MADISON EXPLORATIONS INC.

Form 10-Q May 15, 2009

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

# **FORM 10-Q**

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2009

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File No. <u>000-51302</u>

## MADISON EXPLORATIONS INC.

(Exact name of small business issuer as specified in its charter)

**Pending** 

(I.R.S. Employer

Identification No.)

#### Nevada other jurisdiction of

(State or other jurisdiction of incorporation or organization)

#### <u>7389</u>

(Primary Standard Industrial Classification Code Number)

1100 E. 29th St., Suite 153, North Vancouver, British Columbia,

Canada,

<u>V7K 1C2</u>

(Address of principal executive offices)

#### (778) 928-7677

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See

definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [ ] Accelerated filer [ ] [X] Non-accelerated filer [X] Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes[X] No

[ ]

The number of shares of Common Stock, \$0.001 par value, of the registrant outstanding at May 10, 2009 was113,020,000.

#### **TABLE OF CONTENTS**

_			_
I)	Λ	יויכו	
Γ.	А	RT	Ι.

Item 1. Financial Statements.

Item 2. Management s Discussion and Analysis or Plan of Operations

Item 3. Quantitative and Qualitative Disclosures About Market Risks

Item 4. Controls and Procedures.

PART II.

Item 1. Legal Proceedings.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Item 3. Defaults Upon Senior Securities.

Item 4. Submission of Matter to Vote of Security Holders.

Item 5. Other Information.

Item 6. Exhibits.

**SIGNATURES** 

2

#### **Statement Regarding Forward-Looking Statements**

This Form 10-Q contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended Section 21E of the Securities Exchanged Act of 193, as amended, which are intended to be covered by the safe harbors created thereby. The statements contained in this report on Form 10-Q that are not purely historical are forward-looking statements within the meaning of applicable securities laws. Forward-looking statements include statements regarding our expectations, anticipation, intentions, beliefs, or strategies regard future. Forward looking statements also include statements regarding fluctuations in the price of commodities, (such as silver, copper, diesel fuel, and electricity); changes in national and local government legislation, taxation, controls, regulations and political or economic changes in the United States or other countries in which we may carry on business in the future; business opportunities that may be presented to or pursued by us; our ability to integrate acquisitions successfully; operating or technical difficulties in connection with exploration or mining activities; the speculative nature of mineral exploration, including risks of diminishing quantities or grades of reserves; and contests over our title to properties. All forward-looking statements included in this report are based on information available to us as of the filing date of this report, and we assume no obligation to update any such forward-looking statements. Our actual results could differ materially from the forward-looking statements.

#### PART I.

Item 1. Financial Statements.

### MADISON EXPLORATIONS, INC.

(An Exploration Stage Enterprise)

# CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2009

(UNAUDITED)

3

### MADISON EXPLORATIONS, INC. (An Exploration Stage Enterprise) CONTENTS

#### FINANCIAL STATEMENTS

Consolidated Balance Sheets		<u>F-2</u>
Consolidated Statements of Operations		<u>F-3</u>
Consolidated Statements of Stockholders' (Deficit)		<u>F-5</u>
Consolidated Statements of Cash Flows		<u>F-6</u>
Notes to Consolidated Financial Statements		<u>F-7 - F-14</u>
	F-1	

