

MADISON EXPLORATIONS INC.
Form 10-Q
August 11, 2009

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2009

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 000-51302

MADISON EXPLORATIONS, INC.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of incorporation or organization)

00-0000000
(I.R.S. Employer Identification No.)

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

(Address of principal executive offices)

V7K 1C2

(Zip Code)

778-928-7677

(Registrant's telephone number, including area code)

n/a

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes **No**

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if

any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (s. 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

[] Yes [] No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Larger accelerated filer [] Accelerated filer []
Non-accelerated filer [] (Do not check if a smaller reporting company) Smaller reporting company [x]

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

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.

<u>Class</u>	<u>Outstanding at August 10, 2009</u>
Common Stock - \$0.001 par value	113,020,000

MADISON EXPLORATIONS, INC.

(An Exploration Stage Enterprise)

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2009

(UNAUDITED)

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

	June 30, <u>2009</u>	December 31, <u>2008</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 12,236	\$ 26,467
Total assets	\$ 12,236	\$ 26,467
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 6,527	\$ 7,975
Notes payable and accrued interest Note 4	62,683	59,494
Convertible note payable Note 5	10,000	6,000
Related party advance Note 6	561	561
Total current liabilities	79,771	74,030
STOCKHOLDERS' DEFICIENCY		
Common stock Note 7		
\$.001 par value;		
Authorized 500,000,000 shares;		
Issued and outstanding: 113,020,000 shares		
(June 30, 2009 and December 31, 2008)	113,020	113,020
Additional paid-in capital	(17,118)	(17,118)
Accumulated other comprehensive loss	(3,723)	(2,101)
Accumulated deficit during exploration stage	(159,714)	(141,364)
Total stockholders' deficiency	(67,535)	(47,563)
Total liabilities and stockholders' deficiency	\$ 12,236	\$ 26,467
Going concern Note 1		

See Accompanying Notes to Consolidated Financial Statements.

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

	Three months ended		Six months ended		June 15, 1998 (inception) to June 30, 2009
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009
Revenues	\$ -	\$ -	\$ -	\$ -	\$ 144,000
Operating expenses					
Exploration and development	-	-	-	-	109,040
General and administrative	7,689	7,665	(12,725)	(9,905)	168,695
	(7,689)	(7,665)	(12,725)	(9,905)	(277,735)
Income (loss) before other expense	(7,689)	(7,665)	(12,725)	(9,905)	(133,735)
Other expense	(2,825)	(871)	(5,625)	(1,737)	(25,979)
Net income (loss)	(10,514)	(8,536)	(18,350)	(11,642)	(159,714)
Other comprehensive income (loss)					
Translation gain (loss)	(2,194)	(399)	(1,622)	246	(3,723)
Total comprehensive loss	\$ (12,708)	\$ (8,935)	\$ (19,927)	\$ (11,396)	\$ (163,437)
Net income(loss) per share,					
basic and diluted	\$ (0.00)	\$ 0.00	\$ (0.00)	\$ 0.00	
Average number of shares					
of common stock outstanding	113,020,000	113,020,000	113,020,000	113,020,000	

See Accompanying Notes to Consolidated Financial Statements.

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

	Common Stock Shares	Common Stock Amount	Additional Paid -in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit During Exploration Stage	Total
June 15, 1998, issue 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
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

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Issuance of common stock for cash (\$0.000008 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 (\$0.25 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)

2007

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)
							\$ (47,563)

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

	Common Stock Shares	Common Stock Amount	Additional Paid -in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit During Exploration Stage	Total
Balance, December 31, 2008	113,020,000	\$ 113,020	\$ (17,118)	\$ (2,101)	\$ (141,364)	\$ (47,563)
Foreign currency adjustments				(1,622)		(1,622)
Net loss, June30, 2009					(18,350)	(18,350)
Balance, June 30, 2009	113,020,000	\$ 113,020	\$ (17,118)	\$ (3,723)	\$ (159,714)	\$ (67,535)

See Accompanying Notes to Consolidated Financial Statements.

