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INCORPORATED AS PART OF:

 X Schedule A

 Schedules B and C

(Place X in appropriate category.)

ISSUER DETAILS

NAME OF ISSUER	FOR THE YEAR ENDED	DATE OF REPORT YY/MM/DD
MADISON ENTERPRISES CORP.	2003/10/31	2004/03/12

ISSUER'S ADDRESS

Suite 2000 – 1055 West Hastings Street

CITY	PROVINCE	POSTAL CODE	ISSUER FAX NO.	ISSUER TELEPHONE NO.
Vancouver	B.C.	V6E 2E9	(604) 331-8773	(604) 331-8772
CONTACT PERSON		CONTACT'S POSITION		CONTACT TELEPHONE NO.
James G. Stewart		Secretary		(604) 331-8772
CONTACT EMAIL ADDRESS			WEB SITE ADDRESS	
Jstewart@mine-tech.com			www.madison-enterprises.com	

CERTIFICATE

The three schedules required to complete this Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Report will be provided to any shareholder who requests it.

DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD
<i>"Chet Idziszek"</i>	Chet Idziszek	2004/03/12
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD
<i>"J.G. Stewart"</i>	J.G. Stewart	2004/03/12

(Electronic signatures should be entered in "quotations".)

MADISON ENTERPRISES CORP.

CONSOLIDATED FINANCIAL STATEMENTS
(An Exploration Stage Company)

OCTOBER 31, 2003

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Madison Enterprises Corp.

We have audited the consolidated balance sheet of Madison Enterprises Corp. as at October 31, 2003 and the consolidated statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian and United States 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act of British Columbia, we report that, in our opinion, these principles have been applied on a consistent basis.

The audited consolidated financial statements at October 31, 2002 and for the years ended October 31, 2002 and 2001 were examined by another auditor who expressed an opinion without reservation on those statements in their report dated December 16, 2002.

"DAVIDSON & COMPANY"

Vancouver, Canada

Chartered Accountants

January 16, 2004

A Member of SC INTERNATIONAL

MADISON ENTERPRISES CORP.
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
(Expressed in Canadian dollars)
AS AT OCTOBER 31

	2003	2002
ASSETS		
Current		
Cash and cash equivalents	\$ 664,653	\$ 262,096
Marketable securities (Note 3)	40,000	7,987
Receivables (Note 9(d))	241,854	64,457
Prepaid expenses and deposits	<u>3,857</u>	<u>33,857</u>
	950,364	368,397
Resource properties and deferred costs (Note 4)	43,271,169	41,128,775
Deferred financing costs (Note 9(a))	-	29,279
Equipment (Note 5)	<u>45,592</u>	<u>60,103</u>
	<u>\$ 44,267,125</u>	<u>\$ 41,586,554</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities (Note 9(b))	<u>\$ 128,994</u>	<u>\$ 124,397</u>
Shareholders' equity		
Capital stock (Note 6)		
Authorized		
300,000,000 common shares without par value		
Issued		
76,545,583 (2002 – 55,676,585) common shares	55,882,956	52,787,448
Stock options (Note 7)	188,984	30,131
Share purchase warrants (Note 8)	150,659	1,167,167
Contributed surplus (Note 8)	1,167,167	-
Deficit	<u>(13,251,635)</u>	<u>(12,522,589)</u>
	<u>44,138,131</u>	<u>41,462,157</u>
	<u>\$ 44,267,125</u>	<u>\$ 41,586,554</u>

Nature and continuance of operations (Note 1)

Contingencies and commitments (Note 11)

Subsequent events (Note 15)

On behalf of the Board:

“Chet Idziszek”

Director

“James G. Stewart”

Director

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

MADISON ENTERPRISES CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(Expressed in Canadian dollars)
YEAR ENDED OCTOBER 31

	2003	2002	2001
EXPENSES			
Accounting and audit	\$ 43,323	\$ 42,467	\$ 49,176
Bank charges	1,562	1,366	1,141
Depreciation	14,511	19,462	24,783
Filing fees	31,183	14,977	8,804
Insurance	3,725	3,623	4,377
Legal fees (Note 9(a))	65,462	27,991	55,930
Office and rent	222,667	282,513	250,987
Office rent reimbursements (Note 9c))	(112,303)	(154,643)	(136,284)
Property examination - net of tax credit	2,525	(11,719)	65,917
Public relations	86,208	89,094	70,677
Shareholder information	10,277	8,974	5,062
Stock-based compensation - consulting	158,853	30,131	-
Transfer agent's fees	11,278	8,132	7,389
Travel	26,144	18,688	7,286
Wages	<u>242,168</u>	<u>297,325</u>	<u>230,399</u>
	<u>(807,583)</u>	<u>(678,381)</u>	<u>(645,644)</u>
OTHER INCOME (EXPENSES)			
Interest earned (Note 9(f))	84,658	15,289	82,895
Foreign exchange gain (loss)	9,653	(5,828)	30,530
Loss on settlement of receivables (Note 9(e))	-	(6,825)	-
Loss on sale of marketable securities	(15,774)	-	-
Write-down of marketable securities	-	(2,250)	-
Write-off of resource properties and deferred costs	<u>-</u>	<u>-</u>	<u>(2,557,593)</u>
	<u>78,537</u>	<u>386</u>	<u>(2,444,168)</u>
Loss for the year	(729,046)	(677,995)	(3,089,812)
Deficit, beginning of year	<u>(12,522,589)</u>	<u>(11,844,594)</u>	<u>(8,754,782)</u>
Deficit, end of year	<u>\$ (13,251,635)</u>	<u>\$ (12,522,589)</u>	<u>\$ (11,844,594)</u>
Basic and diluted loss per share	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.07)</u>
Weighted average number of shares outstanding	<u>68,911,100</u>	<u>51,943,683</u>	<u>45,444,423</u>