### MADISON EXPLORATIONS, INC. (An Exploration Stage Enterprise) CONSOLIDATED BALANCE SHEETS (UNAUDITED)

March 31	December 31

	March 31, 2009	December 31, <u>2008</u>
ASSETS		
CURRENT ASSETS		
Cash \$	24,950	\$ 26,467
Total assets \$	24,950	\$ 26,467
LIABILITIES AND STOCKHOLDERS' DEFICIEN	NCY	
CURRENT LIABILITIES		
Accounts payable and accrued liabilities \$	11,496	\$ 7,975
Notes payable and accrued interest Note 4	59,720	59,494
Convertible note payable Note 5	8,000	6,000
Related party advance Note 6	561	561
Total current liabilities	79,777	74,030
Total barrent hadinties	,,,,,,	7 1,020
STOCKHOLDERS DEFICIENCY		
Common stock Note 7		
\$.001 par value;		
Authorized 500,000,000 shares;		
Issued and outstanding: 113,020,000 shares (December 31, 2008 and 2007)	113,020	112 020
Additional paid-in capital	(17,118)	113,020 (17,118)
Accumulated other comprehensive loss	(17,118) $(1,529)$	• • •
Accumulated deficit during exploration stage	(1,327) $(149,200)$	
recumulated deficit during exploration stage	(14),200)	(171,307)
Total stockholders deficiency	(54,827)	(47,563)
Total liabilities and stockholders deficiency \$	24.050	\$ 26,467
Total liabilities and stockholders deficiency \$ Going concern Note 1	24,950	\$ 26,467
Soing concern 110th 1		

See Accompanying Notes to Consolidated Financial Statements.

# MADISON EXPLORATIONS, INC. (An Exploration Stage Enterprise) CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

		Three months ended March 31, March 31, 2009 2008			une 15, 1998 inception) to March 31, 2009
Revenues	\$	-	\$ -	\$	144,000
Operating expenses					
Exploration and development		-	-		109,040
General and administrative		5,036	2,240		161,006
		·			·
		(5,036)	(2,240)	)	(270,046)
			, , ,		
Income (loss) before other expense		(5,036)	(2,240)	)	(126,046)
invente (ress) serere suite empense		(2,020)	(=,= : 0)		(120,010)
Other expense - interest		(2,800)	(866)	)	(23,154)
other expense interest		(2,000)	(000)		(23,131)
Net income (loss)		(7,836)	(3,106)	)	(149,200)
rvet meome (1888)		(7,050)	(3,100)		(11),200)
Other comprehensive income (loss)					
Translation gain (loss)		572	645		(1,529)
Translation gain (1088)		312	043		(1,327)
Total comprehensive loss	\$	(7,264)	\$ (2,461)	\$	(150,729)
Total completionsive loss	Ψ	(7,204)	ψ (2,401)	Ψ	(130,727)
Net income (loss) per share,					
basic and diluted	\$	(0.00)	\$ (0.00)		
basic and unuted	φ	(0.00)	φ (0.00)		
Average number of shares					
-		112 020 000	112 020 000		
of common stock outstanding		113,020,000	113,020,000		

F-3

See Accompanying Notes to Consolidated Financial Statements.

# MADISON EXPLORATIONS, INC. (An Exploration Stage Enterprise) CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (DEFICIENCY)

	Common Stock		Additional Paid -in	Accumulated Other Comprehensive	Accumulated Deficit During Exploration	<b></b>
June 15, 1998, issue	Shares	Amount	Capital	Income	Stage	Total
of						
common stock (.000008						
per sh.)	53,750,000	\$ 53,750	\$ (53,320)	\$ -	\$ -	\$ 430
Net loss, December 31, 1999		-	-	-	-	-
Balance, December 31, 1999	53,750,000	53,750	(53,320)	-	-	430
Net loss, December 31, 2000		-	-	-	-	-
Balance, December 31, 2000	53,750,000	53,750	(53,320)	-	-	430
N. d. D. d.						
Net loss, December 31, 2001		-	-	-	-	-
Balance, December 31, 2001	53,750,000	53,750	(53,320)	-	-	430
Net loss, December 31, 2002		-	-	-	-	-
Balance, December 31, 2002	53,750,000	53,750	(53,320)	-	-	430
Net loss, December		_	_	_	_	_
31, 2003		_	_	_	_	_
Balance, December 31, 2003	53,750,000	53,750	(53,320)	-	-	430
Issuance of common stock						
for cash (\$.000008 per sh.)	59,070,000	59,070	(58,598)			472
Capital contribution			5,000			5,000
Foreign currency adjustments				(2,554)		(2,554)
Net loss, December 31, 2004		-	-	-	(49,088)	(49,088)
Balance, December 31, 2004	112,820,000	112,820	(106,918)	(2,554)	(49,088)	(45,740)

