THIS IS A PRELIMINARY PROSPECTUS RELATING TO THESE SECURITIES, A COPY OF WHICH HAS BEEN FILED WITH THE ONTARIO SECURITIES COMMISSION BUT WHICH HAS NOT YET BECOME FINAL FOR THE PURPOSE OF A DISTRIBUTION TO THE PUBLIC. INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME A RECEIPT IS OBTAINED FROM THE ONTARIO SECURITIES COMMISSION FOR THE FINAL PROSPECTUS.

Amended Preliminary Prospectus dated October 24, 1997. No.___

This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons authorized to sell such securities. No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

Initial Public Offering **●, 1997**.

ARLINGTON RESOURCES INC.

(a mining exploration company)

$ 375,000

1,250,000 Units

PRICE: $0.30 PER UNIT

The Company is offering to the public the right to subscribe for 1,250,000 Units (the “Units”) at a price of $0.30 per Unit. Each Unit consists of one (1) common share in the capital of the Company (“Common Share”) and one (1) Series “B” share purchase warrant (the “Series B Warrant”). One (1) Series B Warrant entitles the holder thereof to purchase an additional Common Share at a price of $0.25 for a period of one year from the date upon which the Ontario Securities Commission issues its final receipt for this prospectus (the “Acceptance Date”).

	No. of Units	Price to the Public	Underwriter’s Commission(1)	Net Proceeds to the Company(2)
Per Unit	1	$0.30(3)	$0.03	$0.27
Total	1,250,000	$375,000	$37,500	$337,500

(1) The Company has also granted to the Underwriter a non-assignable option (the "Compensation Option") to purchase125,000 Common Shares exercisable on or before the first anniversary of the Acceptance Date, at a price of $0.25 per share. See "Description of the Offering - Underwritten Offering").

(2) Before deducting costs of issue estimated at $25,000.

(3) For income tax purposes, the Company has allocated $0.25 to the Common Shares and $0.05 to the Series B Warrant.

The offering price was established by negotiation between the Company and the Underwriter. **There is currently no market for these securities**, however the Underwriter will act as, or ensure that another dealer is acting as, market maker on the over-the-counter Canadian Dealing Network System for a period of at least eighteen months from the Acceptance Date. If any of the underwritten shares are purchased by the Underwriter, all of the underwritten shares must be taken down within 30 days of the Acceptance Date. **The offering price of each Unit exceeds the net tangible book value thereof as at June 30, 1997, after giving effect to this offering, by $0.079 representing dilution of 31.64% of the purchase price allocated thereto (see "Dilution"). An investment in these securities should be regarded as speculative. None of the mining claims in which the Company has an interest contains a known body of commercial ore and any exploration programs thereon are exploratory searches for ore. The Company is a start-up company with no history of operations. The Company has limited funds available for additional exploration and there can be no assurance that the necessary funds if required will be raised. See "Risk Factors".**

The Underwriter, as principal, conditionally offers the 1,250,000 underwritten Units, subject to prior sale, if, as and when issued by the Company and accepted by the Underwriter, in accordance, with the conditions contained in the Underwriting Agreement referred to under "Description of the Offering" and subject to approval of certain legal matters on behalf of the Company by Michael S. Singer, Barrister & Solicitor, Toronto, Ontario. If any of the underwritten Units are purchased by the Underwriter, all of the underwritten Units must be taken down within 30 days of the Acceptance Date.

UNDERWRITER
Standard Capital Securities Corporation
35A Hazelton Avenue
Toronto, Ontario
M5R 2E3

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PROSPECTUS SUMMARY

The information given below is intended to provide a summary only of the principal features of the offering. Reference is made to the more details information appearing elsewhere in this prospectus.

THE OFFERING

Issuer: Arlington Resources Inc. (the "Company"), a mining exploration company.

Amount: $375,000

Offering Price: $0.30 per Unit

Issue: 1,250,000 Units. Each Unit consists of one common share in the capital of the Company ("Common Share") and one Series "B" share purchase warrant ("Series B Warrant"). One Series B Warrant entitles the holder thereof to purchase an additional Common Share at a price of $0.25 for a period of one year from the date upon which the Ontario Securities Commission issues its final receipt for this prospectus (the "Acceptance Date").

Market Maker: The Underwriter will act, or will ensure another dealer is acting, as market maker on the Canadian Dealing Network System in respect of the Common Shares and Series B Warrants for at least 18 months from the Acceptance Date.

Use of Proceeds: The net proceeds of the underwritten offering, after deducting the Underwriter's commission and the costs of issue, will be approximately $312,500. Such proceeds, together with cash on hand ($27,294 as at June 30, 1997), will be used to carry out and fund stages 1 and 2 of the recommended exploration program ($120,000) and, if warranted, for stage 3 ($130,000), to pay administrative expenses (estimated at $48,000), and for general working capital purposes ($41,794).

Risk Factors: Investment in the securities should be considered to be speculative due to such factors, amongst others, as the nature of the mineral business in which the Company is engaged and the limited extent of the Company's assets.

None of the mining claims in which the Company has an interest contains a known body of commercial ore and any exploration programs thereon are exploratory searches for ore. The Company is a start-up company with no history of operations. The Company's exploration operations are subject to normal risks of mining, including operating harzards and risks, liability resulting from pollution or other risks and governmental regulations. Mining exploration involves a high degree of risk which even a combination of experience, knowledge and careful evaluation might not be able to overcome. The Company has limited sources of funds to engage in additional exploration and development, which may be necessary to exploit its mineral properties, and the marketability of its properties will be influenced by factors beyond the control of the Company, such as the additional capital requirements of the Company in the period of time required before such mineral prospects may be brought into production.

The only source of funds presently available to the Company is through the sale of equity shares. The Company will compete with other interests, many of which may be more heavily capitalized than the Company, for the opportunity to participate in exploration programs. See "Risk Factors".

Subscribers under this issue will suffer an immediate dilution of about $0.079 per common share being approximately 31.64% of the purchase price.

THE COMPANY

Arlington Resources Inc. (the "Company") is a corporation incorporated under the laws of the Province of Ontario by Articles of Incorporation effective January 21, 1997. As of ●, 1997, upon filing articles of amendment, the Company ceased to be a private company as such term is defined in *the Securities Act (Ontario)*. The address of the registered and principal office of the Company is Suite 519, 2275 Lakeshore Boulevard, Toronto, Ontario, M8V 3Y3. **None of the mining claims in which the Company has an interest contains a known body of commercial ore and any exploration programs thereon are exploratory searches for ore.**

BUSINESS OF THE COMPANY

The Company carries on and intends to carry on the business of acquiring interests in and exploring mineral prospects. The Company intends to carry out its objectives by exploring and acquiring, either alone or jointly with others, interests in resource properties.

ASTRON BAY GOLD PROSPECT

Property Acquisition Agreement

Pursuant to an agreement made as of the 18th day of March, 1997 between the Company, as purchaser, and Lancaster Holdings Inc. (the "Vendor"), as vendor, the Company agreed to purchase a 100% undivided interest in two (2) unpatented, contiguous mining claim blocks, each comprising twelve (12) units, located on the Lake of the Woods area of the Kenora Mining Division, Northern Ontario (the "Property"), covering most of Deadbroke Island and Red Rock Island. The consideration paid by the Company to the Vendor for the interest in the Property was the issuance of 200,000 Common Shares. The Property is subject to a 1.5% Net Smelter Royalty retained by the Vendor.

The Vendor is an arm's length party to the Company.

Location, Description and Access

The Property consists of two (2) unpatented, contiguous mining claim blocks, each comprising twelve (12) units covering Redrock Island in Astron Township and covering most of Deadbroke Island in Wiley Bay Township and is located in the Lake of the Woods area of the Kenora Mining Division, District of Northwestern Ontario.

The mineral claims comprising the Property are described as follows:

Claim No.	No. of Units	Expiry Date
K-1218086	12	February 28, 2000
K-1178137	12	July 29, 1998

The Property is located 32 kilometres south of Kenora, Ontario. It is accessible from Kenora by boat or float plane. After freeze up a winter road passes to within 3 kilometres of the Property. From that point a branch road has to be plowed out or a snow machine used to access the Property.

The claims are located in the north-west part of the Province of Ontario.

Geologist's Report

The following discussion on the Property to the end of the sub-heading entitled "Conclusions and Recommendations" is extracted from the report of Robert van Ingen, P. Eng., Consulting Geologist, dated May 8, 1997. The report is available for inspection at the principal office of the Company during normal business hours during the course of distribution of the securities offered hereby.

Geology and Gold Deposits of the Area as Guides to Exploration

Geology

The Property is located in the Lake Of The Woods greenstone belt of the Wabigoon Subprovince of the Superior province of Archean age (figures 1 and 2 from P. C. Thurston et al, 1991). The Lake Of The Woods and adjacent Rowan Lake greenstone belts are cut by several major deformation zones and their splay faults with which numerous gold prospects are spatially related (e.g., Ayer & Buck, 1989). However, the controlling features of the gold deposits are often controversial, unclear or unknown. While the good accessibility and abundant bedrock exposures on the shores of the many islands in the Lake Of The Woods region aided in the discovery of most of the presently known gold prospects about 110 years ago, subsequent exploration and development have been hindered by the extensive lake coverage.

The regional geology of the area was mapped at a scale of 1" = 1 mile by J. E. Thompson, 1937, (e.g. figure 3) and partly remapped at 1" = 1/4 mile by Ayer et al, 1988 & 1989 (e.g. figure 4). The latter contributed to a better understanding of the structural geology and mapped the location of the main deformation zones. One of these passes along the southern border of the Property. It is 500 metres wide and strikes at about 77^{o} AZ. The detailed mapping was an attempt to classify the mafic volcanics into bands of distinct chemistry and stratigraphy.

