,171)	(671,695)
Deficit, beginning of period	(13,987,010)	(11,722,564)	(13,712,462)	(11,319,657)
Deficit, end of period	\$ (14,182,633)	\$ (11,991,352)	\$ (14,182,633)	\$ (11,991,352)
Loss per share – basic and diluted	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.02)
Weighted average number of common shares used in the calculation of loss per share – basic and diluted	42,997,071	32,367,494	42,997,071	30,293,991

CANACO RESOURCES INC.
Interim Consolidated Statements of Cash Flows
(unaudited)

	Cumulative three month period ended March 31,		Cumulative nine month period ended March 31,	
	2009	2008	2009	2008
Expressed in Canadian dollars				
Cash flows from operating activities				
Net loss for period	\$ (195,623)	\$ (268,788)	\$ (470,171)	\$ (671,695)
Items not involving cash				
Amortization	631	-	1,802	-
Stock-based compensation	-	-	-	67,071
	(194,992)	(268,788)	(468,369)	(604,624)
Changes in operating assets and liabilities				
Accounts receivable	(10,082)	(748)	(10,083)	(6,804)
Prepaid expenses	(9,510)	(42,602)	30,598	(472)
Accounts payable and accrued liabilities	(167,432)	136,193	188,869	149,013
	(382,016)	(175,945)	(258,985)	(462,887)
Cash flows from investing activities				
Purchase of capital assets	(615)	-	(2,005)	-
Expenditures on mineral properties	(60,283)	(525,728)	(680,131)	(1,736,127)
Change in operating assets and liabilities relating to investing activities	432,847	96,448	393,926	275,970
	371,949	(429,280)	(288,210)	(1,460,157)
Cash flows from financing activities				
Shares and warrants subscriptions received	10,000	41,991	10,000	61,991
Shares and warrants issued for cash	-	2,212,700	-	3,268,700
Capital raising costs	-	(178,652)	-	(294,340)
Change in operating assets and liabilities relating to financing activities	-	(2,265)	-	(365)
	10,000	2,073,774	10,000	3,035,986
Decrease in cash and cash equivalents	(67)	1,468,549	(537,195)	1,112,942
Cash and cash equivalents, beginning of period	2,993	734,823	540,121	1,090,430
Cash and cash equivalents, end of period	\$ 2,926	\$ 2,203,372	\$ 2,926	\$ 2,203,372
Supplemental disclosure of cash flow information				
Interest received	\$ -	\$ 4,509	\$ 1,087	\$ 20,424
Supplemental disclosure of non-cash investing and financing activities				
Shares issued for mineral properties	\$ -	\$ -	\$ -	\$ 48,000
Stock options granted to project management	\$ -	\$ -	\$ -	\$ 64,416
Warrants issued to agents for brokered private placements	\$ -	\$ 32,829	\$ -	\$ 57,704

CANACO RESOURCES INC.
Notes to Interim Consolidated Financial Statements
March 31, 2009 (unaudited)

Expressed in Canadian dollars

1. Going-concern

These consolidated financial statements are prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. The Company is in the exploration stage and currently derives no revenue from operations. The Company has financed its operations to date principally through equity financing. Substantial external financing will be required by the Company in order to fund its future operations, exploration of interests in mineral properties and to pursue other potential investments in the resources sector. During the nine month period ended March 31, 2009, the Company had incurred a net loss and utilized funds in operations totalling \$470,171 and \$258,985 respectively. The accumulated deficit at March 31, 2009 is \$14,182,633.

The ability of the Company to continue as a going-concern will depend upon the following:

- The ability to raise further funds through the issue of equity financing or through joint ventures; and,
- The sale of assets in the ordinary course of business.

Although the Company has been successful in obtaining the necessary financing to continue operations in the past, there can be no assurance that it will be able to continue to do so in the future.

If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying values of assets, liabilities, the reported income and expenses and the balance sheet classifications used. Such adjustments could be material.

2. Accounting policies

Basis of presentation

The financial statements have been prepared using accounting principles generally accepted in Canada (“Canadian GAAP”) for interim reporting.

The accounting policies followed by the Company are set out in note 2 to the audited financial statements for the year ended June 30, 2008 and have been consistently followed in the preparation of these financial statements except that the Company has adopted the following CICA standards effective for the Company’s first quarter of fiscal 2009 commencing July 1, 2008.

i. Inventories

In March 2007, the CICA issued the new Handbook Section 3031, “Inventories”, which will replace Section 3030, “Inventories”. The new Section states that inventories shall be measured at the lower of cost and net realizable value. It provides guidelines on determining cost, prohibiting going forward the use of the last in, first out method (LIFO) and requires the reversal of a previous write-down when the value of inventories increases. The new standard will apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Company has evaluated the impact of Section 3031 and determined that no adjustments are currently required.

ii. General standards on financial statement presentation

CICA Section 1400, “General Standards on Financial Statement Presentation”, has been amended to include requirements to assess and disclose an entity’s ability to continue as a going concern. The changes are effective for interim and annual financial statements beginning on or after January 1, 2008. The Company has evaluated the impact of Section 1400 and determined there was no impact on its financial statement disclosure.