Foreign currency adjustments				(444)		(444)
Net loss, December 31, 2005		-	-	-	(48,720)	(48,720)
Balance, December 31, 2005	112,820,000	112,820	(106,918)	(2,998)	(97,808)	(94,904)
Issuance of common stock						
for cash (\$.25 per sh.)	200,000	200	49,800			50,000
Foreign currency adjustments				(1,297)		(1,297)
Net loss, December 31, 2006		-	-	-	(38,511)	(38,511)
Balance, December 31, 2006	113,020,000	113,020	(57,118)	(4,295)	(136,319)	(84,712)
Foreign currency adjustments				(3,445)		(3,445)
Net income, December 31, 2007		-	-	-	24,651	24,651
Balance, December 31, 2007	113,020,000	113,020	(57,118)	(7,740)	(111,668)	(63,506)
Foreign currency adjustments				5,639	-	5,639
Convertible debt of \$40,000						
Issued for cash Note 2(i)			40,000			40,000
Net (loss), December 31, 2008					(29,696)	(29,696)
Balance, December 31, 2008	113,020,000	\$ 113,020	\$ (17,118) \$	(2,101)	\$ (141,364) \$	6 (47,563)
			(Continued)			
			F-4			

# MADISON EXPLORATIONS, INC. (An Exploration Stage Enterprise) CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (DEFICIENCY)

### (Continued)

Balance, December 31, 2008	113,020,000	\$	113,020	\$	(17,118) \$	(2,101) \$	(141,364) \$	(47,563)
Foreign currency adjustments						572		572
Net income, March 31, 2009							(7,836)	(7,836)
Balance, March 31, 2009	113,020,000	\$	113,020	\$	(17,118) \$	(1,529) \$	(149,200) \$	(54,827)
See Accompanying Notes to Consolidated Financial Statements.								

### MADISON EXPLORATIONS, INC. (An Exploration Stage Enterprise) CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Three month March 31 2009	March 31 2008	June 15, 1998 (inception) to March 31 2009
Cash Flows From			
Operating Activities			
Net income (loss)	\$ (7,836) \$	(3,106)	\$ (149,200)
Amortization of convertible debt discount			
recorded as interest	2,000	-	8,000
Adjustments to reconcile net loss			
to cash used in operating activities:			
Changes in assets and liabilities		4 000	
Increase (decrease) in accounts payable and accruals	3,521	1,083	11,496
Net cash used in operating activities	(2,315)	(2,023)	(129,704)
Cash Flows From			
Investing Activities			
Net cash provided (used in) investing activities	-	-	-
Cash Flows From			
Financing Activities			
Issuance of common stock	-	-	113,020
Capital contribution	-	-	(57,118)
Notes payable	226	-	59,720
Proceeds of convertible note payable	-	1.60	40,000
Related party advances	-	162	561
Net cash provided by (used in) financing activities	226	162	156,183
Effect of foreign currency translation			
on cash and cash equivalents	572	645	(1,529)
Net increase (decrease) in cash	(1,517)	(1,216)	24,950
Cash, beginning of period	26,467	5,637	-
Cash, end of period	\$ 24,950 \$	4,421	\$ 24,950
SUPPLEMENTAL DISCLOSURE			
Interest	\$ 800 \$	866	\$ 21,154

Taxes \$ - \$ - \$ - \$ - \$ F-6

# MADISON EXPLORATIONS, INC. (An Exploration Stage Enterprise) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2009

#### Note 1 Interim Reporting

While the information presented in the accompanying interim three months consolidated financial statements is unaudited, it includes all adjustments, which are, in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented in accordance with accounting principles generally accepted in the United States of America. These interim financial statements follow the same accounting policies and methods of their application as the Company s December 31, 2008 annual consolidated financial statements. All adjustments are of a normal recurring nature. It is recommended that these interim financial statements be read in conjunction with the Company s December 31 2008 annual financial statements. Operating results for the three months ended March 31, 2009 are not necessarily indicative of the results that can be expected for the year ended December 31, 2009.

