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INCORPORATED AS PART OF:

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.	2001/10/31	2002/03/08

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	2002/03/08
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED YY/MM/DD
"J.G. Stewart"	J.G. Stewart	2002/03/08

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

Madison Enterprises Corp.

(an exploration stage company)

Consolidated Financial Statements

October 31, 2001, 2000 and 1999

(expressed in Canadian dollars)

December 14, 2001

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"

Chet Idziszek
President

"James G. Stewart"

James G. Stewart
Director

Auditors' Report

To the Shareholders of Madison Enterprises Corp.

We have audited the consolidated balance sheets of **Madison Enterprises Corp.** (an exploration stage company) as at October 31, 2001 and 2000 and the consolidated statements of loss and deficit and cash flows for the three years ended October 31, 2001, 2000 and 1999. 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, 2001 and 2000 and the results of its operations and its cash flows for the three years ended October 31, 2001, 2000 and 1999 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 14, 2001
(except as to note 16, which is as at March 5, 2002)

Madison Enterprises Corp.

(an exploration stage company)

Consolidated Balance Sheets

As at October 31, 2001, 2000 and 1999

(expressed in Canadian dollars)

	2001 \$	2000 \$
Assets		
Current assets		
Cash and cash equivalents	1,127,560	2,941,950
Accounts receivable (note 9(d))	40,630	57,114
Prepaid expenses and deposits	63,857	64,268
	<u>1,232,047</u>	<u>3,063,332</u>
Resource properties and deferred costs (note 4)	40,060,952	41,180,388
Fixed assets (note 5)	<u>79,267</u>	<u>96,899</u>
	<u>41,372,266</u>	<u>44,340,619</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 9(b))	<u>133,149</u>	<u>228,090</u>
Shareholders' Equity		
Capital stock (note 6)		
Authorized		
100,000,000 common shares without par value		
Issued		
46,073,006 (2000 - 44,730,516) common shares	51,916,544	51,700,144
Share purchase warrants (notes 3 and 8)	1,167,167	1,167,167
Deficit	<u>(11,844,594)</u>	<u>(8,754,782)</u>
	<u>41,239,117</u>	<u>44,112,529</u>
	<u>41,372,266</u>	<u>44,340,619</u>

Nature of operations and going concern (note 1)

Contingencies and commitments (note 11)

Subsequent events (note 16)

Approved by the Board of Directors

"Chet Idziszek" Director

"J.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, 2001, 2000 and 1999

(expressed in Canadian dollars)

	2001 \$	2000 \$	1999 \$
General and administrative expenses			
Accounting and audit	49,176	69,228	45,167
Bank charges	1,141	1,708	3,373
Capital taxes	-	4,072	-
Consulting fees	-	-	46,765
Depreciation	24,783	66,863	74,326
Filing fees	8,804	18,098	6,593
Insurance	4,377	26,978	59,148
Legal fees	55,930	51,112	82,397
Office and rent	250,987	178,361	230,772
Office cost reimbursement	(136,284)	(83,433)	(229,896)
Property exam	65,917	-	1,772
Public relations	70,677	159,594	123,244
Shareholder information	5,062	10,784	17,582
Transfer agent's fees	7,389	8,859	9,225
Travel	7,286	19,448	43,564
Wages	230,399	203,809	288,429
	<u>645,644</u>	<u>735,481</u>	<u>802,461</u>
Other			
Interest earned	(82,895)	(170,644)	(147,301)
Foreign exchange (gain) loss	(30,530)	25,167	248,583
Write-off of resource properties and deferred costs	2,557,593	-	-
	<u>2,444,168</u>	<u>(145,477)</u>	<u>101,282</u>
Loss for the year	3,089,812	590,004	903,743
Deficit - Beginning of year	8,754,782	8,164,778	7,261,035
Deficit - End of year	<u>11,844,594</u>	<u>8,754,782</u>	<u>8,164,778</u>
Basic and diluted loss per share	<u>(0.07)</u>	<u>(0.01)</u>	<u>(0.04)</u>
Weighted average number of shares outstanding	<u>45,444,423</u>	<u>41,468,623</u>	<u>23,106,470</u>

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, 2001, 2000 and 1999

(expressed in Canadian dollars)