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

MADISON ENTERPRISES CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOW
(Expressed in Canadian dollars)
YEAR ENDED OCTOBER 31

	2003	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year	\$ (729,046)	\$ (677,995)	\$ (3,089,812)
Items not affecting cash:			
Depreciation	14,511	19,462	24,783
Interest income settled by receipt of marketable securities	(40,000)	-	-
Loss on settlement of receivables	-	6,825	-
Loss on sale of marketable securities	15,774	-	-
Stock-based compensation - consulting	158,853	30,131	-
Write-down of marketable securities	-	2,250	-
Write-off of resource properties and deferred costs	-	-	2,557,593
Changes in non-cash working capital items:			
(Increase) decrease in receivables	(206,396)	(40,889)	16,484
Decrease in prepaid expenses and deposits	30,000	30,000	411
Increase (decrease) in accounts payable and accrued liabilities	14,207	(12,081)	(26,536)
Net cash used in operating activities	<u>(742,097)</u>	<u>(642,297)</u>	<u>(517,077)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issuance of capital stock	3,216,746	807,468	151,284
Payment of deferred financing costs	<u>-</u>	<u>(17,454)</u>	<u>-</u>
Net cash provided by financing activities	<u>3,216,746</u>	<u>790,014</u>	<u>151,284</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditures on resource properties	(2,093,304)	(1,012,883)	(1,441,446)
Purchase of equipment	-	(298)	(7,151)
Proceeds from sale of marketable securities	21,212	-	-
Loan receivable	(200,000)	-	-
Repayment of loan receivable	<u>200,000</u>	<u>-</u>	<u>-</u>
Net cash used in investing activities	<u>(2,072,092)</u>	<u>(1,013,181)</u>	<u>(1,448,597)</u>
Change in cash and cash equivalents	402,557	(865,464)	(1,814,390)
Cash and cash equivalents, beginning of year	<u>262,096</u>	<u>1,127,560</u>	<u>2,941,950</u>
Cash and cash equivalents, end of year	<u>\$ 664,653</u>	<u>\$ 262,096</u>	<u>\$ 1,127,560</u>

Supplemental disclosure with respect to cash flows (Note 13)

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

MADISON ENTERPRISES CORP.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

OCTOBER 31, 2003

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated in the Province of British Columbia and is in the process of exploring its resource properties and has not determined whether these properties contain ore reserves that are economically recoverable. To date, the Company has not earned significant revenues and is considered to be in the exploration stage.

At October 31, 2003, the Company had working capital of \$821,370 (2002 - \$244,000), which, together with the proceeds from share issuances subsequent to year-end (Note 15), management believes will be sufficient to meet the Company's general and administrative expenses and minimum expenditure commitments on its resource properties (Note 4) for the coming year. If the Company is to advance or develop its mineral properties further, it will be necessary to obtain additional funding and while the Company has been successful in the past, there can be no assurance that it will be able to do so in the future.

These consolidated financial statements have been prepared on a going concern basis, which assumes the Company will be able to realize assets and discharge liabilities in the normal course of business for the foreseeable future. These consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern.

The business of exploring resource properties involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable operations. The recoverability of amounts shown for resource properties is dependent upon the discovery of economically recoverable ore reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to complete exploration and subsequent development, and upon future profitable production from the properties or proceeds from disposition. The amounts shown as resource properties represent net costs to date, and do not necessarily represent present or future values.

Although the Company has taken steps to verify the title to resource properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, transfers or native land claims, and title may be affected by undetected defects.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and the following wholly-owned subsidiaries: Madison Enterprises (PNG) Pty. Ltd., Matu Mining Pty. Ltd., Frontier Mining & Exploration NL, and Oakland Limited, all Papua New Guinea corporations; Madison Enterprises (BVI) Inc., a British Virgin Island corporation; Madison Enterprises (Latin American), S.A., a Panama corporation; and Madison Enterprises (Nevada) Inc.

All significant intercompany transactions and balances have been eliminated upon consolidation.

MADISON ENTERPRISES CORP.
(An Exploration Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
OCTOBER 31, 2003

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Use of estimates

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those reported.

Cash and cash equivalents

Cash and cash equivalents comprise cash, demand deposits and term deposits maturing within 90 days from the original date of acquisition. To limit its credit risk exposure in excess of federally insured amounts, the Company places its deposits with financial institutions with high credit standing.

Marketable securities

Investments in marketable securities are recorded at the lower of cost or market value on an individual investment basis.

Resource properties and deferred costs

Acquisition costs of resource properties together with direct exploration expenditures incurred thereon are deferred until the property to which they relate is placed into production, sold or abandoned. Where necessary, the carrying values of resource properties are written down to the estimated recoverable amount based on undiscounted estimated future net cash flows. Costs relating to properties abandoned are written off when the decision to abandon is made.

Management of the Company regularly reviews the net carrying value of its resource properties. Where information is available and conditions suggest impairment, estimated future net cash flows from each property are calculated using estimated future prices, proven and probable reserves, and operating, capital and reclamation costs on an undiscounted basis. Reductions in the carrying value of each property would be recorded to the extent the net book value of the investment exceeds the estimated future cash flows.

Where estimates of future net cash flows are not available and where other conditions such as the exploration results incurred by the Company and others suggest an impairment, management assesses if the carrying value can be recovered.