#### **Note 2** Nature and Continuance of Operations

The Company was incorporated on June 15, 1998 in the State of Nevada, USA and the Company s common shares are publicly traded on the OTC Bulletin Board. The Company is engaged in activities related to the exploration for mineral resources in Canada and, is considered an Exploration Stage Enterprise in accordance with Statement of Financial Accounting Standard (SFAS) No. 7, "ACCOUNTING AND REPORTING BY EXPLORATION STAGE ENTERPRISES."

The Company incorporated Scout Resources, Inc. as a wholly owned subsidiary to conduct the Canadian exploration activities of the Company.

These interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next twelve months. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. As at March 31, 2009, the Company had not yet achieved profitable operations, had accumulated losses of \$149,200 since its inception and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company s ability to continue as a going concern. The Company s ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management has no formal plan in place to address this concern but believes that the Company will be able to obtain additional funds by equity financing and/or related party advances. However, there is no assurance of additional funding being available.

# MADISON EXPLORATIONS, INC. (An Exploration Stage Enterprise) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2009

#### Note 3 Summary of Significant Accounting Policies

#### a) Year end

The Company has elected a December 31st fiscal year end.

#### b) Cash and cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents. As at March 31, 2009, the Company did not have any cash equivalents (2008 \$nil). As at March 31, 2009, \$946 was deposited in accounts that were federally insured (2008 - \$422).

#### c) Revenue Recognition

The Company recognizes revenue when a contract is in place, minerals are delivered to the purchaser and collectability is reasonably assured.

#### d) Stock-Based Compensation

The Company has adopted the new SFAS No. 123R "Share Based Payments" in accounting for stock options and similar equity instruments. Accordingly, compensation costs attributable to stock options or similar equity instruments granted to employees are measured at the fair value at the grant date, and expensed over the expected service period with a corresponding increase to additional paid-in capital. Transactions in which goods or services are received from non-employees in exchange for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. As at March 31, 2009 the Company has not issued any stock options or similar equity instruments.

#### e) Basic and Diluted Net Income (Loss) per Share

The Company reports basic loss per share in accordance with Statement of Financial Accounting Standards No. 128, Earnings Per Share and International Accounting Standards IAS 33. Basic net income (loss) per share is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share on the potential exercise of the equity-based financial instruments is not presented where anti-dilutive.

#### f) Comprehensive Income

In accordance with SFAS 130, "Reporting Comprehensive Income" ("SFAS 130"), comprehensive income consists of net income and other gains and losses affecting stockholder's equity that are excluded from net income, such as unrealized gains and losses on investments available for sale, foreign currency translation gains and losses and minimum pension liability.

# MADISON EXPLORATIONS, INC. (An Exploration Stage Enterprise) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2009

#### Note 3 Summary of Significant Accounting Policies - continued

#### g) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying disclosures. Although these estimates are based on management's best knowledge of current events and actions the Company may undertake in the future, actual results may ultimately differ from the estimates. Management believes such estimates to be reasonable.

#### h) Fair Value Measurements

Effective January 1, 2008, the Company adopted SFAS No. 157, 'Fair Value Measurements,' for all financial instruments and non-financial instruments accounted for at fair value on a recurring basis. SFAS 157 establishes a single definition of fair value and a framework for measuring fair value, sets out a fair value hierarchy to be used to classify the source of information used in fair value measurement and expands disclosures about fair value measurements required under other accounting pronouncements. It does not change existing guidance as to whether or not an instrument is carried at fair value.

SFAS 157 established market and observable inputs as the preferred source of values, followed by assumptions based on hypothetical transaction in the absence of market inputs.