	2001 \$	2000 \$	1999 \$
Cash flows from operating activities			
Loss for the year	(3,089,812)	(590,004)	(903,743)
Items not affecting cash			
Depreciation	24,783	66,863	74,326
Write-off of resource properties and deferred costs	2,557,593	-	-
Change in non-cash working capital items			
Decrease in joint venturer's cash	-	475,833	513,081
Decrease (increase) in accounts receivable	16,484	(7,518)	19,576
Decrease (increase) in prepaid expenses and deposits	411	(56,328)	16,518
Decrease in accounts payable and accrued liabilities	(26,536)	(164,823)	(508,936)
Decrease in advances from joint venturer	-	(475,833)	(513,081)
	<u>(517,077)</u>	<u>(751,810)</u>	<u>(1,302,259)</u>
Cash flows from financing activities			
Capital stock issued for cash	<u>151,284</u>	<u>5,211,766</u>	<u>1,604,679</u>
Cash flows from investing activities			
Expenditures on resource properties	(1,441,446)	(3,315,257)	(6,504,282)
Purchase of fixed assets	(7,151)	(5,484)	(35,968)
	<u>(1,448,597)</u>	<u>(3,320,741)</u>	<u>(6,540,250)</u>
(Decrease) increase in cash and cash equivalents	(1,814,390)	1,139,215	(6,237,830)
Cash and cash equivalents - Beginning of year	<u>2,941,950</u>	<u>1,802,735</u>	<u>8,040,565</u>
Cash and cash equivalents - End of year	<u>1,127,560</u>	<u>2,941,950</u>	<u>1,802,735</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, 2001, 2000 and 1999

(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.

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 company will have to raise additional funds to complete exploration and subsequent development, and while it has been successful in the past, there can be no assurance that it will be able to do so in the future. The company's continuation as a going concern is dependent upon its ability to generate sufficient cash flow to meet its obligations on a timely basis, to obtain financing that may be required, and to ultimately obtain profitability, and accordingly, there is substantial doubt about the ability of the company to continue as a going concern.

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.

Although the company has taken steps to verify the title to mineral 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.

All significant intercompany transactions and balances have been eliminated.

Madison Enterprises Corp.

(an exploration stage company)
Notes to Consolidated Financial Statements
October 31, 2001, 2000 and 1999

(expressed in Canadian dollars)

Joint venture

Prior to the business combination described in note 3, the company participated in a joint venture for the purpose of exploring the Mt. Kare property in Papua New Guinea. The joint venture was accounted for on a proportionate consolidation basis and each venturer bore an agreed share of the expenses incurred. The sole asset of the joint venture was the Mt. Kare property in Papua New Guinea and the company's share of the resource property costs are disclosed in note 4.

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.

Resource properties and deferred costs

Acquisition costs of resource properties together with direct exploration expenditures thereon are deferred. The carrying values of mineral properties are, where necessary, 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.

The company regularly reviews the carrying values of its resource properties by referring to the project economies, including the timing of the exploration work, the work programs, and the exploration results experienced by the company and others. When the carrying value of a property exceeds its estimated net recoverable amount, a provision is made for the decline in value.

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%

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.

Madison Enterprises Corp.

(an exploration stage company)
Notes to Consolidated Financial Statements
October 31, 2001, 2000 and 1999

(expressed in Canadian dollars)

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 company has adopted the revised recommendations of the Canadian Institute of Chartered Accountants, whereby new rules are applied in the calculation of diluted earnings per share. The revised standard has been applied on a retroactive basis and did not result in any restatement of the company's financial statements. 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

From time to time, the company issues stock options as described in note 7. No compensation expense is recognized when stock options are issued under this plan. Consideration paid on exercise of stock options is credited to capital stock.

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. Temporary differences arising on acquisitions result in future income tax liabilities or assets.

3 Business combination

Effective November 17, 1999, the company acquired all the issued shares of Frontier Mining & Exploration NL and Oakland Limited., two Papua New Guinea corporations, from Carpenter Pacific Resources NL (Carpenter). These corporations together owned all of the issued shares of Matu Mining Pty. Ltd. (Matu), which held a 25% interest in the Mt. Kare property (note 4). As a result, the company increased its interest in Mt. Kare by 25% and now owns a 90% interest. The company will continue to hold the remaining 10% in trust for the traditional landowners.