MADISON ENTERPRISES CORP.
(An Exploration Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
OCTOBER 31, 2003

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Equipment

Equipment is recorded at cost less depreciation which is provided for using the declining balance method at the following annual rates:

Computer equipment	30%
Furniture and fixtures	20%
Office equipment	20%

Foreign currency translation

Foreign operations are integrated and translated using the temporal method. Under this method, monetary assets and liabilities are translated at year-end exchange rates, non-monetary assets and liabilities are translated at rates prevailing at the respective transaction dates, and revenue and expenses, except for depreciation, are translated at rates approximating those in effect at the transaction dates. Translation gains and losses are reflected in the loss for the year.

Foreign currency denominated monetary accounts of the Company are translated at the year-end exchange rate. Exchange gains and losses on translation are recognized in the year they arise.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the years presented, this calculation proved to be anti-dilutive. At October 31, 2003, 2002 and 2001, the total number of potentially dilutive shares excluded from loss per share was 15,395,232, 11,750,580, and 11,653,889, respectively.

Stock-based compensation

The Company grants options as described in Note 7. Effective November 1, 2001, the Company adopted the new CICA Handbook Section 3870 "Stock-Based Compensation and Other Stock-Based Payments", which recommends the fair value-based methodology for measuring compensation costs. The new section also permits, and the Company has adopted, the use of the intrinsic value-based method, which recognizes compensation cost for awards to employees only when the market price exceeds the exercise price at date of grant, but requires pro-forma disclosure of loss and loss per share as if the fair value method had been adopted.

MADISON ENTERPRISES CORP.
 (An Exploration Stage Company)
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 (Expressed in Canadian dollars)
 OCTOBER 31, 2003

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Income taxes

Future income taxes are recorded using the asset and liability method. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

3 MARKETABLE SECURITIES

At October 31, 2003, marketable securities had a market value of \$288,000 (2002 - \$7,987). During the year ended October 31, 2002, marketable securities were written down by \$2,250.

Marketable securities at October 31, 2003 consisted of publicly traded shares of a related company (Note 9(f)).

4. RESOURCE PROPERTIES AND DEFERRED COSTS

	Acquisition Costs	Option Fees	Exploration Expenditures	2003 Total
Mt. Kare, Papua New Guinea	\$ 9,612,905	\$ -	\$ 32,109,097	\$ 41,722,002
Lewis Property, Nevada	-	152,683	1,396,484	1,549,167
	\$ 9,612,905	\$ 152,683	\$ 33,505,581	\$ 43,271,169

	Acquisition Costs	Option Fees	Exploration Expenditures	2002 Total
Mt. Kare, Papua New Guinea	\$ 9,612,905	\$ -	\$ 31,116,319	\$ 40,729,224
Lewis Property, Nevada	-	103,409	296,142	399,551
	\$ 9,612,905	\$ 103,409	\$ 31,412,461	\$ 41,128,775

MADISON ENTERPRISES CORP.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

OCTOBER 31, 2003

4. RESOURCE PROPERTIES AND DEFERRED COSTS (cont'd...)

	Mt. Kare, Papua New Guinea	Lewis Property, Nevada	Total
Balance, October 31, 2001	\$ 40,060,952	\$ -	\$ 40,060,952
Assays	6,468	443	6,911
Camp costs	51,903	155	52,058
Community relations	107,746	-	107,746
Contractors and geologic staff	235,664	92,048	327,712
Drilling	-	86,625	86,625
Evaluation of alluvial resource	2,006	-	2,006
Geological supplies and equipment	-	2,812	2,812
Helicopter	116,176	-	116,176
Land and legal	64,631	90,783	155,414
Option fees	-	103,409	103,409
Port Moresby office	35,250	-	35,250
Technical reports, printing and copying	-	5,726	5,726
Travel and accommodation	56,328	17,550	73,878
VAT refundable	(7,900)	-	(7,900)
Balance, October 31, 2002	<u>40,729,224</u>	<u>399,551</u>	<u>41,128,775</u>
Assays	14,347	109,477	123,824
Camp costs	173,978	1,924	175,902
Community relations	297,092	-	297,092
Contractors and geological staff	156,171	429,060	585,231
Drilling	-	393,499	393,499
Evaluation of alluvial resource	1,937	-	1,937
Geological supplies and equipment	-	6,504	6,504
Helicopter	163,569	-	163,569
Land and legal	92,241	86,600	178,841
Option fees	-	49,274	49,274
Port Moresby office	25,694	-	25,694
Reclamation deposit	-	7,012	7,012
Technical reports, printing and copying	-	3,710	3,710
Travel and accommodation	<u>67,749</u>	<u>62,556</u>	<u>130,305</u>
	<u>992,778</u>	<u>1,149,616</u>	<u>2,142,394</u>
Balance, October 31, 2003	\$ 41,722,002	\$ 1,549,167	\$ 43,271,169

MADISON ENTERPRISES CORP.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

OCTOBER 31, 2003

4. RESOURCE PROPERTIES AND DEFERRED COSTS (cont'd...)

Mt. Kare, Papua New Guinea

The Company owns a 90% interest in the Mt. Kare property located in Papua New Guinea. The remaining 10% of the property is held in trust for the traditional landowners at Mt. Kare. The Company acquired a 65% interest in Mt. Kare pursuant to an option agreement, and the remaining 25% interest was acquired pursuant to a sale agreement which closed during the year ended October 31, 2000.

The interest in the Mt. Kare property is by way of an exploration license, renewable in two-year terms. The license provides that, at any time prior to the commencement of mining, the government of Papua New Guinea may purchase up to a 30% equity interest for a price equal to its proportionate share of the accumulated historical exploration expenditures of the owner(s), and then will be required to participate pro-rata in additional required development expenditures. During the year ended October 31, 2002, the exploration license was renewed for a further two-year term to August 29, 2004.

