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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.	2002/10/31	2003/03/10

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
"Chet Idziszek"	Chet Idziszek	2003/03/10

DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD
"J.G. Stewart"	J.G. Stewart	2003/03/10

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

Madison Enterprises Corp.

(an exploration stage company)

Consolidated Financial Statements

October 31, 2002, 2001 and 2000

(expressed in Canadian dollars)

February 24, 2003

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the company have been prepared by management in accordance with Canadian generally accepted accounting principles and reconciled to United States generally accepted accounting principles as presented in note 14. These consolidated financial statements contain estimates based on management's judgement. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Audit Committee of the Board of Directors has met with the company's auditors to review the scope and results of the annual audit and to review the consolidated financial statements and related financial reporting matters prior to submitting the consolidated financial statements to the Board for approval.

The company's auditors, PricewaterhouseCoopers LLP, are appointed by the shareholders to conduct an audit in accordance with generally accepted auditing standards in Canada and in the United States, and their report follows.

"Chet Idziszek"

"James G. Stewart"

Chet Idziszek
President

James G. Stewart
Director

Independent Auditors' Report

To the Shareholders of Madison Enterprises Corp.

We have audited the consolidated balance sheets of **Madison Enterprises Corp.** as at October 31, 2002 and 2001 and the consolidated statements of loss and deficit and cash flows for the years ended October 31, 2002, 2001 and 2000. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Canada and in the United States. 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, 2002 and 2001 and the results of its operations and its cash flows for the years ended October 31, 2002, 2001 and 2000 in accordance with Canadian generally accepted accounting principles. As required by the British Columbia Company Act, we report that, in our opinion, these principles have been applied on a consistent basis.

“PricewaterhouseCoopers LLP”

Chartered Accountants

Vancouver, B.C., Canada
December 16, 2002
(except for notes 1 and 15, which are as of February 24, 2003)

Madison Enterprises Corp.

(an exploration stage company)

Consolidated Balance Sheets

As at October 31, 2002 and 2001

(expressed in Canadian dollars)

	2002 \$	2001 \$
Assets		
Current assets		
Cash and cash equivalents	262,096	1,127,560
Marketable securities (note 3)	7,987	-
Accounts receivable (note 9(d))	64,457	40,630
Prepaid expenses and deposits	33,857	63,857
	<u>368,397</u>	<u>1,232,047</u>
Resource properties and deferred costs (note 4)	41,128,775	40,060,952
Deferred financing costs (note 15(a))	29,279	-
Fixed assets (note 5)	60,103	79,267
	<u>41,586,554</u>	<u>41,372,266</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 9(b))	<u>124,397</u>	<u>133,149</u>
Shareholders' Equity		
Capital stock (note 6)		
Authorized		
100,000,000 common shares without par value		
Issued		
55,676,585 (2001 - 46,073,006) common shares	52,787,448	51,916,544
Stock options (note 7)	30,131	-
Share purchase warrants (note 8)	1,167,167	1,167,167
Deficit	<u>(12,522,589)</u>	<u>(11,844,594)</u>
	<u>41,462,157</u>	<u>41,239,117</u>
	<u>41,586,554</u>	<u>41,372,266</u>

Nature of operations and going concern (note 1)

Contingencies and commitments (note 11)

Subsequent events (note 15)

Approved by the Board of Directors

"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 Loss and Deficit

For the years ended October 31, 2002, 2001 and 2000

(expressed in Canadian dollars)