Under the sale agreement, the company acquired all of the issued shares of Matu at a cost of A\$24 and acquired A\$9,111,076 (\$8,567,167) loans owed to Carpenter. The purchase was satisfied by the issuance of common shares and share purchase warrants of the company (note 6(d)).

Madison Enterprises Corp.
 (an exploration stage company)
 Notes to Consolidated Financial Statements
October 31, 2001, 2000 and 1999

(expressed in Canadian dollars)

The acquisition has been accounted for as a purchase, and the fair value of the consideration has been ascribed to the net assets acquired as set out below:

	\$
Consideration given	
10,000,000 common shares (note 6)	7,400,000
3,175,000 share purchase warrants (note 8)	<u>1,167,167</u>
Net assets acquired	
25% Mt. Kare resource property (note 4)	<u>8,567,167</u>

4 Resource properties and deferred costs

	2001		
	Acquisition costs \$	Exploration expenditures \$	Total \$
Mt. Kare, Papua New Guinea (a)	9,612,905	30,448,047	<u>40,060,952</u>
			2000
	Acquisition costs \$	Exploration expenditures \$	Total \$
Mt. Kare, Papua New Guinea (a)	9,612,905	29,183,988	38,796,893
Belencillo, Panama (b)	709,500	1,557,971	2,267,471
Other (c)	-	116,024	116,024
	<u>10,322,405</u>	<u>30,857,983</u>	<u>41,180,388</u>

Madison Enterprises Corp.
(an exploration stage company)
Notes to Consolidated Financial Statements
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(expressed in Canadian dollars)

Acquisition costs and exploration expenditures incurred during the years ended October 31, 2000 and 2001 are as follows:

	Mt. Kare, Papua New Guinea \$	Belencillo, Panama \$	Other \$	Total \$
Balance - October 31, 1999	27,030,493	2,267,471	-	29,297,964
Acquisition costs	8,567,167	-	-	8,567,167
Assays	112,221	-	-	112,221
Camp costs	579,394	-	-	579,394
Community relations	474,871	-	-	474,871
Contractors/geologic staff	652,489	-	75,842	728,331
Drilling	243,394	-	6,000	249,394
Evaluation of alluvial resource	80,615	-	-	80,615
Geological supplies and equipment	441	-	-	441
Helicopter	603,999	-	-	603,999
Land and legal	169,393	-	-	169,393
Port Moresby office	117,680	-	-	117,680
Technical reports, printing and copying	2,460	-	-	2,460
Travel and accommodation	162,276	-	34,182	196,458
	3,199,233	-	116,024	3,315,257
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
	1,264,059	-	174,098	1,438,157
Write-off of resource properties and deferred costs	-	(2,267,471)	(290,122)	(2,557,593)
Balance - October 31, 2001	40,060,952	-	-	40,060,952

Madison Enterprises Corp.
(an exploration stage company)
Notes to Consolidated Financial Statements
October 31, 2001, 2000 and 1999

(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 (note 3).

Prior to the acquisition of the additional 25% interest, the company held its interest in the Mt. Kare property through a joint venture agreement with Matu, a subsidiary of Carpenter, and other parties. The joint venture interests in 90% of Mt. Kare were held 72.22% and 27.78% by the company and Matu, respectively, with the remaining 10% held in trust, giving the company and Matu an effective 65% and 25% interest, respectively.

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, 2000, the exploration license was renewed for a further two-year term to August 30, 2002.

b) 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. (Adrian), 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.

c) Other

During the year ended October 31, 2001, the company wrote off all of these 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
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(expressed in Canadian dollars)

5 Fixed assets

	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
	<hr/> 207,787	<hr/> 128,520	<hr/> 79,267
			<hr/> 2000 <hr/>
	Cost	Accumulated	Net
	\$	depreciation	\$
		\$	\$
Computer equipment	110,650	68,750	41,900
Furniture and fixtures	64,320	23,859	40,461
Office equipment	25,666	11,128	14,538
	<hr/> 200,636	<hr/> 103,737	<hr/> 96,899

Madison Enterprises Corp.
 (an exploration stage company)
 Notes to Consolidated Financial Statements
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6 Capital stock