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

	Six months Ended		June 15, 1998 (inception) to June 30 2009
	June 30 2009	June 30 2008	June 30 2009
Cash Flows From			
Operating Activities			
Net income (loss)	\$ (18,350)	\$ (11,642)	\$ (159,714)
Amortization of convertible debt discount recorded as interest	4,000	-	10,000
Adjustments to reconcile net loss to cash used in operating activities:			
Changes in assets and liabilities			
(Increase (decrease) in accounts payable and accruals	(1,448)	1,863	6,527
Net cash used in operating activities	\$ (15,798)	\$ (9,779)	(143,187)
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	3,189	41,431	62,683
Proceeds of convertible note payable	-	-	40,000
Related party advances	-	561	561
Net cash provided by (used in) financing activities	\$ 3,189	\$ 41,992	\$ 159,146
Effect of foreign currency translation on cash and cash equivalents	\$ (1,622)	\$ 247	\$ (3,723)
Net increase (decrease) in cash	\$ (14,231)	\$ 32,460	\$ 12,236
Cash, beginning of period	26,467	5,637	-
Cash, end of period	\$ 12,236	\$ 38,097	\$ 12,236

SUPPLEMENTAL DISCLOSURE

Interest and taxes paid	\$	5,625	\$	1,737	\$	5,979
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See Accompanying Notes to Consolidated Financial Statements

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MADISON EXPLORATIONS, INC.
(An Exploration Stage Enterprise)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1 Interim Reporting

While the information presented in the accompanying interim six 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 suggested that these interim financial statements be read in conjunction with the Company's December 31, 2008 annual financial statements. Operating results for the six months ended June 30, 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 in the business of diamond exploration. Management plans to further evaluate, develop and exploit their interests in diamond mineral properties.

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. At June 30, 2009, the Company had not yet achieved profitable operations, has accumulated losses of \$159,714 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 considers 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.

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 June 30, 2009, the Company did not have any cash equivalents (2008 - \$nil). As at June 30, 2009, \$796 was deposited in accounts that were federally insured (2008 - \$4,353).

MADISON EXPLORATIONS, INC.
(An Exploration Stage Enterprise)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009

Note 3 Summary of Significant Accounting Policies - continued

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 June 30, 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.

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.

MADISON EXPLORATIONS, INC.
(An Exploration Stage Enterprise)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009

Note 3 Summary of Significant Accounting Policies - continued

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 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.

MADISON EXPLORATIONS, INC.
(An Exploration Stage Enterprise)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009

Note 3 Summary of Significant Accounting Policies - continued

i) Fair Value (Continued)

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.

j) 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.

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.

l) Foreign Currency Translation and Transactions

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

MADISON EXPLORATIONS, INC.
(An Exploration Stage Enterprise)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009

Note 3 Summary of Significant Accounting Policies (continued)

l) Foreign Currency Translation and Transactions (Continued)

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.

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.

MADISON EXPLORATIONS, INC.
(An Exploration Stage Enterprise)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009

Note 3 Summary of Significant Accounting Policies (continued)

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 June 30, 2009, accrued interest on the note was \$8,797 (2008 - \$6,797). The note payable balance including accrued interest was \$33,797 as at June 30, 2009 (2008 - \$31,797). Interest on the debt for each quarter was \$500.

- b) \$25,965 (\$30,000 CDN) with annual interest payable at 5%

As at June 30, 2009, accrued interest on the note was \$2,921 (2008 - \$1,501). The note payable balance including accrued interest was \$28,886 as at June 30, 2009 (2008 - \$31,555). Interest on debt for the six months was \$625 in 2009 and \$737 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 June 30, 2009 is as follows:

Proceeds from promissory note	\$	40,000
Value allocated to additional paid-in capital		40,000
Balance allocated to convertible note payable		-
Amortized discount		10,000
Balance, convertible note payable	\$	10,000

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 six months ended June 30, 2009, \$4,000 was recorded as interest expense. As at June 30, 2009, the unamortized discount is \$30,000.