The oldest rocks in the area of Deadbroke Island are high-iron tholeiitic metabasalt flows with associated relatively high aeromagnetic responses which occur about 3 kilometres south of the Property in the hornfelsic aureole of the Aulneau granite batholith. The Property itself is at the stratigraphic top of a complexly folded belt, about 4 kilometres wide, of mafic flows, mafic to felsic volcanics and interflow sediments called the Diverse Group. The mafic volcanics are variably komatiitic, tholeiitic and calcalkaline in composition but the precise distribution of these variations is not discernable on the available maps. This group grades upwards into the Warclub Group of proximal turbidite sediments. Minor intercalations of chemical sediments including chert with or without pyrite, magnetite and graphite occur in the volcanic and sedimentary formations but none have been reported on the Property or vicinity. Turbidites, previously mapped as basaltic schists, comprise much of Bath and Gull Islands where they are the hostrocks of gold prospects which are the nearest ones to that of Deadbroke Island.

Synvolcanic intrusive rocks consist of ultramafic to mafic sills and intermediate to felsic porphyry dikes, sills and small stocks. The mafic to ultramafic intrusives are reportedly associated with relatively high magnetic responses and are large enough to be displayed on maps at a scale of inch = 1/4 mile. None have yet been mapped on the Property. The felsic porphyry (containing feldspar phenocrysts often accompanied by quartz phenocrysts) are relatively abundant on Bath and Gull Islands where they are spatially related to the gold mineralization. The Deadbroke Island prospect is also associated with two felsic porphyry dikes. These dikes, and rare syenite and lamprophyre dikes were thought by J. E. Thompson to be magmatic differentiates of the Aulneau batholith.

The Aulneau batholith is mainly quartz diorite to quartz monzonite in composition. It is highly deformed and classed as syntectonic in age. The circular Viola Lake and Red Cliff granite stocks are post tectonic in age.

Also in the map area are diabase dikes of Proterozoic age. One of these strikes north northwest into Gull Island where it occurs as several different members.

Except in the contact zones of the Viola and Aulneau intrusives the rocks have a greenschist grade of metamorphism.

Gold Deposits

The vast majority of the gold occurrences in the region are pyritic quartz veins with or without minor tourmaline or ankerite and traces of other sulphides and gangue minerals. Sugary blue quartz veins are most important. Several generations of quartz formation may occur including early white quartz and later glassy quartz. The veins often occur in swarms or as stockworks in a variety of hostrock types including felsic porphyry intrusives.

There are reports of much less common disseminated sulphide gold deposits lacking a quartz vein association. Two of these are suggested models for exploration on the Property because they are relatively large targets and could be detectable by Induced Polarization (IP) surveys.

The Duport Deposit at Shoal Lake, owned by Royal Oak Mines Incorporated (“Royal Oak”), has a geological resource of 2 million tons averaging 0.35 opt Au. An application to mine the deposit is being prepared by Royal Oak. The ore mineralization consists of disseminated arsenopyrite with subordinate pyrite and pyrrhotite in talc-chlorite-quartz-fuchsite schist. There is a main zone and subsidiary zones and an associated silicified felsite dike in the contact of a mafic intrusive with mafic volcanic flows. The mineralization is within and striking about the same as the Shoal Lake Deformation zone but seems to have a gentler dip (Canadian Mines Handbook, 1995-96 and J.C. Davies, 1978).

The Cameron Lake Deposit at Cameron Lake is owned by Nuinsco Resources Limited. A geological resource of 3 million tons grading 0.168 opt Au has been drill tested down to a level of up to 2500 feet below the surface. Gold is directly proportional to disseminated pyrite which replaced magnetite in siliceous fault breccia veins in ankerite altered mafic volcanics. The deposit is at the contact of a mafic sill in a fault parallel to the Pipestone-Cameron Deformation Zone which is located 1 kilometre to the south west. The nearest felsic intrusive mapped is 750 metres to the south (Melling, 1989).

Results of Geophysical Surveys, Geological Mapping and Sampling on the Astron Bay Property and Vicinity

Introduction

Exploration on the Property has been focused on gold showings on the eastern side of Deadbroke Island. The Algoma Homestake Mining Company reportedly (Ayer et al, 1988) excavated in 1892 a 6x4 metre open cut, an adit 7.5 metres long, and a pit. In that year, A. Slaght (1892), the Mining Inspector, reported that the vein was stripped 50 feet in length and nearly the same in width. An open cut was made 20 feet in length and 12 feet in width and a few feet in depth from which about 75 tons of ore were removed, and showed by frequent assays from $7 to $133 per ton; 25 tons of the ore were taken to the Reduction Works to obtain a mill run. The work was interfered with by the inflow of water and a new opening has been made at the distance of 130 feet from the former one and the tunnel has been driven 25 feet.

The existence of this open cut was not confirmed in examinations by the Resident Geologist of the Ontario Geological Survey (“OGS”) in Kenora or by Robert Major. The highest gold value detected thereabouts is 0.04 opt Au. This was in the audit which Major speculated might be on the site of the open cut even though this is clearly not supported by Slaght’s account above.

A clue to the solution of the problem of the missing open cut is from J. E. Thompson’s 1937 report of his examination of the prospect. From north to south he noted:

- an old test pit containing a quartz vein 18 inches wide
- 100 feet to the south is a small tunnel on a porphyry dike about 6 feet wide containing quartz masses up to a foot in width
- 130 feet south of the tunnel there is another parallel porphyry dike

Thompson’s “tunnel” is almost certainly the same as the “adit” of Ayer and Major and is thus located 130 feet north of the presumed open cut of Slaght. It is concluded that the southerly porphyry dike is close to the open cut with reported high grade gold mineralization and which could now be partly under water, modified by wave and ice action and hidden from view for over 60 years by vegetation on the shoreline.

Despite the initial disappointment in not finding any high grade mineralization in the adit, the Vendor continued exploring the Property with geophysical surveys off shore from the showing and over the lake south of Redrock Island. This detected some interesting magnetometer and VLF-EM responses.

Geology and Sampling Results

The Property is underlain by intermediate to mafic pyroclastics and flows. These are highly strained along the southern parts of Deadbroke and Redrock Island and in the vicinity of the adit. This deformation is marked by anastomosing bands of chlorite and biotite alteration evidently related to a granitoid apophysis on Cliff Island and the ductile deformation zone which was mapped on the north shore of Cliff Island. This zone trends about 253^{o} AZ towards Redrock Island where it coincides with, and deflects a major anticlinal axis. On the south limb of this anticline are basaltic to komatiitic volcanics that do not appear on the north limb of the fold. However, the complex folding exposes intermediate to mafic volcanics like that of the Property still further to the south on Callendar Island, for example, where they are intercalated with mafic to ultramafic intrusives.

The sampling of the adit showing on Deadbroke Island was carried out by R. Major and assistants during the winter of 1995 under less than ideal conditions. Fourteen grab samples were analyzed by the Acme Analytical Lab in Vancouver by geochemical analysis on 10 gram portions.

Nine samples were taken at scattered points around the back of the adit in pyritic, limonitic quartz veined volcanic sediments. The front of the adit consisted of quartz feldspar porphyry from which 5 samples were taken in 3 selected sites also containing pyritic quartz veins. The contact was not mapped but appears from a sketch to be trending SW-NE contrary to the expected WNW trend. Minor fuchsite was noted in a QFP sample whereas biotite and sericite occurred in several samples of the wallrock. The highest value was 1670 ppb (1 assay ton fire assay repeats gave values of 0.038 and 0.045 opt Au) in the extreme back of the adit. On either side of this sample and over a length of 1.5 metres were two values of 440 and 620 ppb Au- this stretch averaging 910 ppb/1.5metres. The gold contents of the 14 samples ranged from 14 to 1670 ppb Au, with average and median values of 338 ppb and 165 Au respectively. In these samples the highest trace element values, in ppm, were Cu 59, Pb 151, Zn 38, Ag 1.5, Mo 27, As 2, Sb 32 and Bi 10.

Ayer et al, 1988, took grab samples of quartz veins containing pyrite and/or carbonate from the adit and test pit and elsewhere in the vicinity of the Property. The highest values of 100 to 240 ppb Au were detected in samples from the adit and test pit and from a vein on the southern shore of Redrock Island. Lower values of 24 to 26 ppb Au were obtained from two veins near the east and south boundary lines of the Deadbroke Island claim block. All other veins in the area contained less than 10 ppb Au.

Geophysical Surveys

The Vendor, under contract to the Company, carried out VLF-EM and magnetometer surveys on parts of the Property in the winter of 1997. The line spacing was 50 metres and readings taken at 25 metre intervals.

The magnetometer survey was done with a Barringer Proton Magnetometer, Model GM-122 adapted to a Canadian Mining Geophysics MR-10. Diurnal corrections were calculated +/- 5 grammas from each reading.

On the Deadbroke Island grid the readings ranged from 211 to 1384 gammas with most of the area falling in the range of 600 to 1000 gammas. A discrete zone of the highest readings measuring 200 metres long and 50 to 180 metres wide was outlined offshore from the point of land containing the adit. The anomaly trends east-west with the axis located just north of the adit entrance and is open to the west. A smaller high response, about 100 metres long, is located about 250 metres to the east northeast. The presumed bedrock explanation of this anomaly is a mafic to ultramafic sill-like intrusive although none have been mapped hereabouts.