Changes in issued capital stock during the years ended October 31, 2001, 2000 and 1999 were as follows:

	Number of shares	Amount \$
Balance - October 31, 1998	22,962,569	37,483,699
Private placement (b)	3,066,036	1,604,679
Finder's fee on private placement (c)	23,584	-
Balance - October 31, 1999	26,052,189	39,088,378
Acquisition (d)	10,000,000	7,400,000
Private placement (e)	8,631,157	5,186,766
Exercise of warrants (note 8)	47,170	25,000
Balance - October 31, 2000	44,730,516	51,700,144
Private placement (g)	733,137	151,284
Compensation (h)	609,353	65,116
Balance - October 31, 2001	46,073,006	51,916,544

- 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, 1999, the company issued 3,066,036 units at a price of \$0.53 per unit, generating proceeds of \$1,604,679 (net of \$20,321 in commission and issuance costs). Each unit consists of one common share and one transferable purchase warrant. For 2,688,678 warrants, each warrant entitled the purchase of an additional common share of the company at a price of \$0.53 until October 15, 2000 and thereafter at a price of \$0.61 per share until October 15, 2001. For the remaining 377,358 warrants, each warrant entitled the purchase of an additional common share of the company at a price of \$0.80 until October 15, 2000 and thereafter at a price of \$0.92 per share until October 15, 2001.
- c) The company paid a finder's fee of 23,584 shares in connection with the above issuance. These shares together with those forming part of the units as mentioned above were subject to a hold period and were not to be traded before February 16, 2000.
- d) 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 an acquisition (note 3). Each warrant entitles the purchase of an additional common share of the company at a price of \$1.00 per share

Madison Enterprises Corp.

(an exploration stage company)
Notes to Consolidated Financial Statements
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(expressed in Canadian dollars)

until November 17, 2001 and thereafter at \$1.50 per share until November 17, 2002. The company has been granted a voting trust over the 10,000,000 common shares, which expired on November 17, 2001.

- e) 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.
- f) During the year ended October 31, 2000, the company entered into a voting trust agreement, such that the voting rights of the 7,692,310 shares of the company held by Jipangu Inc. were held by management of the company until November 17, 2001.
- g) 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.
- h) 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.

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, 2001, stock options outstanding and exercisable to directors and employees are as follows:

Number of shares	Exercise price \$	Remaining contractual life Years	Expiry date
3,315,580	0.17	4.34	March 6, 2006

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(expressed in Canadian dollars)

During the years ended October 31, 2001, 2000 and 1999, the change in stock options outstanding was as follows:

	2001		2000		1999	
	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	2,855,580	0.73	2,912,500	1.94	2,817,500	1.96
Granted	3,315,580	0.17	783,080	0.73	150,000	1.53
Cancelled	(2,855,580)	0.73	-	-	-	-
Forfeited	-	-	(840,000)	1.30	(55,000)	1.90
Options outstanding and exercisable -						
End of year	<u>3,315,580</u>	<u>0.17</u>	<u>2,855,580</u>	<u>0.73</u>	<u>2,912,500</u>	<u>1.94</u>

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.

8 Share purchase warrants

In connection with the acquisition described in note 3, the company issued 3,175,000 share purchase warrants, the fair value of which has been recorded as \$1,167,167.

As at October 31, 2001, the following share purchase warrants are outstanding:

Number of shares	Exercise price \$	Expiry date
5,163,309	0.90	February 28, 2002
<u>3,175,000</u>	<u>1.00/1.50</u>	<u>November 17, 2001/November 17, 2002</u>
<u>8,338,309</u>		

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During the years ended October 31, 2001, 2000 and 1999, the change in share purchase warrants outstanding was as follows:

	2001		2000		1999	
	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	11,357,175	0.77	8,856,473	3.11	5,790,437	2.36
Granted	-	-	8,338,309	0.81	3,066,036	0.56
Exercised	-	-	(47,170)	0.53	-	-
Expired	(3,018,866)	0.65	(5,790,437)	4.45	-	-
Warrants outstanding -						
End of year	8,338,309	0.94	11,357,175	0.77	8,856,473	3.11