The valuation techniques required by SFAS 157 are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1 - Quoted prices in active markets for identical asset or liabilities. Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

In October 2008, the FASB issued FASB Staff Position No. FAS 157-3, Determining the Fair Value of a Financial Asset in a Market That Is Not Active (FSP 157-3), which clarifies the application of SFAS 157 when the market for a financial asset is inactive. Specifically, FSP 157-3 clarifies how (1) management s internal assumptions should be considered in measuring fair value when observable

# MADISON EXPLORATIONS, INC. (An Exploration Stage Enterprise) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2009

#### Note 3 Summary of Significant Accounting Policies - continued

#### h) Fair Value Measurements - continued

data are not present, (2) observable market information from an inactive market should be taken into account, and (3) the use of broker quotes or pricing services should be considered in assessing the relevance of observable and unobservable data to measure fair value. The guidance in FSP 157-3 became effective immediately.

#### i) Financial Instruments

#### Fair Value:

The fair value of cash and cash equivalents, accounts payable and accrued liabilities, notes payable and accrued interest and advances from a related party were estimated to approximate their carrying values due to the immediate short-term maturity of these financial instruments.

The fair value of the convertible note payable was based on its beneficial conversion feature at the time of commitment, which requires allocation of the instrument between the host debt and the embedded equity component. Based on the intrinsic value of the conversion feature, the total value of the instrument was allocated to the equity component and included in additional paid-in capital. The balance of nil was allocated to the host debt.

The resulting discount is being amortized to income over 60 months.

#### Risks:

Financial instruments that potentially subject the Company to credit risk consist principally of cash. Management does not believe the Company is exposed to significant credit risk.

Management, as well, does not believe the Company is exposed to significant interest rate risks during the period presented in these financial statements.

The accompanying financial statements do not include any adjustments that might result from the eventual outcome of the risks and uncertainties described above.

#### i) Income Taxes

The Company accounts for income taxes under an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. In estimating future tax consequences, all expected future events other than enactment of changes in the tax laws or rates are considered.

# MADISON EXPLORATIONS, INC. (An Exploration Stage Enterprise) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2009

#### Note 3 Summary of Significant Accounting Policies - continued

#### i) Income taxes - continued

Due to the uncertainty regarding the Company's future profitability, the future tax benefits of its losses have been fully reserved.

#### k) Impairment of Long-Lived Assets

Impairment losses on long-lived assets, such as mining claims, are recognized when events or changes in circumstances indicate that the undiscounted cash flows estimated to be generated by such assets are less than their carrying value and, accordingly, all or a portion of such carrying value may not be recoverable. Impairment losses are then measured by comparing the fair value of assets to their carrying amounts.

#### 1) Foreign Currency Translation and Transactions

The Company's functional currency is US dollars. Foreign currency balances are translated into US dollars as follows:

Monetary assets and liabilities are translated at the period-end exchange rate. Non-monetary assets are translated at the rate of exchange in effect at their acquisition, unless such assets are carried at market or nominal value, in which case they are translated at the period-end exchange rate. Revenue and expense items are translated at the average exchange rate for the period. Foreign exchange gains and losses in the period are included in operations

The functional currency of the wholly owned subsidiary is Canadian dollars. The assets and liabilities arising from these operations are translated at current exchange rates and related revenues and expenses at the exchange rates in effect at the time the revenue or expense is incurred. Resulting translation adjustments, if material, are accumulated as a separate component of accumulated other comprehensive income in the statement of stockholders' deficit while foreign currency transaction gains and losses are included in operations.

#### m) Mining Costs

Exploration and evaluation costs are expensed as incurred. Management's decision to develop or mine a property is based on an assessment of the viability of the property and the availability of financing. The Company will capitalize mining exploration and other related costs attributable to reserves when a definitive feasibility study establishes proven and probable reserves. Capitalized mining costs will be expensed using the unit of production method and will also be subject to an impairment assessment.

# MADISON EXPLORATIONS, INC. (An Exploration Stage Enterprise) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2009

#### Note 3 Summary of Significant Accounting Policies - continued

#### n) Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiary, Scout Resources Inc. All significant inter-company balances and transactions have been eliminated.