CANACO RESOURCES INC.
Notes to Interim Consolidated Financial Statements
March 31, 2009 (unaudited)

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2. Accounting policies – continued

iii. Goodwill and intangible assets

The CICA issued the new Handbook Section 3064, “Goodwill and Intangible Assets”, which will replace Section 3062, “Goodwill and Other Intangible Assets”. The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. The new standard applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Company does not expect the adoption of this standard to have an impact on its financial statements.

iv. International Financial Reporting Standards (“IFRS”)

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended June 30, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

3. Mineral properties

The following table summarizes the Company’s mineral properties at March 31, 2009:

Area of Interest	Acquisition Costs	Exploration Expenditure	Total
Tanzania – Properties Under Option	\$ 542,652	\$ 2,363,983	\$ 2,906,635
Tanzania – Strategic Alliance (i)	439,168	584,566	1,023,734
Mexico – El Oro ((ii) & (iii))	187,552	862,252	1,049,804
	\$ 1,169,372	\$ 3,810,801	\$ 4,980,173

- i. During the nine month period ended March 31, 2009, the formal agreement with Douglas Lake Minerals Inc. (“Douglas Lake”) to form a strategic alliance for the exploration and development of mineral properties in Tanzania expired. However, both companies are continuing to assess the merits of the portfolio of properties and discussions are ongoing with Douglas Lake to advance properties. No determination has been made for the application of the amounts expended by the Company under the terms of Strategic Alliance Agreement to specific properties held under option.
- ii. On December 19, 2008, the terms of the Agreement were amended whereby a one year extension was granted by Goldcorp. Inc. to the date by which the second year exploration expenditures must be met so that the date moves from November 30, 2008 to November 30, 2009 and a one year extension to the date by which the third year exploration expenditures must be met so that the date is moved from November 30, 2009 to November 30, 2010. As consideration, Candente Resource Corp. and the Company have each agreed to issue an additional 125,000 shares in their respective share capital on or before November 30, 2010. Additionally, a one year extension was provided to the second option agreement to earn an additional 20% interest in the property to the date by which the exploration expenditures must be met so that the dates for the fourth year commitment moves from November 30, 2010 to November 30, 2011 and the fifth year commitment moves from November 30, 2011 to November 30, 2012.

CANACO RESOURCES INC.
Notes to Interim Consolidated Financial Statements
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Expressed in Canadian dollars

3. Mineral properties - continued

- iii. Subsequent to March 31, 2009, Candente Resource Corp. and the Company agreed to create a new company, to focus on exploration and development of precious metals projects in Latin America. Each company will transfer to Candente Gold Corp. ("Candente Gold") its respective 50% interest in the El Oro gold-silver property. Candente Gold will issue to each of Candente and Canaco, 5 million common shares and a promissory note for future reimbursement of their respective expenditures to date relating to the El Oro property (Cdn\$1.3 million each) to be received in cash or shares. El Oro is under option from Luismin (now controlled by Goldcorp) by Minera CCM S.A. de C.V., which is owned equally (50% each) by Candente and Canaco and is being sold to Candente Gold. For the Peruvian gold-silver properties, Candente will receive 10 million shares in Candente Gold upon transfer and an additional 10 million shares once a minimum of US\$5 million has been spent cumulatively by Candente Gold on these properties. Candente Gold will seek to list its common shares on either the TSX or the TSX.V and the BVL (Bolsa Valores Lima) stock exchanges through a re-organization and will raise funds in accordance with market conditions. These transactions may be subject to shareholder and regulatory approvals.

The following table details the expenditures on mineral properties for the nine month period ended March 31, 2009:

Areas of interest	Tanzania		Mexico	Total
	Properties Under Option	Strategic Alliance	El Oro	
Balance – June 30, 2008	\$ 2,334,897	\$ 1,023,734	\$ 941,411	\$ 4,300,042
Total acquisition costs for period	38	-	47,942	47,980
Exploration expenditure				
Advances	-	-	(383)	(383)
Camp operations	29,791	-	-	29,791
Diamond drilling	4,246	-	21,152	25,398
General & administrative	17,764	-	4,708	22,472
Geochemistry	80,362	-	-	80,362
Geology	72,435	-	23,045	95,480
Mobilization & transportation	78,233	-	860	79,093
Project management	258,677	-	728	259,405
Road construction	18,838	-	-	18,838
Technical services	6,842	-	9,055	15,897
Travel	4,512	-	1,286	5,798
Total exploration expenditure for period	571,700	-	60,451	632,151
Balance – March 31, 2009	\$ 2,906,635	\$ 1,023,734	\$ 1,049,804	\$ 4,980,173