Lewis Property, Nevada

During the year ended October 31, 2002, the Company entered into agreements whereby it has the option to acquire up to a 75% interest in the Lewis Property, located in Lander County in the Battle Mountain District of central Nevada.

The Company and Great American Minerals Exploration LLC ("GAME") have entered into an exploration and option to purchase agreement with F.W. Lewis Inc. dated May 29, 2002 (the "Lewis Agreement") to jointly acquire a 100% interest in the Lewis Property.

The Company and GAME have entered into a joint venture letter agreement dated May 23, 2002 (the "GAME Agreement"). Under the GAME Agreement, the Company can acquire a 51% interest in the Lewis Property and then elect to enter into a joint venture with GAME or earn up to a 75% interest.

To exercise their option to acquire a joint 100% interest in the Lewis Property, the Company and GAME must make the following payments:

- i) US\$25,000 on execution of the Lewis Agreement (paid);
- ii) US\$2,000 per month from June 1, 2002 to December 1, 2002 (paid);
- iii) US\$3,000 per month thereafter until the purchase option in the Lewis Agreement is exercised or terminated; and
- iv) purchase option of US\$2,000,000 by December 31, 2007.

MADISON ENTERPRISES CORP.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

OCTOBER 31, 2003

4. RESOURCE PROPERTIES AND DEFERRED COSTS (cont'd...)**Lewis Property, Nevada (cont'd...)**

The Company and GAME are committed to initial on-site exploration expenditures of US\$250,000 by December 31, 2002 (incurred) and unless the purchase option is exercised by January 1 or the Lewis Agreement is terminated before December 1, the Company and GAME must incur a further US\$150,000 to December 31, 2003 (incurred) and US\$250,000 in subsequent years in on-site exploration expenditures each year. Excess expenditures may be carried forward and credited against these future commitments.

The Lewis Property is subject to an advance minimum royalty of US\$60,000 per year commencing on the exercise of the purchase option, a 5% gross royalty on gold and a 4% net smelter returns royalty on all other metals. These royalties can be purchased for US\$4,000,000 for a period of one year following the exercise of the purchase option increasing by US\$500,000 per annum on each anniversary of the date of exercise of the purchase option.

Under the GAME Agreement, the Company can earn a 51% interest in the Lewis Property by paying GAME US\$25,000 (paid) and paying the US\$111,000 (US\$69,000 paid) in property payments which are due before December 31, 2004 pursuant to the Lewis Agreement. The Company must also incur US\$650,000 in on-site exploration expenditures by December 31, 2004 as required under the Lewis Agreement. Once the Company has earned a 51% interest, it can elect to enter into a joint venture with GAME with all costs to be borne by the parties on a pro-rata basis. Alternatively, the Company can earn a further 9% interest by paying the US\$72,000 in property payments due from January 1, 2005 to December 31, 2006 under the Lewis Agreement and incurring a further US\$500,000 in exploration expenditures by December 31, 2006 with US\$250,000 to be spent in each year. If the Company elects to acquire the additional 9% interest, GAME can elect to participate on a 60/40 joint venture basis or allow the Company to acquire a further 15% interest (75% in the aggregate) by completing an industry standard bankable feasibility study and arranging non-recourse project financing for GAME's remaining 25% interest.

Subsequent to October 31, 2003, the Company met its requirements to earn a 51% interest in the Lewis property.

Belencillo, Panama

The Company holds a 31.12% interest in the Belencillo exploration concession located in the Republic of Panama, with the remaining interest being held by Adrian Resources Ltd., a company related by directors in common. The Company currently has no intention to make further exploration expenditures on the property and, accordingly, during the year ended October 31, 2001, wrote off \$2,267,471 along with costs of \$290,122 related to technical due diligence of a potential mineral property acquisition.

5. EQUIPMENT

	2003			2002		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Computer equipment	\$ 118,099	\$ 100,667	\$ 17,432	\$ 118,099	\$ 93,196	\$ 24,903
Furniture and fixtures	64,320	43,604	20,716	64,320	38,425	25,895
Office and equipment	<u>25,666</u>	<u>18,222</u>	<u>7,444</u>	<u>25,666</u>	<u>16,361</u>	<u>9,305</u>

\$ 208,085 \$ 162,493 \$ 45,592 \$ 208,085 \$ 147,982 \$ 60,103

MADISON ENTERPRISES CORP.
(An Exploration Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
OCTOBER 31, 2003

6. CAPITAL STOCK

	Number of Shares	Amount
Balance as at October 31, 2000	44,730,516	\$ 51,700,144
Private placement (b)	733,137	151,284
Compensation (c)	<u>609,353</u>	<u>65,116</u>
Balance as at October 31, 2001	46,073,006	51,916,544
Compensation (d)	583,579	63,436
Private placement (e)	8,700,000	870,000
Finder's fee (e)	320,000	32,000
Share issue costs (e)	<u>-</u>	<u>(94,532)</u>
Balance as at October 31, 2002	55,676,585	52,787,448
Compensation (f)	293,532	46,875
Exercise of stock options	148,000	23,400
Exercise of warrants (e)	5,260,000	638,400
Private placement (g)	4,163,466	496,025
Private placement (h)	<u>11,004,000</u>	<u>1,890,808</u>
Balance as at October 31, 2003	<u>76,545,583</u>	<u>\$ 55,882,956</u>

- a) The shareholders of the Company have adopted a shareholder rights plan (the "Plan") creating the potential for substantial dilution of an acquirer's position except with respect to a "permitted bid." The rights issuable to shareholders under the Plan entitle the holders, other than the acquiring person, to purchase an additional share at 50% of the market price, upon the occurrence of certain triggering events. The main such event is the acquisition of 20% or more of the common shares of the Company by an individual or several persons acting in concert in a transaction not approved by the board of directors. The Plan has a ten-year term and expires on March 5, 2008.
- b) In February 2001, the Company closed a private placement consisting of 733,137 common shares issued at a price of \$0.21 per share for proceeds of \$151,284, net of share issue costs of \$2,675.
- c) During the year ended October 31, 2001, the Company issued 609,353 common shares to certain employees and consultants valued at \$65,116, as compensation for a reduction in remuneration.
- d) During the year ended October 31, 2002, the Company issued 583,579 common shares to certain employees and consultants valued at \$63,436, as compensation for a reduction in remuneration.