	2002 \$	2001 \$	2000 \$
General and administrative expenses			
Accounting and audit	42,467	49,176	69,228
Bank charges	1,366	1,141	1,708
Capital taxes	-	-	4,072
Depreciation	19,462	24,783	66,863
Filing fees	14,977	8,804	18,098
Insurance	3,623	4,377	26,978
Legal fees	27,991	55,930	51,112
Office and rent	282,513	250,987	178,361
Office rent reimbursements (note 9(c))	(154,643)	(136,284)	(83,433)
Property examination - net of tax credit	(11,719)	65,917	-
Public relations	89,094	70,677	159,594
Shareholder information	8,974	5,062	10,784
Stock-based compensation	30,131	-	-
Transfer agent's fees	8,132	7,389	8,859
Travel	18,688	7,286	19,448
Wages	297,325	230,399	203,809
	<hr/> 678,381	<hr/> 645,644	<hr/> 735,481
Other			
Interest earned	(15,289)	(82,895)	(170,644)
Foreign exchange loss (gain)	5,828	(30,530)	25,167
Loss on settlement of accounts receivable	6,825	-	-
Writedown of marketable securities	2,250	-	-
Write-off of resource properties and deferred costs	-	2,557,593	-
	<hr/> 677,995	<hr/> 3,089,812	<hr/> 590,004
Loss for the year	677,995	3,089,812	590,004
Deficit - Beginning of year	11,844,594	8,754,782	8,164,778
	<hr/> 12,522,589	<hr/> 11,844,594	<hr/> 8,754,782
Deficit - End of year	12,522,589	11,844,594	8,754,782
Basic and diluted loss per share	<hr/> (0.01)	<hr/> (0.07)	<hr/> (0.01)
Weighted average number of shares outstanding	<hr/> 51,943,683	<hr/> 45,444,423	<hr/> 41,468,623

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

Madison Enterprises Corp.

(an exploration stage company)

Consolidated Statements of Cash Flows

For the years ended October 31, 2002, 2001 and 2000

(expressed in Canadian dollars)

	2002 \$	2001 \$	2000 \$
Cash flows from operating activities			
Loss for the year	(677,995)	(3,089,812)	(590,004)
Items not affecting cash			
Depreciation	19,462	24,783	66,863
Loss on settlement of accounts receivable	6,825	-	-
Stock-based compensation	30,131	-	-
Writedown of marketable securities	2,250	-	-
Write-off of resource properties and deferred costs	-	2,557,593	-
Change in non-cash working capital items			
(Increase) decrease in accounts receivable	(40,889)	16,484	(7,518)
Decrease (increase) in prepaid expenses and deposits	30,000	411	(56,328)
Decrease in accounts payable and accrued liabilities	(12,081)	(26,536)	(164,823)
	<u>(642,297)</u>	<u>(517,077)</u>	<u>(751,810)</u>
Cash flows from financing activities			
Net proceeds from issuance of capital stock	807,468	151,284	5,211,766
Payment of deferred financing costs	(17,454)	-	-
	<u>790,014</u>	<u>151,284</u>	<u>5,211,766</u>
Cash flows from investing activities			
Expenditures on resource properties	(1,012,883)	(1,441,446)	(3,315,257)
Purchase of fixed assets	(298)	(7,151)	(5,484)
	<u>(1,013,181)</u>	<u>(1,448,597)</u>	<u>(3,320,741)</u>
(Decrease) increase in cash and cash equivalents	(865,464)	(1,814,390)	1,139,215
Cash and cash equivalents - Beginning of year	<u>1,127,560</u>	<u>2,941,950</u>	<u>1,802,735</u>
Cash and cash equivalents - End of year	<u>262,096</u>	<u>1,127,560</u>	<u>2,941,950</u>

Supplemental cash flow information (note 13)

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

Madison Enterprises Corp.

(an exploration stage company)
Notes to Consolidated Financial Statements
October 31, 2002, 2001 and 2000

(expressed in Canadian dollars)

1 Nature of operations and going concern

The company 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, 2002, the company had working capital of \$244,000, which, together with the proceeds from the private placements subsequent to the year-end (note 15(a) and (c)), management believes will be sufficient to meet the company's general and administrative expenses and minimum expenditure commitments on the Lewis Property (note 4(b)) 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 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.

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

Generally accepted accounting principles

The consolidated financial statements are presented in accordance with generally accepted accounting principles (GAAP) applicable in Canada and have been reconciled to GAAP applicable in the United States as disclosed in note 14.

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 Resources (New Mexico), Inc., a New Mexico corporation.