The results of the magnetometer survey on the Redrock Island grid have not yet been seen but are reportedly flat and not of further interest.

The VLF-EM survey was done with a Geonics EM-16 instrument calibrated to the Cutler, Maine, transmitting station at 24.0 kilohertz. Weak to moderately good anomalies were found on both grids. The Deadbroke anomaly trends at 110^{o} AZ crossing the mag anomaly at a small angle. This could be caused by conductive overburden edge effects related to bedrock topographic relief caused by a fault zone or a felsic dike.

A similar anomaly about 300 metres long lies off shore of Redrock Island trending about 245^{o} AZ conformable with the schistose foliation. R. Major was not impressed with the discovery potential of this anomaly.

Conclusions

It is concluded that the geological environment of the Property is favourable for discoveries of gold mineralization in pyritic quartz veins related to felsic porphyry dikes but that the best exploration model is a disseminated pyritic deposit in schist or fault breccia.

For over 60 years geologists have failed to find the open cut which reportedly contained high grade mineralization mined in 1892. This could yet be found hidden from view by vegetation at the shoreline and partly submerged under lake water 130 feet south of the adit.

The prospecting and geophysical work by the Company has enhanced the discovery potential of the Property. The detection of a magnetic high anomaly near the Deadbroke Island gold showings is of particular interest because it could be caused by disseminated magnetite in a mafic to ultramafic sill. This is an encouraging aspect in further exploration because the magnetite in the bedrock might have trapped sulphidizing auiferous hydrothermal solutions. These could have been focused along felsic dike contacts and/or faults indicated by the VLF-EM anomalies.

The Lake Of The Woods region is environmentally sensitive because of the extensive lake coverage and can present unique problems for exploration and development projects.

Recommendations

A three stage exploration program is recommended that should expand on the interesting results already obtained to generate drill targets for testing as warranted.

The first stage should be the continuation of the magnetometer and VLF-EM surveys on Deadbroke Island and Redrock Island in the summer. A search for the old open cut should be conducted during the lowest lake water level. All the showings should be mapped and sampled. It would be helpful to obtain a map of the lake bottom topography in evaluating the VLF-EM anomalies and for choosing appropriate sites for the proposed drill holes. The suitability of IP surveying as a search method can also be appraised in Stage 1.

The second stage would entail IP surveys in winter to search for disseminated pyrite bodies with which relatively large gold deposits could be associated.

The third stage, if warranted, would be the drill testing of geophysical and conceptual targets. A minimum contract of 1,000 metres is already envisaged but this amount could be increased depending on the success of the geophysical and geological programs. It is also conceivable that additional claim staking will be recommended.

The Company should monitor the results of the application by Royal Oak Mines to mine the Duport deposit.

Estimate of Expenditures

The estimated cost of a proposed program to be completed in 3 stages is as follows:

Stage 1 (summer)

line cutting & geophysics; 6 line km @ $600		$ 36,000	
geological mapping and sampling	14,000		

Stage 2 (winter)

line cutting, IP and misc. surveys; 10 line km @ $700	70,000	

Stage 3 (late winter, if warranted)

diamond drilling and geological support; 1000m @ $130/m	130,000
Total	$ 250,000
	=======

Title

The title to the mining claims comprising the Property is the usual title to unpatented mining claims enjoyed in the Province of Ontario pursuant to the Mining Act (Ontario). Until a lease is applied for, the holder of a mining claim shall perform, on each unit of 16 hectares or less of that claim, assessment work having a minimum value, prior to the second anniversary of the recording of the mining claims of $400, prior to the third anniversary of $800 in the aggregate, prior to the fourth anniversary of $1,200 in the aggregate, prior to the fifth anniversary of $1,600 in the aggregate and prior to the sixth anniversary, and subsequent year, of an additional $400 per year. Upon the request of a holder, banked amounts of assessment work may be applied against future assessment work requirements for that claim or other contiguous mining claims, for up to a maximum of five subsequent assessment years. The maximum value of assessment work that may be assigned from any 16 hectare unit of an unpatented claim to any contiguous unpatented claim is $12,000 in any assessment year. Mining claims may be brought to lease with annual rentals of $5.00 per hectare for mining rights and surface rights and $3.00 per hectare for mining rights only. A lease shall be for a term of 21 years.

Plant and Equipment

There is no plant or equipment located on the Property.

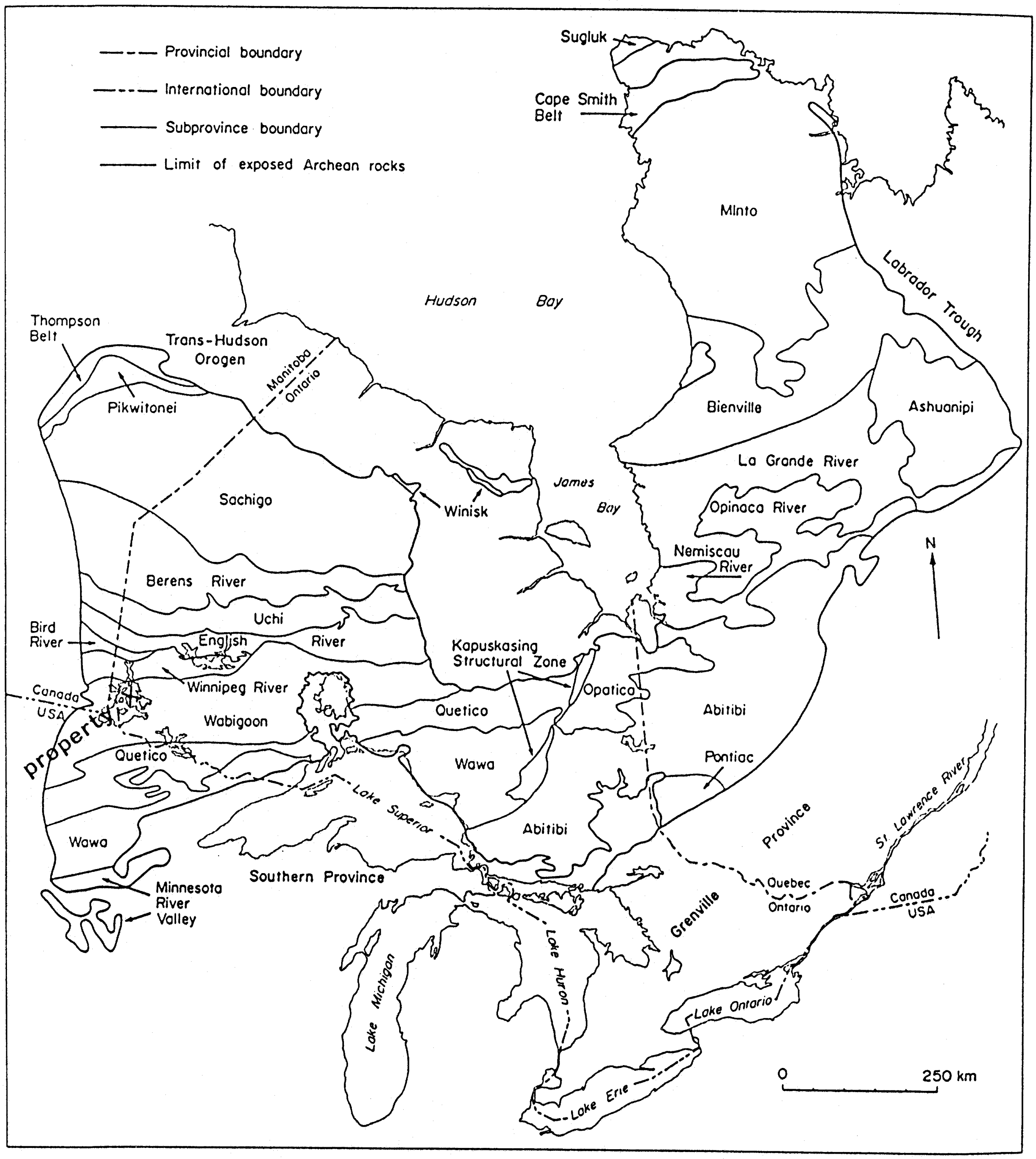
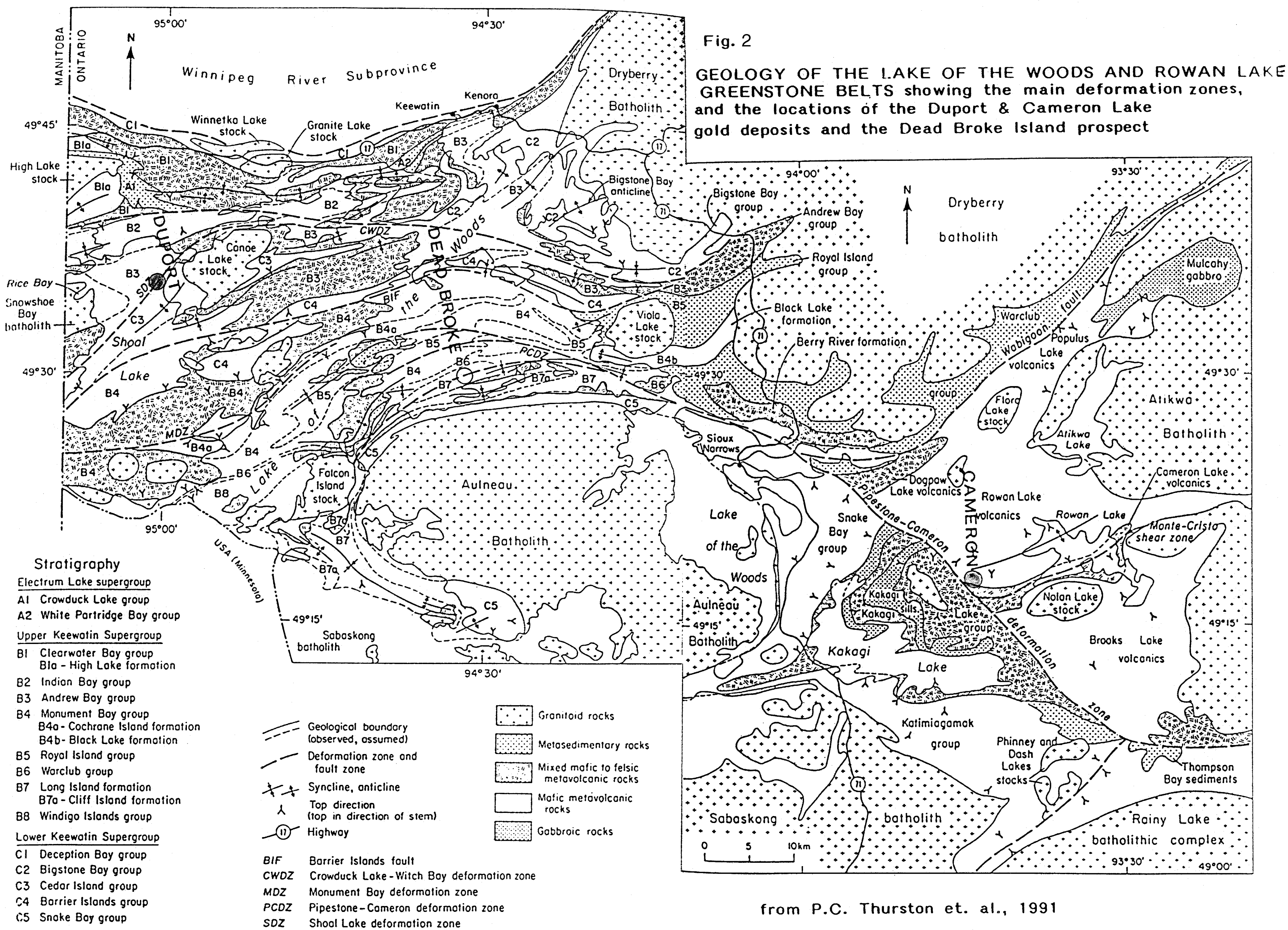