9 Related party transactions

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

	2001 \$	2000 \$	1999 \$
Consulting fees	-	-	46,765
Legal fees	48,337	41,164	64,618
Exploration management and other expenditures on resource assets	68,073	35,386	146,766
Share issue costs charged to capital stock	2,675	22,871	-

- b) As at October 31, 2001, accounts payable include \$13,536 (2000 - \$nil) due to officers of the company.
- c) During the year ended October 31, 2001, the company recorded reimbursement of \$136,284 (2000 - \$83,433; 1999 - \$108,750) for rental of office space from companies related by way of directors in common.
- d) During the year ended October 31, 2001, the company funded some general and administrative expenses for a company related by way of directors in common. At October 31, 2001, accounts receivable include \$15,903 due from this company.

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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:

	2001	2000	1999
	\$	\$	\$
Statutory tax rate	44.62%	45.62%	45.62%
Loss for the year	<u>(3,089,812)</u>	<u>(590,004)</u>	<u>(903,743)</u>
Provision for income taxes based on statutory rates	(1,378,674)	(269,160)	(412,287)
Effect of share issuance costs charged to capital stock	(99,063)	(202,379)	(163,740)
Other	1,154,487	42,638	90,383
Losses for which an income tax benefit has not been recognized	<u>323,250</u>	<u>428,901</u>	<u>485,644</u>
	<u>-</u>	<u>-</u>	<u>-</u>

- 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, 2001 are as follows:

	2001	2000	1999
	\$	\$	\$
Long term future tax assets:			
Non-capital loss carryforwards	6,027,282	5,438,960	4,635,603
Fixed assets and resource properties	2,980,599	2,565,694	2,498,831
Share issuance costs	<u>297,079</u>	<u>616,416</u>	<u>636,548</u>
Total future tax assets	9,304,960	8,621,070	7,770,982
Valuation allowance for future tax assets	<u>(9,304,960)</u>	<u>(8,621,070)</u>	<u>(7,770,982)</u>
Net future tax assets	<u>-</u>	<u>-</u>	<u>-</u>

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- c) The company has Canadian non-capital losses of approximately \$6,027,282, the tax effect of which has not been recorded in these consolidated financial statements. The losses will expire as follows:

	\$
2002	70,080
2003	468,431
2004	598,828
2005	2,172,732
2006	1,061,535
2007	931,225
2008	724,451
	<u>6,027,282</u>

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.

11 Contingencies and commitments

The company is committed to make lease payments for the rental of office space of \$92,680 and \$54,005 in the years ending October 31, 2002 and 2003, respectively.

12 Financial instruments

At October 31, 2001, 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.

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13 Supplemental cash flow information

During the years ended October 31, 2001, 2000 and 1999, the company conducted non-cash financing and investing activities as follows:

	2001 \$	2000 \$	1999 \$
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	65,116	-	-
	<u>65,116</u>	<u>8,567,167</u>	<u>-</u>
Non-cash operating activities			
Wages expense settled with capital stock	<u>(4,686)</u>	<u>-</u>	<u>-</u>
Non-cash investing activities			
Resource property expenditures settled with capital stock	<u>(60,430)</u>	<u>(8,567,167)</u>	<u>-</u>

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. Under United States GAAP, the company is considered to be in the exploration stage. 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

	2001 \$	2000 \$	1999 \$
Loss for the year following Canadian GAAP	(3,089,812)	(590,004)	(903,743)
Exploration expenditures for the year (a)	(1,438,157)	(3,315,257)	(6,504,282)
Exploration expenditures incurred and written off in the current year	174,098	-	-
Exploration expenditures written off in the year that would have been expensed under U.S. GAAP in previous years when incurred	<u>1,673,995</u>	<u>-</u>	<u>-</u>
Loss for the year following U.S. GAAP	<u>(2,679,876)</u>	<u>(3,905,261)</u>	<u>(7,408,025)</u>
Basic loss per common share following U.S. GAAP	<u>(0.06)</u>	<u>(0.09)</u>	<u>(0.32)</u>

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Resource properties

	2001	2000
	\$	\$
Resource properties - Canadian GAAP	40,060,952	41,180,388
Cumulative exploration expenditures expensed	<u>30,448,047</u>	<u>30,857,983</u>
Resource properties - U.S. GAAP	<u>9,612,905</u>	<u>10,322,405</u>