#### o) Derivative Instruments

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended by SFAS No. 137, Accounting for Derivative Instruments and Hedging Activities Deferral of the Effective Date of FASB No. 133, SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, and SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities, which is effective for the Company as of its inception. These statements establish accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. They require that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value.

If certain conditions are met, a derivative may be specifically designated as a hedge, the objective of which is to match the timing of gain or loss recognition on the hedging derivative with the recognition of (i) the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk or (ii) the earnings effect of the hedged forecasted transaction. For a derivative not designated as a hedging instrument, the gain or loss is recognized in income in the period of change. The Company has not entered into derivative contracts to hedge existing risks or for speculative purposes.

#### p) Recent Accounting Pronouncements

The Company adopts new pronouncements relating to generally accepted accounting principles applicable to the Company as they are issued, which may be in advance of their effective date. Management does not believe that any recently issued, but not yet effective accounting standards, if currently adopted, would have a material effect on the accompanying financial statements.

#### Note 4 Notes Payable

The Company has two notes payable to Paleface Holdings Inc. Each note is unsecured and payable on demand.

a) \$25,000 note with annual interest payable at 8%.

As at March 31, 2009, accrued interest on the note was \$8,297 (2008 - \$6,297). The note payable balance including accrued interest was \$33,297. (2008 - \$31,297). Interest on the debt for each quarter was \$500.

# MADISON EXPLORATIONS, INC. (An Exploration Stage Enterprise) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2009

#### Note 4 Notes Payable - continued

b) \$24,000 (\$30,000 CDN) with annual interest payable at 5%

As at March 31, 2009, accrued interest on the note was \$2,424 (2008 - \$1,125). The note payable balance including accrued interest was \$26,424 (2008 - \$30,787). Interest on debt for the three months was \$300 in 2009 (\$366 in 2008).

#### **Note 5** Convertible Note Payable

The note is non-interest bearing, unsecured and payable on demand. At any time prior to repayment any portion or the entire note may be converted into common stock at the discretion of the holder on the basis of \$.01 of debt to 1 share. The effect that conversion would have on earnings per share has not been disclosed due to the current anti-dilutive effect.

The balance in convertible note payable at March 31, 2009 is as follows:

Proceeds from promissory note	\$	40,000
Value allocated to additional paid-in capital	Ψ	40,000
Balance allocated to convertible note payable		
Amortized discount		8 000
Amortized discount		8,000
Balance, convertible note payable	\$	8,000

The total discount of \$40,000 is being amortized over 5 years starting April, 2008. Accordingly, the annual interest rate is 20% and for the three months ended March 31, 2009, \$2,000 was recorded as interest expense. As at March 31, 2009, the unamortized discount is \$32,000.

#### Note 6 Related Party Advance

During the year ended December 31, 2008, the President advanced the Company funds repayable without interest or any other terms. There were no other related party transactions in the current quarter. (2008 \$nil)

# MADISON EXPLORATIONS, INC. (An Exploration Stage Enterprise) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2009

#### Note 7 Common Stock

On June 15, 1998 the Company authorized and issued 53,750,000 shares of its common stock in consideration of \$430 in cash. (\$.000008 per share.)

On June 7, 2004 the Company issued 59,070,000 in consideration of \$472 in cash. (\$.000008 per share.)

On June 14, the Company approved a forward stock split of 5,000:1. These financial statements have been retroactively adjusted to effect this split.

On March 30, 2006 the Company entered into a private placement agreement whereby the Company issued 200,000 Regulation-S shares in exchange for \$50,000. (\$.25 per share)

There are no shares subject to warrants, options or other agreements as at March 31, 2009.

F-14

#### Item 2. Management s Discussion and Analysis or Plan of Operations

The following discussion provides information that we believe is relevant to an assessment and understanding of the results of operations and financial condition of our Company. It should be read in conjunction with the financial statements and accompanying notes.