Fig.1 LOCATION OF THE PROPERTY IN THE WABIGOON SUB-PROVINCE OF THE SUPERIOR PROVINCE

Fig. 2

GEOLOGY OF THE LAKE OF THE WOODS AND ROWAN LAKE GREENSTONE BELTS showing the main deformation zones, and the locations of the Duport & Cameron Lake gold deposits and the Dead Broke Island prospect



from P.C. Thurston et. al., 1991

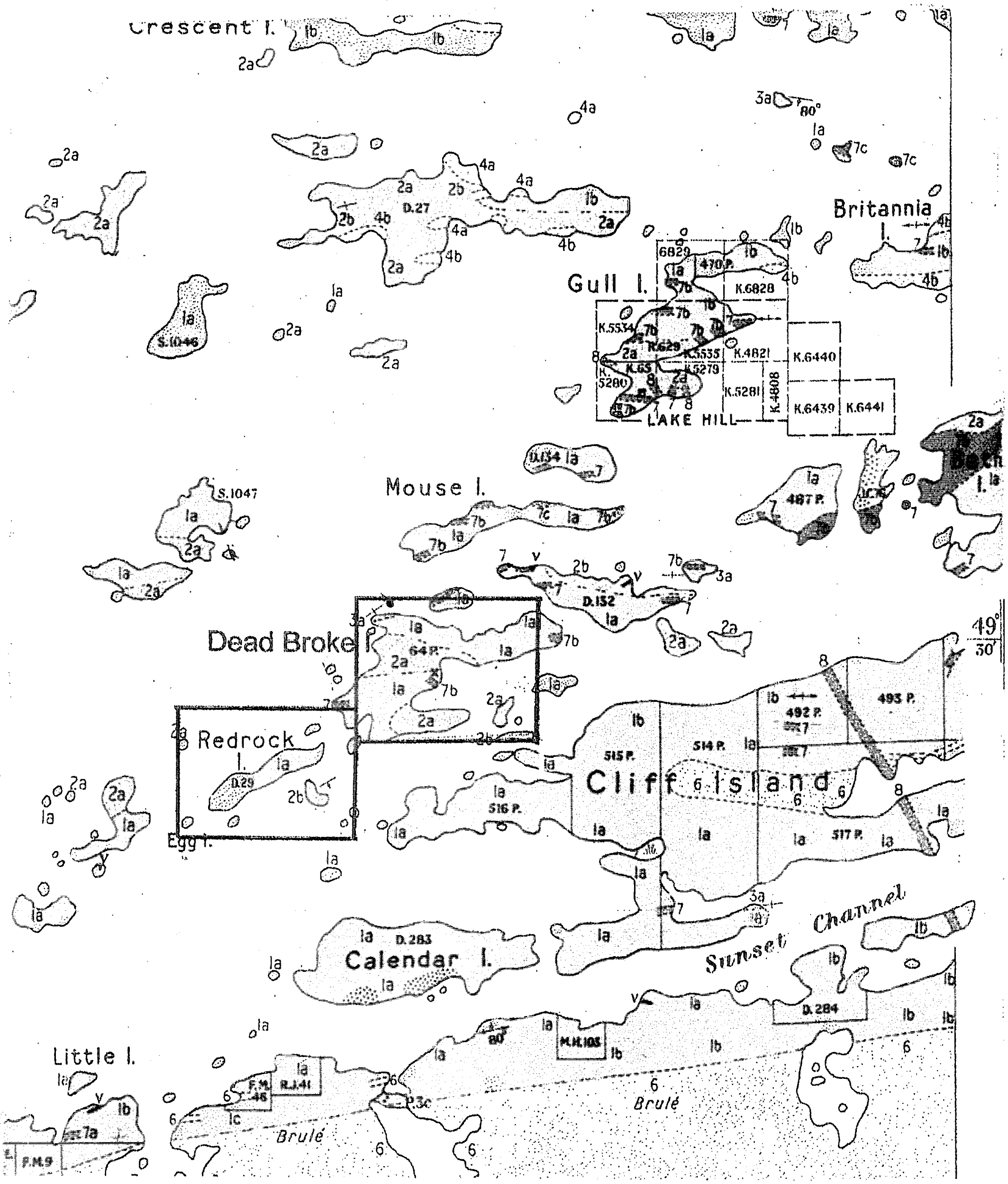
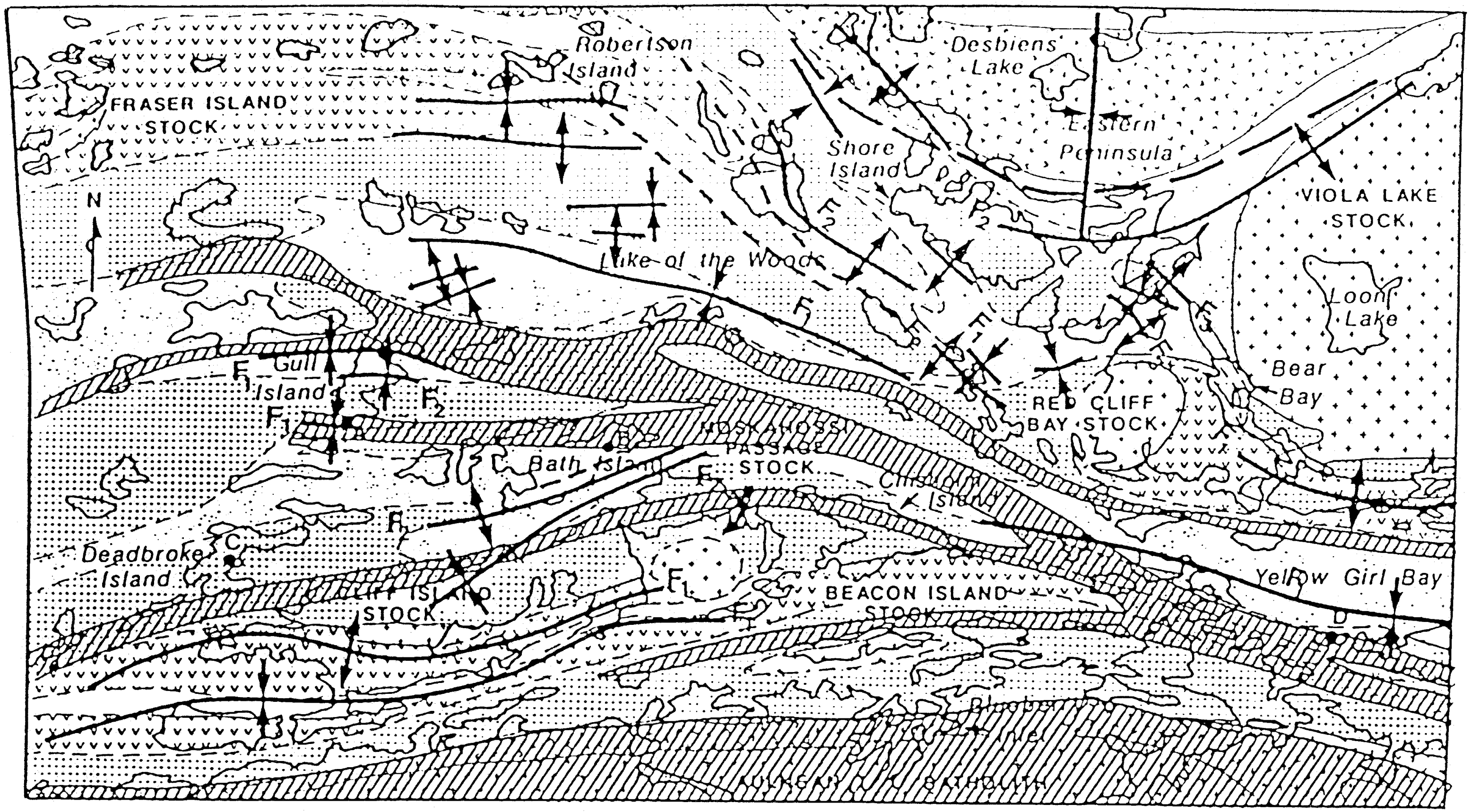