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6. CAPITAL STOCK (cont'd...)

- e) In March 2002, the Company issued 8,700,000 units at a price of \$0.10 per unit for proceeds of \$807,468, net of \$32,000 in commission and \$30,532 in issuance costs. Each unit consisted of one common share and one half share purchase warrant. Each whole warrant entitled the holder to purchase one additional common share of the Company at a price of \$0.12 per share as to 4,000,000 warrants and at a price of \$0.14 as to 350,000 warrants, in both cases until September 21, 2003.

In connection with this placement, the Company paid a finder's fee consisting of 320,000 shares at a value of \$32,000. The Company also issued brokers' warrants entitling the agent to purchase up to 910,000 common shares of the Company at a price of \$0.12 per share as to 900,000 warrants and at a price of \$0.14 as to 10,000 warrants, in both cases until September 21, 2003.

All warrants associated with this placement were exercised during the year ended October 31, 2003.

- f) During the year ended October 31, 2003, the Company issued 293,532 common shares, valued at \$46,875, to the president of the Company as compensation for a reduction in remuneration.
- g) In November 2002, the Company closed a brokered private placement consisting of 4,003,333 units at a price of \$0.15 per unit for cash proceeds of \$539,181, net of \$24,020 in cash commission and \$37,299 in issuance costs (of which \$17,454 was paid during the year ended October 31, 2002). Each unit consisted of one common share and one half share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.18 per share until November 5, 2003, and at a price of \$0.20 per share thereafter until November 5, 2004. The agent received a commission of 8% of the gross proceeds, paid half in cash (\$24,020) and half in units (160,133 units), and broker's warrants entitling the holder to purchase up to 600,500 shares of the Company at a price of \$0.18 per share until November 5, 2003 and at a price of \$0.20 per share thereafter until November 5, 2004. The fair value of these broker warrants is estimated to be \$43,156 which has been recorded as share issue costs of \$43,156 with a corresponding share purchase warrants amount recorded in shareholders' equity. The fair value was estimated using the Black-Scholes option pricing model with a risk-free interest rate of 3.2%, an expected life of two years, expected volatility of 100% and an expected dividend yield of 0.0%.
- h) In February 2003, the Company closed a brokered private placement consisting of 10,900,000 units and a non-brokered private placement consisting of 100,000 units at a price of \$0.20 per unit for cash proceeds of \$1,998,311, net of \$174,400 in commission and \$27,289 in issuance costs. Each unit consisted of one common share and one half share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one additional common share at a price of \$0.25 per share until February 24, 2004. The agent received a cash fee of \$174,400, 4,000 units with the same terms as above and 1,650,000 broker's warrants exercisable into common shares at a price of \$0.25 per share until February 24, 2004. The fair value of these broker warrants is estimated to be \$107,503 which has been recorded as share issue costs of \$107,503 with a corresponding share purchase warrants amount recorded in shareholders' equity. The fair value was estimated using the Black-Scholes option pricing model with a risk-free interest rate of 3.5%, an expected life of one year, expected volatility of 100% and an expected dividend yield of 0.0%.
- i) During the year ended October 31, 2003, the Company increased its authorized share capital from 100,000,000 common shares without par value to 300,000,000 common shares without par value.

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7. STOCK OPTIONS

The Company has a stock option plan that authorizes the board of directors to grant incentive stock options to directors, officers, consultants and employees. The maximum number of shares reserved for issuance under the Plan is 5,984,000 common shares. The aggregate number of common shares reserved for issuance to any person may not exceed 5% of the number of outstanding common shares. The exercise price of options will be determined by the fair market value of the shares at the date of grant, all of which vest immediately and are exercisable over five years.

As at October 31, 2003, the following stock options were outstanding and exercisable:

Number of Shares	Exercise Price	Expiry Date
2,490,580	\$ 0.17	March 6, 2006
552,000	0.15	May 21, 2007
<u>2,518,420</u>	0.20	December 30, 2007
5,561,000		

Stock option transactions are summarized as follows:

	2003		2002		2001	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	3,315,580	\$ 0.17	3,315,580	\$ 0.17	2,855,580	\$ 0.73
Granted	2,668,420	0.20	640,000	0.15	3,315,580	0.17
Cancelled/forfeited	(275,000)	0.19	(640,000)	0.17	(2,855,580)	0.73
Exercised	<u>(148,000)</u>	0.16	-	-	-	-
Outstanding, end of year	5,561,000	\$ 0.18	3,315,580	\$ 0.17	3,315,580	\$ 0.17

The weighted average fair value of options granted during the current year was approximately \$0.15 per share.

Total stock-based compensation for the fair value of stock options granted to consultants and non-employees recognized during the year ended October 31, 2003 was \$158,853 (2002 - \$30,131) which has been recorded in the consolidated statement of operations as stock-based compensation - consulting with a corresponding stock option amount recorded in shareholders' equity.

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7. STOCK OPTIONS (cont'd...)