Shareholders' equity

	2001	2000
	\$	\$
Shareholders' equity - Canadian GAAP	41,239,117	44,112,529
Cumulative exploration expenditures expensed	<u>30,448,047</u>	<u>30,857,983</u>
Shareholders' equity - U.S. GAAP	<u>10,791,070</u>	<u>13,254,546</u>

Cash flows

	2001	2000	1999
	\$	\$	\$
Cash flows from operating activities			
Per Canadian GAAP	(517,077)	(751,810)	(1,302,259)
Exploration expenditures	<u>(1,441,446)</u>	<u>(3,315,257)</u>	<u>(6,504,282)</u>
Per U.S. GAAP	<u>(1,958,523)</u>	<u>(4,067,067)</u>	<u>(7,806,541)</u>
Cash flows from investing activities			
Per Canadian GAAP	(1,448,597)	(3,320,741)	(6,540,250)
Exploration expenditures	<u>1,441,446</u>	<u>3,315,257</u>	<u>6,504,282</u>
Per U.S. GAAP	<u>(7,151)</u>	<u>(5,484)</u>	<u>(35,968)</u>

a) Resource properties and deferred costs

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 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 Standard (SFAS) 121.

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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 (APB) 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 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, 2001, no compensation expense has arisen in respect of variable plan options.

c) Recent accounting pronouncements

In July 2001, the FASB issued SFAS No. 141, "Business Combinations", and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 requires that the purchase method of accounting be used for all business combinations subsequent to June 30, 2001 and specifies criteria for recognizing intangible assets acquired in a business combination. SFAS No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually. Intangible assets with definite useful lives will continue to be amortized over their respective estimated useful lives. The company does not expect that the implementation of these guidelines will have a material impact on its consolidated financial position or results of operations.

In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations". SFAS No. 143 requires that asset retirement obligations be recognized when they are incurred, and be capitalized as part of the asset's carrying value and displayed as liabilities. SFAS No. 143 also requires increased disclosure surrounding asset retirement obligations. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. The company does not expect that the implementation of these guidelines will have a material impact on its consolidated financial position or results of operations.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 requires that long-lived assets be classified as assets either to be held and used, to be disposed of other than by sale, or to be disposed of by sale. It also prescribes various approaches to valuing these types of long-lived assets. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. The company does not expect that the implementation of these guidelines will have a material impact on its consolidated financial position or results of operations.

In November 2001, the Accounting Standards Board of the Canadian Institute of Chartered Accountants issued new Handbook Section 3870, "Stock-based Compensation and Other Stock-based Payments". This Section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. It applies to transactions in which an enterprise grants shares of common stock, stock options, or other equity instruments, or incurs liabilities based on the price of common stock or other equity instruments and sets

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out a fair value based method of accounting which is required for certain, but not all, stock-based transactions. The company is analyzing the impact of Section 3870 and will adopt the Section on January 1, 2002.

15 Segmented information

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

16 Subsequent events

- a) On January 24, 2002, the company agreed, subject to regulatory approval, to issue a total of 446,861 common shares to certain employees and consultants as compensation for a reduction in remuneration.
- b) On February 28, 2002, the company announced, subject to regulatory approval, a non-brokered private placement of 8,000,000 units at a price of \$0.10 per unit to generate gross proceeds of \$800,000. Each unit will consist of one common share of the company and one half warrant, every full warrant entitling the purchase of an additional common share of the company at a price of \$0.12 per share for a period of eighteen months.

The company has agreed to pay a finder's fee of 8% of the proceeds in respect of this placement, such fee to be payable half in cash and half in units. The company has also agreed to issue brokers warrants entitling the purchase of up to 700,000 units in consideration of the assistance of Canaccord Capital Corporation and Bolder Investment Partners in arranging this placement.

- c) On March 5, 2002, the company announced, subject to regulatory approval an increase of 700,000 units to the private placement announced on February 28, 2002 (note 16(b)) the total number of units to be issued in the private placement is now 8,700,000 units. Each of these additional 700,000 units will consist of one common share of the company and one half warrant, every full warrant entitling the purchase of an additional common share of the company at a price of \$0.14 per share for a period of eighteen months, rather than \$0.12 per share.