Fig. 3: Geology of the vicinity of the property from J.E. Thompson, 1937, Scale 1:63,360 (1mile = 1 inch)

<u>Legend</u>:

8	Diabase
7b	Quartz feldspar porphyry
6	Granite
4	Felsic volcanics
3	Sediments
2a,b	Agglomerate, tuff
1a,b	Mafic volcanic, hornblende & chlorite schist



Granitic intrusions

Warclub Group metasediments

UPPER DIVERSE UNIT

Interflow metasediments

Mafic to felsic metavolcanics

Mafic flows

LOWER MAFIC UNIT

Mafic flows

minor High Strain Zone

major High Strain Zone

Barrier Island Fault

0 1 2 3 4 kilometres

Fig. 4 GOLD PROSPECTS AND STRUCTURAL GEOLOGY OF DEAD BROKE ISLAND AND VICINITY

from Ayer & Buck, 1989

USE OF PROCEEDS

The net proceeds to be received by the Company will be $337,500 before payment of the costs of the issue which are estimated to be approximately $25,000. In addition, maximum net proceeds of up to $31,250 may be raised through the exercise by the Underwriter of the Compensation Option described under "Description of the Offering ". As at June 30, 1997, the Company had a working capital of $27,294.

The net proceeds from the offering will be used to pay the costs of issue (estimated at $25,000); to pay the Company's costs to carry out Stages 1 and 2 of the recommended exploration program on the Property ($120,000) and, if warranted, stage 2 of the recommended exploration program on the Property ($130,000) (See "Geologist's Report - Recommendations"); and for general working capital purposes ($89,794) which includes maintenance by the Company of its office facilities, paying the cost of supervisory and administration work relating to the exploration of the Property, fulfilling its obligations to its shareholders and related purposes (estimated at $48,000).

To summarize, the proceeds of the issue will be utilized as follows:

Net proceeds from offering		$337,500
Working capital on hand		27,294
		$364,794
Less:		
Cost of Issue		$ 25,000
Annual Administrative Expenses [1]		48,000
Exploration Program - Stages 1 and 2		120,000
Stage 3, if warranted		130,000
Working Capital	$ 41,794	

(1) Management's estimate of one year's expenses.

While the Company has no plans in this regard at the present time, monies in its treasury as available may also be used to defray the cost of programs of acquiring, staking, exploring and developing other properties, either alone or in concert with others, and generally to carry out exploration programs as opportunities and finances permit, but no such properties will be acquired and monies will not be expended thereon without an amendment to this prospectus being filed if the securities of the Company are then in the course of distribution to the public.

Monies not immediately required for the Company's purposes as set out in this prospectus will be deposited in interest bearing accounts with Canadian chartered banks and/or trust companies.

In addition to the net proceeds received by the Company pursuant to this offering, the Company has granted a promoter's option to acquire up to 150,000 Common Shares of the Company at a price of $0.25 per share exercisable on or after the first anniversary of the Acceptance Date and on or before the third anniversary of the Acceptance Date. See "Promoter".

PRELIMINARY EXPENSES

Preliminary administrative, acquisition and exploration expenses incurred to June 30, 1997 amounted to $13,988, $44,000 and $70,468 respectively. Annual administrative expenses of the Company are estimated to be approximately $48,000 representing the costs of maintaining the Company’s office facilities, supervisory and administrative work relating to the exploration of the Property, one annual meeting, legal, audit and transfer agent's fees. See "Geologist's Report - Recommendations" for particulars of the Company's costs of the recommended exploration program to be carried out on the Property.

CAPITALIZATION

The following table sets out the outstanding capital of the Company:

Designation of Securities	Amount Authorized	Outstanding as at June 30, 1997	Outstanding as at Sept. 30, 1997[(1)]	Outstanding on Completion of this Financing[(1)(2)]
Common Shares	$unlimited (unlimited shares)	$134,000 (1,345,000 shares)	$134,000 (1,345,000 shares)	$509,000 (2,595,000 shares)

(1) Unaudited.

(2) This figure includes the issuance of the 1,250,000 underwritten Common Shares. It does not take into consideration the possible issuances of Common Shares as follows:

- (a) up to 125,000 Common Shares upon exercise of the Compensation Option (see "Description of the Offering", and "Common Shares Subject to Issuance");
- (b) up to 150,000 Common Shares upon exercise of the Promoter's Option (see "Promoter" and "Common Shares Subject to Issuance");
- (c) up to 375,000 Common Shares upon exercise of the Series A Warrants (see “Common Shares subject to issuance”);
- (d) up to 1,250,000 Common Shares upon exercise of the Series B Warrants (see “Description of the Offering” and “Common Shares subject to issuance”).

As at June 30, 1997 the Company had no long term debt and positive working capital of $27,294.

DESCRIPTION OF SECURITIES

Common Shares

The holders of Common Shares are entitled to one vote for each share held at all meetings of shareholders of the Company and to receive dividends, if, as and when declared by the board of directors. In the event of the liquidation, dissolution or winding up of the Company, the holders of the Common Shares are entitled to receive those assets distributable to shareholders. There are no indentures or agreements limiting the payment of dividends and no conversion, special liquidation, pre-emptive or subscription rights affecting the Common Shares. The presently outstanding Common Shares are not subject to any call or assessment and the Common Shares offered hereby when issued and sold as described by this prospectus will not be subject to any call or assessment.

Series A Warrants

The series “A” share purchase warrants (the “Series A Warrants”) are non-transferrable. One Series A Warrant entitles the holder to purchase one Common Share at $0.20 per share. The Series A Warrants expire at the close of business on May 1, 1998.

The Series A Warrants contain, among other things, anti-dilution provisions and provisions for appropriate adjustment in the class, number and price of shares issuable pursuant to any exercise thereof upon the occurance of certain events, including any sub-division, consolidation or re-classification of the shares of the Company, the payment of stock dividends or the amalgamation of the Company.

Series B Warrants

The series “B” share purchase warrants (the “Series B Warrants”) are transferrable. One Series B Warrant entitles the holder to purchase one Common Share at $0.25 per share. The Series B Warrants expire one year from the date upon which the Ontario Securities Commission issues its final receipt for this prospectus (the “Acceptance Date”).

The Series B Warrants contain, among other things, anti-dilution provisions and proviisons for appropriate adjustment in the class, number and price of shares issuable pursuant to any exercise thereof upon the occurance of certain events, including any sub-division, consolidation or re-classification of the shares of the Company, the payment of stock dividends or the amalgamation of the Company.

DESCRIPTION OF THE OFFERING

Under the terms of an underwriting agreement dated ●, 1997 (the "Underwriting Agreement"), entered into between the Company and Standard Capital Securities Corporation (the "Underwriter"), the Underwriter agreed to purchase 1,250,000 Units (the "Underwritten Units") at a price of $0.30 per Unit in respect of which the Company has agreed to pay the Underwriter a cash commission of $0.03 per Unit. Each Unit consists of one (1) Common Share and one (1) Series B Warrant.

The Underwriter may terminate the Underwriting Agreement prior to the date of the receipt issued by the Ontario Securities Commission for this prospectus (the "Acceptance Date") and for such additional period not exceeding 30 days thereafter until the Underwriter purchases any of the Underwritten Units; provided that if any of the Underwritten Units are purchased, the Underwriter is irrevocably bound to take up and pay for all of the Underwritten Units. Termination may be based upon the Underwriter's assessment of the financial markets and in the case of certain stated events. Subject to the foregoing, all of the Underwritten Units must be purchased within 30 days from the Acceptance Date.

The Underwriter acting as principal, will offer the Underwritten Units in the Province of Ontario at $0.30 per Unit. The underwriting price was established by negotiations between the Company and the Underwriter. Sales of the Underwritten Units may also be made through other registered dealers acting as agents or principals. Registered dealers acting as principals may receive all or any part of the Underwriter's commission of $0.03 per Unit, or acting as agents may be paid a commission not exceeding the Underwriter's commission.

The Underwriter will act, or will ensure another dealer is acting, as a market maker on the Canadian Dealing Network System, the trade reporting and quotations system for over-the-counter trading in Ontario that is owned and operated by the Canadian Dealing Network Inc., a subsidiary of the Toronto Stock Exchange, in respect of the Common Shares and Series B Warrants for at least 18 months from the Acceptance Date.

In connection with this offering the Underwriter may effect short sales or other transactions which stabilize or maintain the market price of the Common Shares, at a level above that which might otherwise prevail in the open market. Such transactions, if commenced may be discontinued at any time. If short selling does occur, such sales will not exceed 15% of the number of underwritten securities. If short selling occurs and the Underwriter does not purchase in the market that number of Common Shares, equal to its short position within 12 months from the Acceptance Date, the entire proceeds from such short sales shall immediately be paid to the Company.