MADISON EXPLORATIONS, INC.
(An Exploration Stage Enterprise)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009

Note 6 Related Party Advance

During the year, the President advanced the Company funds repayable without interest or any other terms. There were no other related party transactions. (2007 \$nil)

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 June 30, 2009.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation.

The following discussion of Madison's financial condition, changes in financial condition and results of operations for the three and six months ended June 30, 2009 should be read in conjunction with Madison's unaudited consolidated financial statements and related notes for the three and six months ended June 30, 2009.

Forward Looking Statements

This quarterly report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements involve risks and uncertainties, including statements regarding Madison's capital needs, business plans and expectations. Such forward-looking statements involve risks and uncertainties regarding Madison's ability to carry out its planned exploration programs on its mineral properties. Forward-looking statements are made, without limitation, in relation to Madison's operating plans, Madison's liquidity and financial condition, availability of funds, operating and exploration costs and the market in which Madison competes. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as may, will, should, expect, plan, intend, anticipate, estimate, predict, potential or continue, the negative of such terms or other comparable terminology. Actual events and results may differ materially. In evaluating these statements, you should consider various factors, including the risks outlined below, and, from time to time, in other reports Madison files with the SEC. These factors may cause Madison's actual results to differ materially from any forward-looking statement. Madison disclaims any obligation to publicly update these statements, or disclose any difference between its actual results and those reflected in these statements. The information constitutes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Plan of Operation

Madison was 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 Madison's mineral claims expired. The two remaining claims expired on March 12, 2009.

Madison is currently evaluating mineral properties with the goal of identifying properties for acquisition. To date, Madison has not identified properties that it intends to acquire and has not entered into any agreements for the acquisition of any interest in a new mineral property.

During the next 12 months management plans on looking for, evaluating and acquiring an interest in a new mineral property. Madison has minimal finances and accordingly there is no assurance that it will be able to acquire an interest in any new mineral property. Management anticipates that Madison will have to complete additional financings in connection with the acquisition of any interest in a new mineral property. Currently, Madison has no arrangements for any financing required to fund its continued operations or the acquisition of any interest in a new mineral property.

Further, even if Madison is able to acquire an interest in a new mineral property, there is no assurance that it will be able to raise the financing necessary to complete exploration of the new mineral property. Based on Madison's financial position, there is no assurance that Madison will be able to continue its business operations.

Madison's viability and potential success lie in its 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 Madison to locate a viable mineral deposit will have a material adverse effect on its

operations and could result in a total loss of its business.

Management anticipates incurring the following expenses during the next 12 month period:

- Management anticipates spending approximately \$2,500 in ongoing general and administrative expenses per month for the next 12 months, for a total anticipated expenditure of \$30,000 over the next 12 months. The general and administrative expenses for the year will consist primarily of professional fees for the audit and legal work relating to Madison's regulatory filings throughout the year, as well as transfer agent fees, annual mineral claim fees and general office expenses.
- Management anticipates spending approximately \$15,000 in complying with Madison's obligations as a reporting company under the *Securities Exchange Act of 1934* and as a reporting issuer in Canada. These expenses will consist primarily of professional fees relating to the preparation of Madison's financial statements and completing and filing its annual report, quarterly report, and current report filings with the SEC and with SEDAR in Canada.

As at June 30, 2009, Madison had cash of \$12,236 and a working capital deficit of \$67,535. Accordingly, Madison will require additional financing in the amount of \$100,299 in order to fund its obligations as a reporting company under the *Securities Act of 1934* and its general and administrative expenses for the next 12 months.

During the 12 month period following the date of this report, management anticipates that Madison will not generate any revenue. Accordingly, Madison will be required to obtain additional financing in order to continue its plan of operations. Management believes that debt financing will not be an alternative for funding Madison's plan of operations as it does not have tangible assets to secure any debt financing. Rather management anticipates that additional funding will be in the form of equity financing from the sale of Madison's common stock. However, Madison does not have any financing arranged and cannot provide investors with any assurance that it will be able to raise sufficient funding from the sale of its common stock to fund its plan of operations. In the absence of such financing, Madison will not be able to acquire any interest in a new property and its business plan will fail. Even if Madison is successful in obtaining equity financing and acquire an interest in a new property, additional exploration on the mineral property will be required before a determination as to whether commercially exploitable mineralization is present. If Madison does not continue to obtain additional financing, it will be forced to abandon its business and plan of operations.