Madison Enterprises Corp.
(an exploration stage company)
Notes to Consolidated Financial Statements
October 31, 2002, 2001 and 2000

(expressed in Canadian dollars)

All significant intercompany transactions and balances have been eliminated.

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.

Marketable securities

Investments in marketable securities are valued at the lower of cost and quoted market value on an individual investment basis.

Resource properties and deferred costs

Acquisition costs of resource properties together with direct exploration expenditures on those properties are deferred. 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 each mineral property. 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 impairment, management assesses if carrying value can be recovered.

Fixed assets

Fixed assets are recorded at cost and depreciation is provided using the declining balance method at the following rates:

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

Madison Enterprises Corp.

(an exploration stage company)
Notes to Consolidated Financial Statements
October 31, 2002, 2001 and 2000

(expressed in Canadian dollars)

Foreign currency translation

Foreign operations are integrated and translated using the temporal method. Under this method, monetary assets and liabilities are translated at the year-end exchange rate, 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 the average rate of exchange during the year. 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 as a gain or loss in the year they arise.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent 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.

Loss per share

Loss per share is calculated based on the weighted average number of common shares issued and outstanding during the year. The effect of potential issuances of shares under options and warrants would be anti-dilutive, and therefore basic and diluted losses per share are the same.

Stock-based compensation

Effective November 1, 2001, the company has adopted the new accounting standard of the Canadian Institute of Chartered Accountants (CICA) for accounting for stock-based compensation.

Stock-based compensation on options granted to non-employees is recorded as an expense in the period the options are vested, based on the estimated fair value at the grant date.

The company has elected not to follow the fair value method of accounting for share options granted to employees and directors, whereby no compensation expense is recognized when stock options are granted. Any consideration paid by directors and employees on exercise of stock options or purchase of shares is credited to capital stock. However, additional disclosure of the effects of accounting for stock-based compensation to directors and employees as compensation expense, using the fair value method, is disclosed as pro forma information.

Madison Enterprises Corp.
 (an exploration stage company)
 Notes to Consolidated Financial Statements
October 31, 2002, 2001 and 2000

(expressed in Canadian dollars)

Income taxes

Income taxes are calculated using the liability method of accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse.

3 Financial instruments

At October 31, 2002, the carrying values of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair values based on the nature of these instruments. The quoted market value of marketable securities held is \$7,987.

4 Resource properties and deferred costs

	2002			
	Acquisition costs \$	Option fees \$	Exploration expenditures \$	Total \$
Mt. Kare, Papua New Guinea (a)	9,612,905	-	31,116,319	40,729,224
Lewis Property, Nevada (b)	-	103,409	296,142	399,551
	<u>9,612,905</u>	<u>103,409</u>	<u>31,412,461</u>	<u>41,128,775</u>
	2001			
	Acquisition costs \$	Option fees \$	Exploration expenditures \$	Total \$
Mt. Kare, Papua New Guinea (a)	9,612,905	-	30,448,047	40,060,952

Madison Enterprises Corp.
(an exploration stage company)
Notes to Consolidated Financial Statements
October 31, 2002, 2001 and 2000

(expressed in Canadian dollars)

Acquisition costs, option fees and exploration expenditures incurred during the years ended October 31, 2001 and 2002 are as follows:

	Mt. Kare, Papua New Guinea \$	Belencillo, Panama \$	Other \$	Lewis Property, Nevada \$	Totals \$
Balance - October 31, 2000	38,796,893	2,267,471	116,024	-	41,180,388
Assays	42,282	-	-	-	42,282
Camp costs	109,260	-	159	-	109,419
Community relations	173,104	-	-	-	173,104
Contractors/geologic staff	410,332	-	111,340	-	521,672
Drilling	97,604	-	-	-	97,604
Evaluation of alluvial resource	38,412	-	-	-	38,412
Geological supplies and equipment	216	-	-	-	216
Helicopter	72,222	-	-	-	72,222
Land and legal	94,095	-	30,713	-	124,808
Port Moresby office	30,915	-	-	-	30,915
Technical reports, printing and copying	1,569	-	1,840	-	3,409
Travel and accommodation	194,048	-	30,046	-	224,094
	<u>1,264,059</u>	<u>-</u>	<u>174,098</u>	<u>-</u>	<u>1,438,157</u>
Write-off of resource properties and deferred costs	-	(2,267,471)	(290,122)	-	(2,557,593)
Balance - October 31, 2001	<u>40,060,952</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,060,952</u>
Assays	6,468	-	-	443	6,911
Camp costs	51,903	-	-	155	52,058
Community relations	107,746	-	-	-	107,746
Contractors/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)
	<u>668,272</u>	<u>-</u>	<u>-</u>	<u>399,551</u>	<u>1,067,823</u>
Balance - October 31, 2002	<u>40,729,224</u>	<u>-</u>	<u>-</u>	<u>399,551</u>	<u>41,128,775</u>

Madison Enterprises Corp.
(an exploration stage company)
Notes to Consolidated Financial Statements
October 31, 2002, 2001 and 2000

(expressed in Canadian dollars)

a) 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 30, 2004.

b) 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 (US\$10,000 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 Consolidated Financial Statements

October 31, 2002, 2001 and 2000

(expressed in Canadian dollars)

The company is committed to initial on-site exploration expenditures of US\$250,000 by December 31, 2002, which must be paid regardless of any termination of the Lewis Agreement. In subsequent years, unless the purchase option is exercised by January 1 or the Lewis Agreement is terminated before December 1, the company must incur a further US\$150,000 to December 31, 2003 and US\$250,000 in subsequent years in on-site exploration expenditures each year. Excess expenditures may be carried forward and credited against these commitments. See note 15(b).

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. The purchase price for the royalties increases 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 acquire a 51% interest in the Lewis Property by paying GAME US\$25,000 (paid) and paying the US\$111,000 (US\$10,000 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 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.

c) 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.

d) Other

During the year ended October 31, 2001, the company wrote off all of the costs related to the technical due diligence of a potential mineral property acquisition amounting to \$290,122.

Madison Enterprises Corp.
(an exploration stage company)
Notes to Consolidated Financial Statements
October 31, 2002, 2001 and 2000

(expressed in Canadian dollars)

5 Fixed assets

	2002		
	Cost	Accumulated	Net
	\$	depreciation	\$
		\$	
Computer equipment	118,099	93,196	24,903
Furniture and fixtures	64,320	38,425	25,895
Office equipment	25,666	16,361	9,305
	208,085	147,982	60,103
	2001		
	Cost	Accumulated	Net
	\$	depreciation	\$
		\$	
Computer equipment	117,801	82,534	35,267
Furniture and fixtures	64,320	31,951	32,369
Office equipment	25,666	14,035	11,631
	207,787	128,520	79,267

6 Capital stock

Changes in issued capital stock during the years ended October 31, 2002, 2001 and 2000 were as follows:

	Number of	Amount
	shares	\$
Balance - October 31, 1999	26,052,189	39,088,378
Acquisition (b)	10,000,000	7,400,000
Private placement (c)	8,631,157	5,610,252
Share issue costs (c)	-	(423,486)
Exercise of warrants (note 8)	47,170	25,000
	44,730,516	51,700,144
Balance - October 31, 2000	44,730,516	51,700,144
Private placement (d)	733,137	151,284
Compensation (e)	609,353	65,116
	46,073,006	51,916,544
Balance - October 31, 2001	46,073,006	51,916,544
Compensation (f)	583,579	63,436
Private placement (g)	8,700,000	870,000
Finder's fee (g)	320,000	32,000
Share issue costs (g)	-	(94,532)
	55,676,585	52,787,448
Balance - October 31, 2002	55,676,585	52,787,448

Madison Enterprises Corp.