The Company has granted to the Underwriter a non-assignable option (the "Compensation Option") to purchase a total of 125,000 Common Shares (the "Compensation Shares") exercisable at a price of $0.25 per Common Share, on or before the first anniversary of the Acceptance Date. The Underwriter may only sell Compensation Shares after the completion of the sale of the Underwritten Units.

MANAGEMENT

The board of directors of the Company consists of three persons. The names and municipal addresses of the directors and officers of the Company and the positions presently held by them are as follows:

Name and Address	Office	Principal Occupation
D. Brian Smith	President and Director	Self-employed business

Saskatoon, Saskatchewan		consultant
David Alhadeff Portsmouth, New Hempshire U.S.A.	Treasurer and Director	Self-employed business consultant and President of Alhadeff Capital Management Corp.
Michael S. Singer Toronto, Ontario	Secretary and Director	Sole practitioner

During the past five (5) years all of the directors and officers have held the principal occupations as noted opposite their respective names.

D. Brian Smith has been a consultant to the transportation industry specializing in services relating to the mining, gas and oil sectors, since 1996. From 1975 to 1996, Mr. Smith was employed by Siemens Transport & Services Ltd. where he held several positions including Sales Manager.

David Alhadeff has been a business consultant and investment banker since 1987 and is the President of Alhadeff Management Corp., a private company which provides corporate finance and mergers and acquisitions services. Mr. Alhadeff is not a resident of Canada and as such, in respect of any claim for civil liability under the Securities Act (Ontario) against Mr. Alhadeff, it may not be possible to effect a service of process upon him or to enforce against him any judgment obtained in an Ontario court based on the civil liability provisions of the Securities Act (Ontario).

Michael S. Singer is currently and has been since 1985 a sole practitioner. Mr. Singer has also been a director of several public companies.

Ordinarily the directors will devote not more than 5% of their time managing the affairs of the Company; however, the directors are available to carry out their duties and responsibilities whenever the affairs of the Company require. In the case of Mr. Smith, it is expected that he will devote between 5% and 10% of his time to the Company's business and affairs, and during periods when the Company is actively engaged in exploration of its properties that he will devote a further 50% to 60% of his time to planning, supervising, monitoring, and executing such exploration activities.

EXECUTIVE COMPENSATION

Compensation Summary

The table below sets forth information concerning the compensation of the Company's chief executive officer for the period from incorporation January 21, 1997, to June 30, 1997.

Summary Compensation Table

		Annual Compensation[4]			Long-Term Compensation			
					Awards		Payouts	
Name and Principal Position	Year	Salary ($)	Bonus ($)	Other Annual Compensation ($)	Securities Under Options/ SARs[1] Granted (#)	Restricted Shares or Restricted Share Units ($)	LTIP[2] Payouts ($)	All other Compensation ($)
D. Brian Smith President	June 30, 1997.	0	0	0	0	0	0	0

Notes:
(1) Stock appreciation rights.
(2) Long term incentive plans.

No remuneration been paid or is payable to the directors of the Company as such, since its incorporation.

The Company has no written employment agreements and has no immediate intention to enter into employment agreements with any officer or director of the Company relating to an annual remuneration.

The Company has no immediate intention to compensate the chief executive officer or the directors of the Company, as such. The chief executive officer and directors will be reimbursed for out-of-pocket expenses incurred directly in connection with the Company's business. The Company has paid $3,975 to Michael S. Singer for legal services rendered to the Company. The Company will also pay Mr. Singer for legal services rendered to the Company in connection with this offering and any future legal services.

The Company has no subsidiaries.

DIVIDENDS

No dividends have been paid to date by the Company. The Company does not have any present intention to pay dividends in the future. Dividends will only be declared by the board of directors and paid by the Company in the event that the Company develops positive cash flow. The Company's status as an exploration company makes the likelihood of such payment uncertain in the near term.

MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATING RESULTS

From the date of incorporation, January 21, 1997 to June 30, 1997.

During the period, the Company financed its organization, operations and initial exploration program by the issuance of shares, as a private company, in the amount of $90,000 and by $18,250 of loan payable to a shareholder. The loan is non-interest bearing and is payable on demand.

The Company had a net loss of $13,988 as at June 30, 1997 and deferred exploration expenditures of $70,468 reflecting the activity in the start-up exploration of its mining property.

The Company anticipates financing its future operating activities and exploration programs through issuance of common shares.

AUDITORS AND TRANSFER AGENT AND REGISTRAR

Kraft, Rothman, Berger, Grill, Schwartz, Cohen, Chartered Accountants, 3160 Steeles Avenue East, Suite 300, Markham, Ontario L3R 2Y2 is the Company's auditors.

The transfer agent and registrar of the Common Shares and Series B Warrants is Equity Transfer Services Inc., 120 Adelaide Street West, Suite 800, Toronto, Ontario, M5H 3V1.

PRIOR ISSUANCES OF SECURITIES

The securities of the Company issued since incorporation are as follows:

Date of Issuance	No. of Shares	Price Per Share	Proceeds	Utilization
January 21, 1997	500,000	$0.02	$ 10,000	Working Capital[1]
January 31, 1997	250,000	$0.02	$ 5,000	Working Capital
March 18, 1997	200,000	$0.20	$ 40,000	Property acquisition[2]
March 18, 1997	20,000	$0.20	$ 4,000	Finder's Fee
April 2, 1997	375,000 [3]	$0.20	$ 75,000	Exploration expenditures and working capital

(1) Issued to D. Brian Smith and David Alhadeff, equally
(2) Issued to Lancaster Holdings Inc. (see "Property Acquisition Agreement" under heading "ASTRON BAY GOLD PROSPECT")
(3) 375,000 Units at $0.20 per unit. Each Unit comprising one Common Share and one "Series A Warrant". Each Series A Warrant entitles the holder to purchase an additional common share at the purchase price of $0.20 at any time up to and including May 1, 1998.

COMMON SHARES SUBJECT TO ISSUANCE

Set out below are details of all Common Shares of the Company subject to issuance pursuant to rights, options, warrants, convertible securities and other agreements:

No. of Common Shares	Purpose	Description of Terms
375,000	Series A Warrants (1)	Date of Issue: April 2, 1997

		Expiry Date: May 1, 1998 Exercise Price: $0.20 per Common Share
125,000	Compensation Options[2]	Date of Grant: ●, 1997 Expiry Date: First anniversary of the Acceptance Date Exercise Price: $0.25 per Common Share
150,000	Promoter's Options[3]	Date of Grant: ●, 1997 Exercise Period: On or after the first anniversary of the Acceptance Date and up to and including the third anniversary of the Acceptance Date Exercise Price: $0.25 per Common Shares

(1) For further details concerning these warrants, see “Description of Series A Warrants” and “Prior Issuances of Securities”.
(2) For further details concerning this option, see "Description of the Offering".
(3) For further details concerning this option, see "Promoter".

PRINCIPAL HOLDERS OF SECURITIES

As at the date of this Prospectus, the only persons or corporations beneficially owning, directly or indirectly, more that 10% of the issued and outstanding voting securities of the Company are:

Name and Address Address	Type of Ownership	Number and Class of Shares	Percentage of Class [1]	Percentage of Class after giving effect to this Offering[2]
D. Brian Smith Saskatoon, Saskatchewan	Direct	250,000 Common	18.59%	9.63%
David Alhadeff Portsmouth, New Hampshire, U.S.A.	Direct	250,000 Common	18.59%	9.63%
Lancaster Holdings Inc.	Direct	200,000 Common	14.87%	7.71%

(1) Based upon there being 1,345,000 Common Shares outstanding at the date hereof, before giving effect tothis offering.
(2) Based upon there being 2,595,000 Common Shares outstanding after giving effect to this offering, and assuming no options or warrants to purchase shares are exercised.

The directors and senior officers of the Company, as a group, will beneficially own, directly or indirectly, 500,000 Common Shares representing 19.26% of the issued and outstanding Common Shares as at the date of this prospectus, after giving effect to this offering.

ESCROWED SECURITIES

Certificates representing ● Common Shares representing ●% of the issued Common Shares prior to giving effect to the Offering are held in escrow by Equity Transfer Services Inc., Toronto, Ontario (the "Trustee") pursuant to the provisions of an agreement (the "Escrow Agreement") dated ●, 1997 made among the Company, the Trustee, ●.

The escrowed shares may not be sold, assigned, hypothecated, pledged, charged, alienated, released from escrow, transferred within escrow or otherwise in any manner dealt with without the express consent, order or direction in writing of the Ontario Securities Commission.

● escrowed shares will be released automatically on the Acceptance Date. A further ● escrowed shares will be released on the first anniversary and ● escrowed shares will be released on each of the second and third anniversaries, respectively, of the Acceptance Date. Shares will also be released from escrow on the basis of 1 share for each $● actually spent by the Company on the exploration and/or development of its resource properties. The number of shares released from escrow may not exceed one-third of the original number of escrowed shares before the first anniversary of the Acceptance Date, two-thirds thereof before the second anniversary of the Acceptance Date, and the balance thereof before the third anniversary of the Acceptance Date.

MATERIAL CONTRACTS

The only material contracts entered into by the Company which are in effect are:

1. The Underwriting Agreement referred to under "Description of the Offering";
2. The Escrow Agreement referred to under "Escrowed Securities";
3. The Acquisition Agreement referred to under "Astron Bay Gold Prospect - Property Acquisition Agreement" and;
4. The Promoter's Option Agreement referred to under "Promoter".

Copies of the foregoing agreements should be inspected at the registered office of the Company during ordinary business hours at any time during the period of distribution of the securities offered hereby.