The Company has elected to measure compensation costs for stock options granted to employees and directors using the intrinsic value-based method for employee stock options. Under this method, no compensation expense was recognized when the stock options were granted. Had compensation costs been determined based on the fair value of the options, additional compensation expense would have been recorded as follows:

	2003	2002
Loss for the year		
Reported	\$ 729,046	\$ 677,995
Pro-forma	982,563	701,085
Basic and diluted loss per share		
Reported	\$ (0.01)	\$ (0.01)
Pro-forma	(0.01)	(0.01)

The fair value of stock options used to calculate compensation expense is estimated using the Black-Scholes option pricing model with the following assumptions:

	2003	2002
Risk-free interest	4%	3%
Expected dividend yield	-	-
Expected stock price volatility	102%	95%
Expected option life	5 years	5 years

Option pricing models require the input of highly subjective assumptions including expected stock price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

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8. SHARE PURCHASE WARRANTS

As at October 31, 2003, the following share purchase warrants were outstanding and exercisable:

Number of Shares		Exercise Price	Expiry Date
2,001,666		\$ 0.18	November 5, 2003
	then at	0.20	November 5, 2004
680,566		0.18	November 5, 2003
	then at	0.20	November 5, 2004
5,500,000		0.25	February 24, 2004
<u>1,652,000</u>		0.25	February 24, 2004
9,834,232			

Share purchase warrant transactions are summarized as follows:

	2003		2002		2001	
	Number of shares	Weighted Average Exercise Price	Number of shares	Weighted Average Exercise Price	Number of shares	Weighted Average Exercise Price
Outstanding, beginning of year	8,435,000	\$ 0.64	8,338,309	\$ 0.94	11,357,175	\$ 0.77
Issued	9,834,232	0.23	5,260,000	0.12	-	-
Exercised	(5,260,000)	0.12	-	-	-	-
Expired	<u>(3,175,000)</u>	1.50	<u>(5,163,309)</u>	0.90	<u>(3,018,866)</u>	0.65
Outstanding, end of year	9,834,232	\$ 0.23	8,435,000	\$ 0.64	8,338,309	\$ 0.94

Included in share purchase warrants issued during the current year are 2,250,500 broker warrants issued with a value of \$150,659 (Note 6g) and h)).

The Company issued 3,175,000 share purchase warrants in connection with an acquisition in November 1999, the fair value of which has been recorded as \$1,167,167. During the year ended October 31, 2003, these warrants expired unexercised and their value has been transferred to contributed surplus.

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9. RELATED PARTY TRANSACTIONS

- a) The Company incurred the following expenses with directors and a company related by way of directors in common:

	2003	2002	2001
Deferred financing costs	\$ -	\$ 22,279	\$ -
Legal fees	49,325	21,444	48,337
Exploration management and other expenditures on resource properties	31,284	59,044	68,073
Share issue costs charged to capital stock	21,250	23,032	2,675

- b) At October 31, 2003, accounts payable and accrued liabilities included \$1,546 (2002 - \$36,356) due to officers of the Company and companies related by way of directors in common.
- c) During the year ended October 31, 2003, the Company recorded reimbursements of \$112,303 (2002 - \$154,643; 2001 - \$136,284) for rental of office space from companies related by way of directors in common, under rental agreements between the related companies.
- d) During the year ended October 31, 2003, the Company funded some general and administrative expenses for companies related by way of common directors. At October 31, 2003, receivables included \$223,575 (2002 - \$53,516) due from these related companies.
- e) During the year ended October 31, 2003, the Company received marketable securities with a value of \$28,999 (2002 - \$10,237) in settlement of \$28,999 (2002 - \$17,062) of receivables from a related party arising from office space rental (c) and general administrative expenses (d), resulting in a loss on settlement of receivables of \$Nil (2002 - \$6,825).
- f) During the year ended October 31, 2003, the Company loaned \$200,000 to a publicly traded company related by way of common directors. This loan was repaid during the current year. The Company received interest income of \$2,630 pursuant to the loan plus a bonus consisting of marketable securities of the publicly traded related company with a value of \$40,000 which has also been recorded as interest income.
- g) During the year ended October 31, 2003, the Company issued 293,532 common shares, valued at \$46,875, to the president of the Company as compensation for a reduction in remuneration.

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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10. INCOME TAXES

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	2003	2002	2001
Statutory tax rate	37.6%	39.6%	\$ 44.6%
Loss for the year	\$ (729,046)	\$ (677,995)	\$ (3,089,812)
Expected income tax recovery	\$ 274,267	\$ 268,622	\$ 1,378,674
Tax deductible share issue costs	61,177	94,300	99,063
Items not deductible for tax purposes	(65,954)	(9,154)	(1,154,487)
Losses for which no tax benefit has been recognized	(269,490)	(353,768)	(323,250)
Total income tax recovery	\$ -	\$ -	\$ -

The significant components of the Company's future income tax assets are as follows:

	2003	2002
Future income tax assets		
Resource properties and equipment	\$ 1,252,333	\$ 1,182,728
Non-capital loss carry-forwards	2,432,289	2,618,525
Share issue costs	187,248	177,413
	3,871,870	3,978,666
Less: valuation allowance	(3,871,870)	(3,978,666)
	\$ -	\$ -

The Company has non-capital losses of approximately \$6,800,000 available for deduction against future years' taxable income in Canada. These losses, if unutilized, will expire through to 2010. The future tax benefits which may arise as a result of these non-capital losses, resource expenditures and share issue costs have not been recognized in these consolidated financial statements and have been offset by a valuation allowance.