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Notes to Consolidated Financial Statements

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(expressed in Canadian dollars)

- a) The shareholders 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) During the year ended October 31, 2000, the company issued 10,000,000 common shares and 3,175,000 non-transferable common share purchase warrants as consideration for the acquisition of an additional 25% interest in the Mt. Kare property. Each warrant entitles the purchase of an additional common share of the company at a price of \$1.00 per share until November 17, 2001 and thereafter at \$1.50 per share until November 17, 2002. Subsequent to October 31, 2002, these warrants lapsed unexercised.
- c) During the year ended October 31, 2000, the company issued 8,631,157 units at a price of \$0.65 per unit, generating proceeds of \$5,186,766 (net of \$423,486 in commission and issuance costs). Each unit consists of one common share and one-half share purchase warrant. Each whole warrant entitles the purchase of an additional common share of the company at a price of \$0.70 per share until February 28, 2001 and thereafter at a price of \$0.90 until February 28, 2002. The company also issued a broker's warrant entitling the purchase of up to 847,731 common shares of the company at a price of \$0.70 per share until February 28, 2001 and \$0.90 per share thereafter until February 28, 2002. During the year ended October 31, 2002, these warrants lapsed unexercised.
- d) On February 1, 2001, the company closed a private placement of 733,137 common shares at a price of \$0.21 per share to generate proceeds of \$151,284, net of share issue costs of \$2,675.
- e) 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.
- f) During the year ended October 31, 2002, the company issued a total of 583,579 common shares, valued at \$63,436, to certain employees and consultants as compensation for a reduction in remuneration.
- g) During the year ended October 31, 2002, the company issued 8,700,000 units at a price of \$0.10 per unit, generating proceeds of \$807,468 (net of \$32,000 in commission and \$30,532 in issuance costs). Each unit consists of one common share and one half share purchase warrant. Each whole warrant entitles the purchase of an 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 of 320,000 units and \$32,000 in commission. The company also issued brokers' warrants entitling the purchase of 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.

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7 Stock options

The company has a stock option plan that authorizes the board of directors to grant up to 3,315,580 shares as incentive stock options to directors, officers and employees. 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 the options will be determined by the fair market value of the shares at the date of the grant, all of which vest immediately and are exercisable over five years.

As at October 31, 2002, stock options outstanding and exercisable are as follows:

Number of shares	Exercise price \$	Remaining contractual life (years)	Expiry date
2,675,580	0.17	3.33	March 6, 2006
<u>640,000</u>	0.15	4.58	May 21, 2007
<u><u>3,315,580</u></u>			

During the years ended October 31, 2002, 2001 and 2000, the changes in stock options outstanding were as follows:

	<u>2002</u>		<u>2001</u>		<u>2000</u>	
	Number of shares	Weighted average exercise price \$	Number of shares	Weighted average exercise price \$	Number of shares	Weighted average exercise price \$
Options outstanding -						
Beginning of year	3,315,580	0.17	2,855,580	0.73	2,912,500	1.94
Granted	640,000	0.15	3,315,580	0.17	783,080	0.73
Cancelled	(640,000)	0.17	(2,855,580)	0.73	-	-
Forfeited	-	-	-	-	(840,000)	1.30
Options outstanding and exercisable -						
End of year	<u>3,315,580</u>	0.17	<u>3,315,580</u>	0.17	<u>2,855,580</u>	0.73

During the year ended October 31, 2000, the exercise price of 2,532,500 stock options with prices ranging from \$1.90 to \$2.00 per share was reduced to an exercise price of \$0.73 per share.

During the year ended October 31, 2002, the company granted stock options entitling the purchase of up to 640,000 common shares at \$0.15 per share up to and including May 21, 2007.

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The company has recorded stock-based compensation expense for the estimated fair value of \$30,131, for options granted to consultants. The company has not adopted the fair value method of accounting for options granted to employees and directors.

The pro forma effect on loss and loss per share for the year ended October 31, 2002 of the actual results had the company accounted for the stock options granted to directors and employees using the fair value method is as follows:

	\$
Loss for the year	
Reported	677,995
Pro forma	701,085
Basic and diluted loss per share	
Reported	0.01
Pro forma	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:

Risk-free interest rate	3%
Expected dividend yield	-
Expected stock price volatility	95%
Expected option life in years	5

Option pricing models require the input of highly subjective assumptions including the expected 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.