RISK FACTORS

The securities described in this prospectus are highly speculative in nature. The following factors should be considered by prospective purchasers before purchasing the Common Shares:

Marketability

There is no market for the Common Shares and the Company give no assurance that any market will develop. Investment in the Company is therefore not suitable for any investors who may have to liquidate their investment on a timely basis and should only be considered by investors who are able to make a long term investment in the Company.

Speculative Nature of Mineral Exploration

Mineral exploration is a highly speculative business and a substantial portion of the net proceeds received by the Company from the Offering will be expended in mineral exploration. Some of the uncontrollable risk factors involved in the business of searching for ore include changes in laws relating to exploration activities and environmental considerations, adverse market conditions or fluctuations in the price of metals governed by supply and demand as well as increases in the development costs during drilling operations and underground operations. Even if economic mineralization is found on the Company ‘s properties, the Company does not in itself have financial resources to bring them into production. The only source of funds presently available to the Company is through the sale of equity capital. If the Company fails to raise such funds, its interest in the properties may be forfeited.

Unproven Properties

The mining claims in which the Company has an interest are without a known body of commercial ore and the proposed program is an exploratory search for ore. There is no assurance that commercial quantities of minerals will be discovered. There is no guarantee that the Company's exploration programs will yield positive results. Further exploration programs on the Property are dependent on obtaining favourable results from the preceding work. The Company has limited funds available for additional exploration and there can be no assurance that necessary funds if required will be raised.

The marketability of the Company's ownership interest in its mineral property, and other interests which the Company may acquire will be influenced by factors beyond the control of the Company, such as the additional capital requirements of the Company in the period of time required before mineral prospects may be brought into production.

No History of Operations

The Company is a start-up company with no history of operations. The success of the Company will depend on the expertise of its management, the quality of its mineral prospects and its ability to raise the necessary capital to bring these prospects into commercial production.

The Company has relied and will continue to rely on consultants and others for exploration expertise.

Environmental and Other Regulations

Existing and possible future environmental legislation, regulations and actions could cause additional expenses, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted. Regulatory requirements and environmental standards are subject to constant evaluation and may be significantly increased, which could significantly adversely affect the business of the Company or its ability to develop its properties on an economic basis. Before production can commence on any properties, the Company must obtain regulatory and environmental approvals and there is no assurance that such approvals will be obtained or will be obtained on a timely basis. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations or preclude entirely economic development of a property.

Uninsured Risks

The Company may become subject to liability for cave-ins, pollution or other hazards against which it cannot insure or against which it may elect not to insure because of high premium costs or other reasons. A payment of such liabilities would reduce and could eliminate the funds available for exploration activities.

No Dividends

No dividends have been paid to date by the Company and it does not anticipate paying any dividends to the shareholders of the Company in the foreseeable future as all available funds are expected to finance the Company's exploration activities.

Dilution

SUBSCRIBERS UNDER THIS ISSUE WILL SUFFER AN IMMEDIATE DILUTION OF ABOUT $0.079 PER COMMON SHARE BEING APPROXIMATELY 31.64% OF THE PURCHASE PRICE. See "Dilution".

Each investor should carefully consider the foregoing risk factors and review with his/her professional advisors with respect to tax and other implications of an investment in Units of the Company.

DILUTION

The following table sets out the immediate dilution to subscribers for Common Shares purchased under this offering. The calculation of the dilution is based upon the net tangible assets of the Company per Common Share reflected on the Company's balance sheet as at June 30, 1997.

<u>Dilution per share</u>

Offering Price		$0.25
Net tangible book value per share as at June 30, 1997	$0.1134	
Increase of net tangible book value per share attributable to this offering	$0.0575	
Net tangible book value per share after this offering		$0.1709
Dilution to subscribers per share		$0.0791
Percentage of dilution in relation to the Offering Price		31.64%

PROMOTER

D. Brian Smith is the promoter of the Company for purposes of the Securities Act (Ontario). Reference is made to "Prior Issuances of Securities" for particulars of the issuances of Common Shares to D. Brian Smith.

Pursuant to an agreement (the "Promoter's Option Agreement") dated ●, 1997, the Company granted to D. Brian Smith for nominal consideration a non-assignable option (the "Promoter's Option") to purchase 150,000 Common Shares on or after the first anniversary of the Acceptance Date and on or before third anniversary of the Acceptance Date at a price of $0.25 per Common Share.

INTEREST OF MANAGEMENT AND

OTHERS IN MATERIAL TRANSACTIONS

None of the directors or officers of the Company, or any associate or affiliate of such person, has any material interest, direct or indirect, in any material transaction or in any proposed transaction which may materially affect the Company, other than:

(i) the prior issuance of Common Shares of the Company to its directors, officers and promoters referred to under "Prior Issuances of Securities";
(ii) the Escrow Agreement affecting the Company's Common Shares referred to under "Escrowed Securities"; and
(iii) the Promoter's Option issued to D. Brian Smith referred to under "Promoter".

HISTORY OF MANAGEMENT AND PROMOTERS

Details of the associations of the directors, officers and promoters of the Company during the past five years with public companies is set out below.

Mr. Michael S. Singer was a director and officer of XISS Capital Corporation from December 1995 to August 1997. During such time, XISS Capital Corporation did not have its character cancelled nor were its securities the subject of a cease-trade order issued by the Ontario Securities Commission having a duration longer than 60 days.

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Sections 71, 130 and 138 of the *Securities Act (Ontario)* (the "Act") provide in effect that where a security is offered in the course of a distribution:

(a) a purchaser will not be bound by a contract for the purchase of such security if written or telegraphic notice of the purchaser's intention not to be bound is received by the dealer from whom the purchaser the security not later than midnight on the second business day after the latest prospectus and any amendment to the prospectus offering such security is received or deemed to be received by the purchaser or the purchaser's agent,

(b) if a prospectus, together with any amendment to the prospectus, contains a misrepresentation, a purchaser who purchases a security offered thereby during the period of distribution shall be deemed to have relied on such misrepresentation, if it was a misrepresentation at the time of purchase, and subject to the limitations set forth in the Act,

(1) has the right for damages against,

(i) the issuer or a selling security holder on whose behalf the distribution was made;
(ii) each underwriter required to sign the certificate required by Section 59 of the Act;
(iii) every director of the issuer at the time the prospectus or amendment was filed;
(iv) every person or company whose consent has been filed pursuant to a requirement of the regulations under the Act but only with respect to reports, opinions or statements made by them; and
(v) every other person or company who signed the prospectus or the amendment, or

(2) where the purchaser purchased the security from a person or company referred to in (i) or (ii) above or from another underwriter of the securities, the purchaser may elect to exercise a right of rescission against such person, company or underwriter, in which case the purchaser shall have no right or action for damages against such person, company or underwriter, and

(c) no action shall be commenced to enforce a right mentioned above more than:

(1) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
(2) in the case of any action other than an action for rescission, the earlier of,

(i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action; or
(ii) three years after the date of the transaction that gave rise to the cause of action.

Reference is made to the Act for the complete text of the provisions under which the foregoing rights are conferred and the foregoing summary is subject to the express provisions thereof.

ARLINGTON RESOURCES INC.

- FINANCIAL STATEMENTS -

JUNE 30, 1997

ARLINGTON RESOURCES INC.

JUNE 30, 1997

CONTENTS

KRAFT, ROTHMAN, BERGER, GRILL
SCHWARTZ & COHEN
CHARTERED ACCOUNTANTS==

AUDITORS' REPORT

To the Shareholders of
ARLINGTON RESOURCES INC.

We have audited the balance sheet of **ARLINGTON RESOURCES INC.** as at June 30, 1997 and the statements of loss and deficit and changes in financial position for the period from the date of incorporation, January 21, 1997 to June 30, 1997. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at June 30, 1997 and the results of its operations and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles.

"Kraft, Rothman, Berger, Grill, Schwartz & Cohen"
KRAFT, ROTHMAN, BERGER, GRILL, SCHWARTZ & COHEN
Chartered Accountants

Toronto, Ontario
July 16, 1997 (except for Note 10
which is as at October 22, 1997)

ARLINGTON RESOURCES INC.

BALANCE SHEET

JUNE 30, 1997

ASSETS

CURRENT	
Cash	$ 27,294
MINERAL PROPERTIES (Note 3)	44,000
DEFERRED EXPLORATION COSTS (Note 4)	70,468
	$141,762
	======

LIABILITIES

CURRENT	
Accounts payable	$ 3,500
Shareholder loan (Note 5)	18,250
	21,750

SHAREHOLDERS' EQUITY

SHARE CAPITAL (Note 6)	134,000
DEFICIT	(13,988)
	120,012
	$141,762
	======

See accompanying notes to financial statements.

ON BEHALF OF THE BOARD:

"D. Brian Smith"
Director

"David Alhadeff"
Director

ARLINGTON RESOURCES INC.

STATEMENT OF LOSS AND DEFICIT

FOR THE PERIOD FROM THE DATE OF INCORPORATION JANUARY 21, 1997 TO JUNE 30, 1997

INCOME		$ -
EXPENSES		
Audit and legal	5,475	
Bank charges and interest		150
Office		8,363
		13,988
NET LOSS FOR THE PERIOD, BEING DEFICIT, end of period	$	(13,988)
		======
NET LOSS PER SHARE (Note 7)		$(0.01)
		======

See accompanying notes to financial statements.

ARLINGTON RESOURCES INC.