4. Capital stock

- a) Authorized
Unlimited number of common shares without par value
- b) Common shares issued

	Number of Shares	Amount
Balance – June 30, 2008 and March 31, 2009	44,519,736	\$ 16,302,012

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4. Capital stock – continued

c) Warrants

Share purchase warrant transactions for the nine month period ended March 31, 2009 and June 30, 2008 are summarized as follows:

	March 31, 2009		June 30, 2008	
	Number of warrants	Amount	Number of warrants	Amount
Opening balance	8,577,354	\$ 368,840	4,631,343	\$ 448,249
Warrants issued	-	-	7,892,465	324,325
Broker warrants issued	-	-	684,889	44,515
Warrants expired	(1,885,715)	(55,898)	(4,631,343)	(448,249)
Closing balance	6,691,639	\$ 312,942	8,577,354	\$ 368,840

At March 31, 2009, the following share purchase warrants are outstanding:

Number of warrants outstanding	Exercise price \$	Expiry date
285,714	\$0.45	30-Aug-2009
5,531,750	\$0.35	19-Mar-2010
375,375	\$0.20	19-Mar-2010
475,000	\$0.35	10-Apr-2010
23,800	\$0.20	10-Apr-2010
6,691,639		

d) Stock options

On December 11, 2008, the shareholders approved the Stock Option Plan (the “Plan”), for which up to 10% of the issued share capital can be reserved for issuance to executive officers and directors, employees and consultants. The exercise price of the options is set at the Company’s closing share price on the day before the grant date less the applicable discount permitted under the TSX Venture Exchange policies. The options have a maximum term of five years and vest when granted unless determined by the Board of Directors on a case by case basis, other than options granted to consultants performing investor relations activities, which vest in stages over twelve months with no more than one quarter vesting in any three month period. At March 31, 2009, 1,882,125 options are available for future grant under the Plan.

Stock option transactions for the nine month period ended March 31, 2009 and the year ended June 30, 2008 are summarized as follows:

	March 31, 2009		June 30, 2008	
	Number of options	Weighted Average Exercise Price	Number of options	Weighted Average Exercise Price
Opening balance	2,769,849	\$0.45	2,359,849	\$0.46
Options granted	-	-	485,000	\$0.30
Options expired	(200,000)	\$0.72	(75,000)	\$0.65
Options forfeited	(225,000)	\$0.44	-	-
Closing balance	2,344,849	\$0.40	2,769,849	\$0.45

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March 31, 2009 (unaudited)

Expressed in Canadian dollars

4. Capital stock - continued

At March 31, 2009, stock options outstanding are as follows:

Number of options outstanding	Exercise price \$	Expiry date
697,349	\$0.25	04-May-2009
65,000	\$0.44	21-Jun-2009
242,500	\$0.50	24-Feb-2010
25,000	\$0.59	24-Feb-2010
55,000	\$0.50	16-Jun-2010
200,000	\$0.50	05-Sep-2010
125,000	\$0.35	22-Dec-2010
375,000	\$0.65	13-Aug-2011
100,000	\$0.46	23-Jan-2012
460,000	\$0.30	18-Jul-2012
2,344,849		

The 697,349 stock options expiring May 4, 2009 expired unexercised.

5. Contributed surplus

	March 31, 2009	June 30, 2008
Opening balance	\$ 1,817,681	\$ 1,285,038
Fair value of options vested	-	84,394
Reallocation of fair value of warrants on expiry	55,898	448,249
Closing balance	\$ 1,873,579	\$ 1,817,681

6. Income tax

The Company's provision for income taxes differs from the amounts computed by applying the combined Canadian federal and provincial income tax rates as a result of the following:

	March 31, 2009	March 31, 2008
Statutory rates	27.0%	27.0%
Income tax recovery computed at statutory rates	\$ 126,946	\$ 181,357
Permanent differences		
Other	18,980	24,330
Stock-based compensation	-	(18,109)
	18,980	6,221
Book to tax differences	373,194	(134,456)
Change in valuation allowance	(519,120)	(53,122)
Recovery of income taxes	\$ -	\$ -

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Notes to Interim Consolidated Financial Statements
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Expressed in Canadian dollars

6. Income tax - continued

The tax effects of temporary timing differences that give rise to significant components of the future tax assets and future tax liabilities are as follows:

	March 31, 2009	June 30, 2008
Future tax assets		
Non-capital loss carry forwards	\$ 2,101,720	\$ 1,773,670
Capital losses	86,156	86,156
Financing costs	128,818	178,187
Resource	112,559	-
Other	2,916	33,514
Total gross future income tax assets	2,432,169	2,071,527
Less valuation allowance	(2,432,169)	(1,913,050)
Net future income tax assets	-	158,477
Less future tax liabilities – resource properties	-	(158,477)
Net future income tax	\$ -	\$ -

7. Related party transactions

(In addition to those disclosed elsewhere)

- a) At March 31, 2009, the Company owed \$201,429 to shareholders, officers, directors and management, which is included within accounts payable and accrued liabilities. The balance represents unpaid amounts relating to fees and expenses.
- b) During the nine month period ended March 31, 2009, directors and officers charged \$141,697 in fees for services rendered. These transactions were entered into on a normal commercial basis.
- c) During the nine month period ended March 31, 2009, a firm in which an officer of the Company is a partner charged fees of \$7,849. These transactions were entered into on a normal commercial basis.

8. Financial instruments

Financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities. At March 31, 2009 and June 30, 2008, there were no significant differences between the carrying amounts of the financial instruments reported on the balance sheet and their estimated fair values due primarily to the short-term maturity of the financial instruments.

9. Management of capital risk

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain flexible capital structure which optimizes the costs of capital at an acceptable risk.

In the management of capital, the Company includes the components of shareholders' equity, as well the cash and cash equivalents.

CANACO RESOURCES INC.
Notes to Interim Consolidated Financial Statements
March 31, 2009 (unaudited)

Expressed in Canadian dollars

9. Management of capital risk - continued

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

In order to maximize ongoing development efforts, the Company does not pay out dividends.

The Company's investment policy is to invest its cash in highly liquid short-term interest bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

The Company will be required to access financial resources through equity placements in the junior resource market in the current year to carry out its planned programs or curtail its exploration activities to the extent of available financial resources.

10. Management of financial risks

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest risk and price risk.

a) Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Mexico and Tanzania and a portion of its expenses are incurred in US dollars, Tanzanian shilling and Mexican peso. A significant change in the currency exchange rates between the Canadian dollar relative to the US dollar, Tanzanian shilling and Mexican peso could have an effect on the Company's results of operations. The Company has not hedged its exposure to currency fluctuations.

At March 31, 2009, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars, Tanzanian shillings and Mexican pesos:

	March 31, 2009			June 30, 2008		
	USD	TZS	MXN	USD	TZS	MXN
Cash and cash equivalents	(6,434)	36,575	230,620	49,366	15,052,384	183,920
Accounts receivable	1,944	-	-	74,308	-	732,365
Accounts payable and accrued liabilities	(128,223)	(102,811,348)	(1,399,552)	(193,903)	(23,964,000)	(127,648)
Net asset (liability) position	(132,713)	(102,774,773)	(1,168,932)	(70,229)	(8,911,616)	788,637

Based on the above net exposure as at March 31, 2009 and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar, Tanzanian shilling and Mexican peso would result in an increase/decrease of \$34,984 in the Company's net loss.

b) Credit risk

Credit risk is the risk of an unexpected loss of a customer or third party to a financial instrument fails to meet its contractual obligations.

Expressed in Canadian dollars

10. Management of financial risks - continued

The Company's accounts receivable consist of amounts due from the Federal Government of Canada for GST and Mexican government for VAT.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in note 9 to the interim financial statements.

Accounts payable and accrued liabilities are due within the current operating period.

d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The risk that the Company will realize a loss as result of a decline in the fair value of short-term investments included in cash and cash equivalents and short-term investments is limited because these investments, although classified as available-for-sale, are generally held to maturity.

11. Subsequent event

On March 30, 2009, the Company announced that it intends to proceed with a non-brokered private placement of up to 45,400,000 units at \$0.05 per unit. The gross proceeds of the unit placement will be \$2,270,000, if fully subscribed. Each unit will consist of one common share and one-half of one common share purchase warrant. One full warrant will entitle the holder to acquire one common share at \$0.07 per share in the first year and \$0.10 per share in the second year. The warrants will expire two years from closing. The lead subscriber to the private placement is SinoTech (Hong Kong) Corporation Ltd., which has agreed to subscribe for 32,000,000 units of the offering conditional on TSX Venture Exchange and shareholder approval. The Company's Board of Directors approved the subscription on April 1, 2009. Two directors of the Company may subscribe for 400,000 units. A finders' fee in cash and/or units may be paid in connection with this financing.

The private placement is subject to certain conditions, including, but not limited to, satisfactory due diligence and the receipt of all necessary approvals, including the approval of the TSX Venture Exchange.

On April 7, 2009, the first tranche of the non-brokered placement closed with the issue of 5,400,000 units at \$0.05 per unit, for gross proceeds of \$270,000. Directors of the Company subscribed for 400,000 units.