8 Share purchase warrants

The company issued 3,175,000 share purchase warrants in connection with an acquisition on November 17, 1999, the fair value of which has been recorded as \$1,167,167. Subsequent to year-end, these warrants lapsed, unexercised, and this value transferred to contributed surplus.

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As at October 31, 2002, the following share purchase warrants are outstanding:

Number of shares	Exercise price \$	Expiry date
3,175,000	1.50	November 17, 2002
4,900,000	0.12	September 21, 2003
<u>360,000</u>	0.14	September 21, 2003
<u>8,435,000</u>		

During the years ended October 31, 2002, 2001 and 2000, the changes in share purchase warrants outstanding were as follows:

	2002		2001		2000	
	Number of shares	Weighted average exercise price \$	Number of shares	Weighted average exercise price \$	Number of shares	Weighted average exercise price \$
Warrants outstanding -						
Beginning of year	8,338,309	0.94	11,357,175	0.77	8,856,473	3.11
Issued	5,260,000	0.12	-	-	8,338,309	0.81
Exercised	-	-	-	-	(47,170)	0.53
Expired	(5,163,309)	0.90	(3,018,866)	0.65	(5,790,437)	4.45
Warrants outstanding -						
End of year	<u>8,435,000</u>	<u>0.64</u>	<u>8,338,309</u>	<u>0.94</u>	<u>11,357,175</u>	<u>0.77</u>

9 Related party transactions

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

	2002 \$	2001 \$	2000 \$
Deferred financing costs	22,279	-	-
Legal fees	21,444	48,337	41,164
Exploration management and other expenditures on resource assets	59,044	68,073	35,386
Share issue costs charged to capital stock	23,032	2,675	22,871

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- b) As at October 31, 2002, accounts payable and accrued liabilities include \$36,356 (2001 - \$13,536) due to officers of the company and companies related by way of directors in common.
- c) During the year ended October 31, 2002, the company recorded reimbursements of \$154,643 (2001 - \$136,284; 2000 - \$83,433) 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, 2002, the company funded some general and administrative expenses for companies related by way of directors in common. At October 31, 2002, accounts receivable include \$53,516 (2001 - \$15,903) due from these related companies.
- e) During the year ended October 31, 2002, the company received marketable securities with a market value of \$10,237 in settlement of \$17,062 of accounts receivable from a related party arising from office space rental (c) and general administrative expenses (d), resulting in a loss on settlement of accounts receivable of \$6,825.

10 Income taxes

- a) The income taxes shown in the consolidated statements of loss and deficit differ from the amounts obtained by applying statutory rates due to the following:

	2002	2001	2000
	\$	\$	\$
Statutory tax rate	39.62%	44.62%	45.62%
Loss for the year	<u>(677,995)</u>	<u>(3,089,812)</u>	<u>(590,004)</u>
Provision for income taxes based on statutory rates	(268,622)	(1,378,674)	(269,160)
Effect of share issuance costs charged to capital stock	(94,300)	(99,063)	(202,379)
Other	9,154	1,154,487	42,638
Losses for which an income tax benefit has not been recognized	<u>353,768</u>	<u>323,250</u>	<u>428,901</u>
	<u>-</u>	<u>-</u>	<u>-</u>

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- b) Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the company's future tax assets as of October 31, 2002 are as follows:

	2002 \$	2001 \$	2000 \$
Long-term future tax assets			
Non-capital loss carry-forwards	6,609,098	6,027,282	5,438,960
Fixed assets and resource properties	2,985,178	2,880,599	2,565,694
Share issuance costs	447,786	397,079	616,416
	<hr/>	<hr/>	<hr/>
Total future tax assets	10,042,062	9,304,960	8,621,070
Valuation allowance for future tax assets	(10,042,062)	(9,304,960)	(8,621,070)
	<hr/>	<hr/>	<hr/>
Net future tax assets	-	-	-