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE PERIOD FROM THE DATE OF INCORPORATION
JANUARY 21, 1997 TO JUNE 30, 1997

OPERATING ACTIVITIES	
Net loss for the period	$ (13,988)
Change in non-cash components of working capital	3,500
	(10,488)
FINANCING ACTIVITIES	
Shares issued	134,000
Shareholder advances	18,250
	152,250
INVESTING ACTIVITIES	
Purchase of mineral properties	(44,000)
Deferred exploration expenditures	(70,468)
	(114,468)
CHANGE IN CASH, BEING CASH, end of period	$ 27,294

See accompanying notes to financial statements.

ARLINGTON RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1997

1. NATURE OF OPERATIONS

Arlington Resources Inc. was incorporated on January 21, 1997, under the laws of the Province of Ontario, to pursue opportunities in the acquisition, exploration and development of mineral resource properties.

The company is in the exploratory stage of its operations, not yet having determined whether the properties contain reserves that are economically recoverable. The ability of the company to recover the amounts shown for its resource properties and the related deferred exploration expenditures is dependent on the existence of economically recoverable reserves and upon future profitable production or proceeds from the disposition of the properties. The company's ability to continue as a going concern is reliant upon the discovery of economically recoverable reserves and its ability to obtain the necessary financing in order to fund its operations and exploration activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General and Administration Expenses

The company expenses all general and administrative expenditures not directly related to its mineral property acquisition and exploration activities to operations as incurred.

Mineral Properties

Costs incurred for mineral property acquisition, exploration and development are capitalized and deferred until the properties are placed into production, sold or abandoned and include the cash consideration and fair market value of shares issued for the acquisition of the mineral properties.

Deferred Exploration Costs

The deferred costs will be amortized over the estimated useful life of the properties upon the commencement of production or will be written off if the company's interests in the properties are abandoned or allowed to lapse.

3. MINERAL PROPERTIES

The company acquired a 100% undivided interest in two mineral claim blocks in the Kenora Mining Division of northern Ontario, comprising twelve units each, in consideration for the issuance of 200,000 common shares and a finders' fee of 20,000 shares for a total cost of $44,000. These claims are subject to a 1.5% net smelter return royalty. The company can purchase two-thirds of the NSR, effectively reducing it to 0.5%, by paying $1,000,000 to the seller any time prior to a public announcement being made advising that the property is being placed into production.

4. DEFERRED EXPLORATION COSTS

Magnetometer and VLF surveys	$ 26,773
Accommodation and road maintenance	12,450
Mobilization and demobilization	9,075
Miscellaneous	9,067
Labour	6,625
Drafting and reporting	6,478
	$ 70,468
	======

5. SHAREHOLDER LOAN

This loan is non-interest bearing and due on demand.

6. SHARE CAPITAL

Authorized share capital of the company is an unlimited number common shares which have been issued as follows.

	Shares	Amount	
Issued on incorporation	750,000	$	15,000
Issued for private financing	375,000	75,000	
Mining property acquisition including finders' fees	220,000	44,000	
	1,345,000	134,000	$

Warrants are outstanding in connection with the private financing for 375,000 common shares exercisable at the price of $.20 per share on or before May 1, 1998.

7. NET LOSS PER SHARE

Net loss per share is calculated using the weighted average number of shares outstanding during the year which was 1,091,250.

8. INCOME TAXES

(a) Non-capital Losses

The company has non-capital losses carried forward of approximately $120,0300 available to reduce future years taxable income. These losses expire in 2004.

(b) Canadian Exploration and Development Expenses

The company has Canadian exploration and developments expenses of approximately $114,500 which can only be used to reduce future income from resource properties.

9. RELATED PARTY TRANSACTIONS

The company paid $3,975 for legal services to a director and officer of the company which amount was incurred at a rate of no more or less than with unrelated parties.

10. SUBSEQUENT EVENTS

Preliminary Prospects

On August 22, 1997, the company filed a preliminary prospectus with the Ontario Securities Commission and agreed to enter into an underwriting agreement whereby the underwriter will offer for sale 750,000 units at a price of $.25 per unit. Each unit consists of one common share and one series "B" share purchase warrant for additional one common share at a price of $.25 for a period of one year from the approval date by the Ontario Securities Commission, for net proceeds of $173,440 before deducting the estimated costs of the offering at $25,000. Under the terms of the agreement, the underwriter must take down and pay for the underwritten securities within 30 days from the date a final receipt is issued by the Ontario Securities Commission for this prospectus.

Subsequent to filing the preliminary prospectus, the company contemplates filing an amended preliminary prospectus, in substitution for the previously filed preliminary prospectus, with the Ontario Securities Commission and entering into an underwriting agreement whereby the underwriter will offer for sale 1,250,000 units at a price of $.30 per unit. Each unit consists of one common share and one series "B" share purchase warrant for additional one common share at a price of $.25 for a period of one year from the approval date by the Ontario Securities Commission, for net proceeds of $337,500 before deducting the estimated costs of the offering at $25,000. Under the terms of the agreement, the underwriter must take down and pay for the underwritten securities within 30 days from the date a final receipt is issued by the Ontario Securities Commission for this prospectus

CERTIFICATES

DATED: October 24, 1997.

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part XV of the *Securities Act (Ontario)* and the regulations thereunder.

"D. Brian Smith" "David Alhadeff"
(signed) D. BRIAN SMITH (signed) DAVID ALHADEFF
Chief Executive Officer Treasurer

ON BEHALF OF THE BOARD OF DIRECTORS

"David Alhadeff" "Michael S. Singer"
(signed) DAVID ALHADEFF (signed) MICHAEL S. SINGER
Director Director

PROMOTERS

"D. Brian Smith"
(signed) D. BRIAN SMITH

CERTIFICATE OF UNDERWRITER

DATED: October 24, 1997

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part IV of the *Securities Act (Ontario)* and the regulations thereunder.

Standard Securities Capital Corporation

"Mark Marcello"
Per: (signed) Mark Marecllo,
Vice President

YOU SHOULD READ THIS NOTICE FROM THE
ONTARIO SECURITIES COMMISSION IMMEDIATELY

THIS RELATES TO THE SHARES
OFFERED BY THE ACCOMPANYING PROSPECTUS

RISK

THESE SHARES ARE SPECULATIVE. THE COMPANY DOES NOT NOW OWN OR HAVE ANY RIGHT TO A KNOWN BODY OF ORE. THE CHANCES OF FINDING A PROFITABLE ORE BODY ARE SMALL.

RESALE

THESE SHARES ARE NOT LISTED ON A STOCK EXCHANGE. ACCORDINGLY, YOU MAY NOT BE ABLE TO RESELL THEM. YOUR DEALER DOES NOT HAVE TO PURCHASE THESE SHARES BACK.

DILUTION

ONLY A PORTION OF THE PRICE PAID BY YOU FOR THE SHARES IS RECEIVED BY THE COMPANY AND IS AVAILABLE FOR EXPLORATION. THAT AMOUNT IS SHOWN ON THE FACE PAGE OF THE PROSPECTUS.

CANCELLATION

YOU ARE NOT REQUIRED TO PURCHASE THESE SHARES. IF YOU HAVE ALREADY PURCHASED OR AGREED TO PURCHASE SHARES, YOU MAY CANCEL THE PURCHASE BY SENDING OR DELIVERING NOTICE OF YOUR CANCELLATION TO THE DEALER FROM WHOM YOU PURCHASED THE SHARES. THIS NOTICE MUST BE RECEIVED BY THE DEALER NOT LATER THAN MIDNIGHT ON THE SECOND DAY AFTER YOUR RECEIPT OF THE ACCOMPANYING PROSPECTUS (NOT INCLUDING SUNDAYS AND HOLIDAYS).

VEUILLEZ LIRE IMMEDIATEMENT CET AVIS DE LA
COMMISSION DES VALEURS MOBILIERES DE L'ONTARIO

CONCERNANT LES ACTIONS
OFFERTES DANS LE PROSPECTUS D'ACCOMPAGNEMENT

RISQUES

CES ACTIONS SONT SPECULATIVES. LA COMPAGNIE NE DETIENT ACTUELLEMENT AUCUN TITRE DE PROPRIETE NI AUCUN DROIT SUR UN GISEMENT DE MINERAI CONNU. LES POSSIBILITES DE DECOUVERTE D'UN GISEMENT RENTABLE SONT FAIBLES.

REVENTE

CES ACTIONS NE SONT PAS COTEES EN BOURSE. VOUS POUVEZ, PAR CONSEQUENT, VOUS TROUVER DANS L'IMPOSSIBILITE DE LES REVENDRE. VOTRE COURTIER N'EST PAS TENU DE VOUS DES RACHETER.

DILUTION

LE MONTANT VERSE A LA COMPAGNIE ET UTILISE POUR LA PROSPECTION NE CONSTITUE QU'UNE PARTIE DU PRIX QUE VOUS PAYEZ POUR CES ACTIONS. CE MONTANT EST INDIQUE SUR LA PREMIERE PAGE DU PROSPECTUS.

ANNULATION

VOUS N'ETES PAS TENU D'ACHETER CES ACTIONS. SI VOUS AVEZ DEJA ACHET E OU CONVENU D'ACHETER DES ACTIONS, VOUS POUVEZ ANNULER CET ACHAT EN ENVOYANT OU EN REMETTANT UN AVIS D'ANNULATION AU COURTIER QUI VOUS A VENDU LESDITES ACTIONS. CET AVIS DOIT ETRE RECU PAR LE COURTIER AU PLUS TARD A MINUIT, LE SURLENDEMAIN DU JOUR OU VOUS AVEZ RECU LE PROSPECTUS D'ACCOMPAGNEMENT (EXCLUSION FAITE DES DIMANCHES ET JOURS FERIES).