Subject to certain restrictions, the Company has exploration and development expenditures available to reduce future taxable income in Canada and Papua New Guinea. Future tax benefits that may arise as a result of these expenditures have not been recognized in these consolidated financial statements.

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11. CONTINGENCIES AND COMMITMENTS

a) The Company is committed to make lease payments for the rental of office space as follows:

2004	\$	30,770
2005		31,187
2006		31,770
2007		31,770
2008		18,533

b) The Company is committed to certain exploration expenditures at the Lewis Property, as set out in Note 4.

12. SEGMENT INFORMATION

The Company has one operating segment being the exploration of mineral properties located in Papua New Guinea and the United States (Note 4). All equipment is held in Canada (Note 5).

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2003	2002	2001
Non-cash operating activities			
Accrued wage expense settled with capital stock	\$ (11,720)	\$ (12,291)	\$ (4,686)
Receivables settled with marketable securities	28,999	10,237	-
Accounts payable incurred for resource property expenditures	13,935	-	-
Accrued deferred financing costs applied against capital stock	(11,825)	-	-
	<u>\$ 19,389</u>	<u>\$ (2,054)</u>	<u>\$ (4,686)</u>
Non-cash financing activities			
Contributed surplus	\$ 1,167,167	\$ -	\$ -
Share purchase warrants expired	(1,167,167)	-	-
Share purchase warrants issued to brokers	150,659	-	-
Share issue costs settled with share purchase warrants	(150,659)	-	-
Deferred financing costs allocated to share issue costs	17,454	-	-
Share issue costs allocated from deferred financing costs	(17,454)	-	-
Capital stock issued for wage expense	46,875	63,436	65,116
Accrued deferred financing costs applied against capital stock	11,825	-	-
	<u>\$ 58,700</u>	<u>\$ 63,436</u>	<u>\$ 65,116</u>
Non-cash investing activities			
Resource property expenditures settled with capital stock	\$ (35,155)	\$ (51,145)	\$ (60,430)
Resource property expenditures incurred through accounts payable	(13,935)	-	-
Marketable securities received in settlement of receivables	(28,999)	(10,237)	-

\$ (78,089) \$ (61,382) \$ (60,430)

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14 FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, receivables and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

The Company is subject to financial risk arising from fluctuations in foreign currency exchange rates. The Company does not use any derivative instruments to reduce its exposure to fluctuations in foreign currency exchange rates.

15. SUBSEQUENT EVENTS

The following events occurred subsequent to October 31, 2003:

- a) The Company issued 475,000 common shares for proceeds of \$82,000 on the exercise of stock options.
- b) The Company issued 185,000 common shares for proceeds of \$40,750 on the exercise of warrants.
- c) The Company has agreed, subject to regulatory approval, to grant 100,000 incentive stock options exercisable at a price of \$0.46 per share until December 3, 2008.

16. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada ("Canadian GAAP"). Material variations in accounting principles, practices and methods used in preparing these consolidated financial statements from principles, practices and methods accepted in the United States ("U.S. GAAP") are described and quantified below:

Loss for the year

	2003	2002	2001
Loss for the year - Canadian GAAP	\$ (729,046)	\$ (677,995)	\$ (3,089,812)
Exploration expenditures and option fees expensed under U.S. GAAP	(2,142,394)	(1,067,823)	(1,438,157)
Exploration expenditures written off in the year that would have been expensed under U.S. GAAP in previous years when incurred	-	-	1,848,093
Loss for the year - U.S. GAAP	(2,871,440)	(1,745,818)	(2,679,876)
Holding gains on marketable securities	248,000	-	-
Comprehensive loss - U.S. GAAP	\$ (2,623,440)	\$ (1,745,818)	\$ (2,679,876)

Basic and diluted loss per share - U.S. GAAP	\$	(0.04)	\$	(0.03)	\$	(0.06)
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16. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (cont'd...)

Marketable securities

	2003	2002
Marketable securities - Canadian GAAP	\$ 40,000	\$ 7,987
Holding gains on marketable securities	<u>248,000</u>	<u>-</u>
Marketable securities - U.S. GAAP	<u>\$ 288,000</u>	<u>\$ 7,987</u>

Resource properties

	2003	2002
Resource properties - Canadian GAAP	\$ 43,271,169	\$ 41,128,775
Cumulative exploration expenditures and option fees expensed	<u>(33,658,264)</u>	<u>(31,515,870)</u>
Resource properties - U.S. GAAP	<u>\$ 9,612,905</u>	<u>\$ 9,612,905</u>

Shareholders' equity

	2003	2002
Shareholders' equity - Canadian GAAP	\$ 44,138,131	\$ 41,462,157
Cumulative exploration expenditures and option fees expensed	(33,658,264)	(31,515,870)
Holding gains on marketable securities	<u>248,000</u>	<u>-</u>
Shareholders' equity - U.S. GAAP	<u>\$ 10,727,867</u>	<u>\$ 9,946,287</u>

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16. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (cont'd...)