- c) The company has Canadian non-capital losses of approximately \$6,609,098, the tax effect of which has not been recorded in these consolidated financial statements. The losses will expire as follows:

	\$
2003	468,431
2004	598,828
2005	2,172,732
2006	1,061,535
2007	931,225
2008	483,445
2009	892,902
	<hr/>
	6,609,098

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 pay the lessor rent and operating expenses of \$54,605 to the expiry of the current rental lease agreement on May 31, 2003.
- b) The company is committed to certain exploration expenditures at the Lewis Property, as set out in note 4(b).

12 Segmented information

The company has one operating segment, the exploration of mineral properties located principally in Papua New Guinea and the United States (note 4). All fixed assets are held in Canada (note 5).

13 Supplemental cash flow information

During the years ended October 31, 2002, 2001 and 2000, the company conducted non-cash operating, financing and investing activities as follows:

	2002 \$	2001 \$	2000 \$
Non-cash operating activities			
Wage expense settled with capital stock	(12,291)	(4,686)	-
Accounts receivable settled with marketable securities	10,237	-	-
	<u>(2,054)</u>	<u>(4,686)</u>	<u>-</u>
Non-cash financing activities			
Capital stock issued for resource property expenditures	-	-	7,400,000
Warrants issued for resource property	-	-	1,167,167
Capital stock issued for wage expense	63,436	65,116	-
	<u>63,436</u>	<u>65,116</u>	<u>8,567,167</u>
Non-cash investing activities			
Resource property expenditures settled with capital stock	(51,145)	(60,430)	(8,567,167)
Marketable securities received in settlement of accounts receivable	(10,237)	-	-
	<u>(61,382)</u>	<u>(60,430)</u>	<u>(8,567,167)</u>

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14 The effect of applying accounting principles generally accepted in the United States

The consolidated financial statements of the company have been prepared in accordance with generally accepted accounting principles (GAAP) in Canada. The significant measurement differences between GAAP in Canada and in the United States that would have an effect on these consolidated financial statements are as follows:

Loss for the year

	2002	2001	2000
	\$	\$	\$
Loss for the year - Canadian GAAP	(677,995)	(3,089,812)	(590,004)
Exploration expenditures and option fees for the year (a)	(1,067,823)	(1,438,157)	(3,315,257)
Exploration expenditures written off in the year that would have been expensed under U.S. GAAP in previous years when incurred	-	1,848,093	-
	<u>(1,745,818)</u>	<u>(2,679,876)</u>	<u>(3,905,261)</u>
Loss for the year - U.S. GAAP			
Basic and diluted loss per common share - U.S. GAAP	<u>(0.03)</u>	<u>(0.06)</u>	<u>(0.09)</u>

Resource properties

	2002	2001
	\$	\$
Resource properties - Canadian GAAP	41,128,775	40,060,952
Cumulative exploration expenditures and option fees expensed	<u>31,515,870</u>	<u>30,448,047</u>
Resource properties - U.S. GAAP	<u>9,612,905</u>	<u>9,612,905</u>

Shareholders' equity

	2002	2001
	\$	\$
Shareholders' equity - Canadian GAAP	41,462,157	41,239,117
Cumulative exploration expenditures and option fees expensed	<u>31,515,870</u>	<u>30,448,047</u>
Shareholders' equity - U.S. GAAP	<u>9,946,287</u>	<u>10,791,070</u>

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Cash flows

	2002 \$	2001 \$	2000 \$
Cash flows from operating activities			
Per Canadian GAAP	(642,297)	(517,077)	(751,810)
Expenditures on resource properties	(1,012,883)	(1,441,446)	(3,315,257)
	<hr/>	<hr/>	<hr/>
Per U.S. GAAP	(1,655,180)	(1,958,523)	(4,067,067)
	<hr/>	<hr/>	<hr/>
Cash flows from investing activities			
Per Canadian GAAP	(1,013,181)	(1,448,597)	(3,320,741)
Expenditures on resource properties	1,012,883	1,441,446	3,315,257
	<hr/>	<hr/>	<hr/>
Per U.S. GAAP	(298)	(7,151)	(5,484)
	<hr/>	<hr/>	<hr/>

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 under Statement of Financial Accounting Standards (SFAS) No. 144.

b) Stock-based compensation

For U.S. GAAP purposes, the company accounts for stock-based compensation arrangements using the intrinsic value method.