#### Plan of Operation

We were engaged in the business of diamond exploration in the Southern area of the Province of Saskatchewan, Canada. During the 2008 financial year, with the exception of two, all our mineral claims expired. The two remaining claims expired on March 12, 2009. We are currently evaluating mineral properties with the goal of identifying properties for acquisition. To date, we have not identified properties that we intend to acquire.

Our viability and potential success lie in our ability to acquire, exploit, develop and generate revenue from future mineral properties. There can be no assurance that such revenues will be obtained. The exploration of mineral deposits involves significant financial risks over a long period of time which even with a combination of careful evaluations, experience and knowledge may not be eliminated. It is impossible to ensure that proposed exploration programs will be successful.

The inability of the Company to locate a viable mineral deposit will have a material adverse effect on its operations and could result in a total loss of our business.

#### Results of Operations

#### Three-Month Period Ended March 31, 2009

We did not earn any revenues during the three-month period ended March 31, 2009 (three-month period ended March 31, 2008: \$Nil).

We incurred operating expenses in the amount of \$7,836 for the three-month period ended March 31, 2009 (three-month period ended March 31, 2009: \$3,106). These expenses comprised of general and administration expenses and interest expense.

#### Liquidity and Capital Resources

4

The officers and directors have agreed to pay all costs and expenses of having us comply with the federal securities laws (and being a public company, should the Company be unable to do so). We estimate that these costs will be approximately \$30,000 per year. Our officers and directors have also agreed to pay the other expenses of the Company, excluding mineral property acquisition cost, those direct costs and expenses of data gathering and mineral exploration, should the Company be unable to do so. To implement our business plan, we will need to secure financing for our business development. We have no source for funding at this time.

If we are unable to raise additional funds to satisfy our reporting obligations, investors will no longer have access to current financial and other information about our business affairs.

Additional funding to acquire a mineral property and to conduct an exploration program will depend upon our ability to secure loans or obtain either private or public financing. There is no assurance that we will be able to obtain such funding on any terms or terms acceptable to us and if adequate funds are not available, we believe that our business development will be adversely affected. Accordingly, there is no assurance that we will be able to continue in business.

#### Item 3. Quantitative and Qualitative Disclosures About Market Risks

As a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act), we are not required to provide the information called for by this Item 3.

#### **Item 4. Controls and Procedures**

#### Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on the evaluation and the identification of the material weaknesses in our internal control over financial reporting, as described in our Form 10-K for the year ended December 31, 2008, our Chief Executive Officer and our Chief Accounting Officer concluded that, as of March 31, 2009, our disclosure controls and procedures were effective.

#### Changes in internal control over financial reporting

There have been no changes during the period covered by this Quarterly Report on Form 10-Q in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### Limitations on the effectiveness of controls and procedures

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our controls and procedures will prevent all potential error and fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

#### **PART II - OTHER INFORMATION**

#### **Item 1. Legal Proceedings**

None.

#### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There were no unregistered sales of equity securities during the three month period ended March 31, 2009.

#### **Item 3. Defaults Upon Senior Securities**

None.

#### Item 4. Submission of Matters to a Vote of Security Holders

None.

#### **Item 5. Other Information**

None.

#### Item 6. Exhibits

- (a) The following documents are filed as part of this Report:
- (1) Unaudited financial statements for the quarter ended March 31, 2009; and
- (2) Exhibits filed as part of this Report:

Exhibit

Number Description

- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-15e or 15d-15(e), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 21.2 Certification of Chief Financial Officer pursuant to Rule 13a-15e or 15d-15(e), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxlev Act of 2002
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- (b) Reports filed on Form 8-K during the quarter ended March 31, 2009:

None

#### **SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 10, 2009 Madison Exploration Inc.

(Registrant)

/s/ Joseph Gallo By: Joseph Gallo

Title: President and Chief Executive Officer

/s/ Steven Cozine By: Steven Cozine Chief Financial Officer

7