Cash flows

	2003	2002	2001
Cash flows from operating activities			
Per Canadian GAAP	\$ (742,097)	\$ (642,297)	\$ (517,077)
Expenditures on resource properties	<u>(2,093,304)</u>	<u>(1,012,883)</u>	<u>(1,441,446)</u>
Per U.S. GAAP	<u>\$ (2,835,401)</u>	<u>\$ (1,655,180)</u>	<u>\$ (1,958,523)</u>
Cash flows from investing activities			
Per Canadian GAAP	\$ (2,072,092)	\$ (1,013,181)	\$ (1,448,597)
Expenditures on resource properties	<u>2,093,304</u>	<u>1,012,883</u>	<u>1,441,446</u>
Per U.S. GAAP	<u>\$ 21,212</u>	<u>\$ (298)</u>	<u>\$ (7,151)</u>

a) Resource properties

Resource property costs and related exploration expenditures are accounted for in accordance with Canadian GAAP as disclosed in Note 2. For U.S. GAAP purposes, the Company expenses, as incurred, the exploration costs and option fees relating to unproven mineral properties. When proven and probable reserves are determined for a property and a feasibility study prepared, then subsequent exploration and development costs of the property would be capitalized. The capitalized costs of such properties would then be measured periodically, for recoverability of carrying values.

b) Stock-based compensation

For U.S. GAAP purposes, the Company accounts for stock-based compensation arrangements using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees". Accordingly, since stock options are granted at exercise prices that are at or above the quoted market value of the Company's common shares at the date of grant, there is no compensation cost to be recognized by the Company.

Under Canadian GAAP, the reporting of stock-based compensation expense in the Company's consolidated financial statements was not required for the year ended October 31, 2001. New accounting and disclosure standards were introduced under Canadian GAAP for the fiscal year ended October 31, 2002. Accordingly, there is no difference between Canadian and U.S. GAAP on the accounting for stock-based compensation for the years ended October 31, 2003 and 2002.

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16. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (cont'd...)

c) Marketable securities

Under Canadian GAAP, the marketable securities held by the Company are recorded at the lower of cost and market value. Under U.S. GAAP, these investments would be classified as "available for sale" securities and recorded at market value. Any unrealized holding gains or losses would be reported as a separate component of shareholders' equity until realized. This accumulated difference between cost and market value is also recorded as part of comprehensive income.

d) Recent accounting pronouncements

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statements of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143") that records the fair value of the liability for closure and removal costs associated with the legal obligations upon retirement or removal of any tangible long-lived assets. The initial recognition of the liability will be capitalized as part of the asset cost and depreciated over its estimated useful life. SFAS 143 is required to be adopted effective January 1, 2003.

In August 2001, FASB issued Statements of Financial Accounting Standards No. 144, "Accounting for the Impairment on Disposal of Long-lived Assets" ("SFAS 144"), which supersedes Statements of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-lived Assets and for Long-lived Assets to be Disposed of". SFAS 144 requires that long-lived assets that are to be disposed of by sale be measured at the lower of book value or fair value less cost to sell. Additionally, SFAS 144 expands the scope of discontinued operations to include all components of an entity with operations that (1) can be distinguished from the rest of the entity and (2) will be eliminated from the ongoing operations of the entity in a disposal transaction. SFAS 144 is effective for fiscal years beginning after December 15, 2001, and, generally, its provisions are to be applied prospectively.

In June 2002, FASB issued Statements of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146") that nullifies Emerging Issues Task Force No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (Including Certain Costs Incurred in a Restructuring)" ("EITF 94-3"). SFAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred, whereby EITF 94-3 had recognized the liability at the commitment date to an exit plan. The provisions of this statement are effective for exit or disposal activities that are initiated after December 31, 2002 with earlier application encouraged.

In October 2002, FASB issued Statements of Financial Accounting Standards No. 147, "Accounting of Certain Financial Institutions – an amendment of FASB Statements No. 72 and 44 and FASB Interpretation No. 9" ("SFAS 147"). SFAS 147 requires the application of the purchase method of accounting to all acquisitions of financial institutions, except transactions between two or more mutual enterprises. SFAS 147 is effective for acquisitions for which the date of acquisition is on or after October 1, 2002.

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16. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (cont'd...)

d) Recent accounting pronouncements (cont'd...)

In December 2002, FASB issued Statements of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure – an amendment of FASB Statement No. 123" ("SFAS 148"). SFAS 148 amends FASB Statement No. 123 to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of FASB Statement No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS 148 is effective for fiscal years ending after December 15, 2002.

In April 2003, FASB issued Statements of Financial Accounting Standards No. 149 "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS 149"). SFAS 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under FASB Statement No. 133 "Accounting for Derivative Instruments and Hedging Activities". SFAS 149 is generally effective for contracts entered into or modified after June 30, 2003.

In May 2003, FASB issued Statements of Financial Accounting Standards No. 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS 150"). SFAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003.

The adoption of these new pronouncements is not expected to have a material effect on the Company's consolidated financial position or results of operations.

Canadian Standards

In 2002, the CICA issued Handbook Section 3063, "Impairment of Long-Lived Assets", which is effective for fiscal years commencing September 1, 2003. Under this section, an impairment loss is measured as the difference between the carrying value of an asset and its fair value. The Company does not expect the adoption of this section to have significant impact on its consolidated financial statements.

In June 2003, the CICA revised Accounting Guideline 13, "Hedging Relationships", which is effective for fiscal years beginning on and after July 1, 2003. The guideline addresses the identification, designation, documentation and effectiveness of hedging relationships, for the purpose of applying hedge accounting. The guideline establishes certain conditions for applying hedge accounting and also deals with the discontinuance of hedge accounting. The Company does not expect the adoption of this guideline to have a significant impact on its consolidated financial statements.

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16. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (cont'd...)

d) Recent accounting pronouncements (cont'd...)

In June 2003, the CICA issued Accounting Guideline 15, "Consolidation of Variable Interest Entities", which will be effective for annual and interim periods beginning on or after November 1, 2004. This guideline addresses the application of consolidation principles to entities that are subject to control on a basis other than ownership of voting interests. Management is assessing the impact, if any, of the adoption of this guideline on the Company's consolidated financial statements.

Effective November 1, 2003, the Company will be expensing stock options in accordance with the transitional provisions of CICA Handbook Section 3870 "Stock-based Compensation and Other Stock-based Payments".