Under U.S. GAAP, when the exercise price of certain stock options is reduced, these options are accounted for as variable from the date of the repricing. Under this method, compensation expense is recognized when the exercise price exceeds the quoted market value of the company's common shares at the date of the grant. During the year ended October 31, 2002, no compensation expense has arisen in respect of variable plan options.

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c) Recent accounting pronouncements

The FASB has issued SFAS No. 143, "Accounting for Asset Retirement Obligations". This statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. It requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. The company does not expect that the implementation of this standard will have a material impact on its consolidated financial position or results of operations.

The FASB has issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". Under this standard, exit costs and restructuring liabilities generally will be recognized only when incurred. SFAS No. 146 is effective for exit or disposal activities initiated after December 31, 2002. The company does not expect that the implementation of this new standard will have a material impact on its consolidated financial position or results of operations.

The Accounting Standards Board of the Canadian Institute of Chartered Accountants (CICA) has issued CICA 3063, "Impairment of Long-lived Assets". This statement establishes standards for the recognition, measurement and disclosure of the impairment of non-monetary long-lived assets, including property, plant and equipment, intangible assets with finite useful lives, deferred pre-operating costs and long-term prepaid assets. The company does not expect that the implementation of this new standard will have a material impact on its consolidated financial position or results of operations.

The CICA has approved, subject to written ballot, a new Handbook section, "Asset Retirement Obligations," to replace the current guidance on future removal and site restoration costs included in the CICA accounting standard 3061, "Property, Plant and Equipment." The standard is effective for years beginning on or after January 1, 2004. The standard requires recognition of a liability at its fair value for the obligation associated with the retirement of a tangible long-lived asset. A corresponding asset retirement cost would be added to the carrying amount of the related asset and amortized to expense over the useful life of the asset. The company does not expect that the implementation of this new standard will have a material impact on its consolidated financial position or results of operations.

15 Subsequent events

- a) On November 5, 2002, the company closed a brokered private placement of 4,003,333 units at a price of \$0.15 per unit to generate gross proceeds of \$600,500. Each unit consists of one common share and one-half warrant, every full warrant entitling the purchase of an additional common share of the company at a price of \$0.18 per share during the first year and at a price of \$0.20 during the second year. The agent received a commission of 8% of the gross proceeds, payable half in cash and half in units, and a broker's warrant entitling the purchase of up to 600,500 shares of the company at a price of \$0.18 per share during the first year and at a price of \$0.20 during the second year.

The shares are subject to a hold period which expires on March 5, 2003.

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In connection with this placement, the company had incurred financing costs of \$29,279 at October 31, 2002, which have been deferred and will be charged to capital stock on closing.

- b) On December 31, 2002, the company had completed the initial on-site exploration expenditures of US\$250,000 on the Lewis Property. On January 1, 2003, as the company is continuing with the Lewis Property option agreement, the company became committed to incur US\$150,000 in on-site exploration expenditures before December 31, 2003. This amount must be paid regardless of any termination of the Lewis Agreement (note 4(b)).
- c) On February 24, 2003, the company closed a brokered private placement of 10,900,000 units and a non-brokered private placement of 100,000 units at a price of \$0.20 per unit, to generate gross proceeds of \$2.2 million. Each unit consists of one common share and one half warrant, every full warrant entitling the purchase of an additional common share at a price of \$0.25 per share until February 24, 2004. The agent received a cash fee of \$175,200, 4,000 units with the same terms as above and 1,650,000 broker's warrants exercisable into common shares at \$0.24 per share until February 24, 2004.