Risk Factors

An investment in Madison's common stock involves a number of very significant risks. Prospective investors should refer to all the risk factors disclosed in Madison's Form 10-K filed on April 15, 2009.

Liquidity and Capital Resources

Cash and Working Capital

As at June 30, 2009, Madison had cash of \$12,236 and a working capital deficit of \$159,714, compared to cash of \$26,467 and working capital deficit of \$141,364 as at December 31, 2008.

There are no assurances that Madison will be able to achieve further sales of its common stock or any other form of additional financing. If Madison is unable to achieve the financing necessary to continue its plan of operations, then Madison will not be able to continue its exploration programs and its business will fail.

The officers and directors have agreed to pay all costs and expenses of having Madison comply with the federal securities laws (and being a public company, should Madison be unable to do so). Madison's officers and directors have also agreed to pay the other expenses of Madison, excluding mineral property acquisition cost, those direct costs and expenses of data gathering and mineral exploration, should Madison be unable to do so.

To implement its business plan, Madison will need to secure financing for its business development. Madison currently has no source for funding at this time.

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

Net Cash Used in Operating Activities

Madison used cash of \$15,798 in operating activities during the first six months of fiscal 2009 compared to cash used of \$9,779 in operating activities during the same period in the previous fiscal year. The increase in the operating activities was principally a result of a decrease in accounts payable and accruals and an increase in net loss.

Net Cash Used in Investing Activities

Net cash used in investing activities was \$nil for the first six months of fiscal 2009 as compared with cash flow from investing activities of \$nil for the same period in the previous fiscal year.

Net Cash Provided by Financing Activities

Net cash flows provided by financing activities increased to \$3,189 for the first six months of fiscal 2009, as a result of \$3,189 in notes payable. Madison generated \$41,992 from financing activities during the first six months of fiscal 2008.

Results of Operations Six months ended June 30, 2009 and June 30, 2008

References to the discussion below to fiscal 2009 are to Madison's current fiscal year, which will end on December 31, 2009. References to fiscal 2008 are to Madison's fiscal year ended December 31, 2008.

	Accumulated from June 15, 1998 (Date of Inception) to June 30, 2009 \$	For the Three Months Ended June 30, 2009 \$	For the Three Months Ended June 30, 2008 \$	For the Six Months Ended June 30, 2009 \$	For the Six Months Ended June 30, 2008 \$
Revenue	144,000				
Expenses					
Exploration and Development	109,040				
General and administrative	168,695	7,689	7,665	12,725	9,905
Other expense	25,979	2,825	871	5,625	1,737
Translation loss	3,723	2,194	399	1,622	246
Total Expenses	307,437	12,708	8,935	19,927	11,396
Net Loss Going Concern	(163,437)	(12,708)	(8,935)	(19,927)	(11,396)

Madison has not attained profitable operations and is dependent upon obtaining financing to pursue any extensive business activities. For these reasons Madison's auditors stated in their report that they have substantial doubt Madison will be able to continue as a going concern.

Future Financings

Management anticipates continuing to rely on equity sales of Madison's common stock in order to continue to fund its business operations. Issuances of additional common stock will result in dilution to Madison's existing

stockholders. There is no assurance that Madison will achieve any additional sales of its common stock or arrange for debt or other financing to fund its planned activities.

Off-balance Sheet Arrangements

Madison has no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to stockholders.

Material Commitments for Capital Expenditures

Madison had no contingencies or long-term commitments at June 30, 2009.

Tabular Disclosure of Contractual Obligations

Madison is a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and is not required to provide the information required under this item.

Critical Accounting Policies

Madison's financial statements and accompanying notes are prepared in accordance with generally accepted accounting principles in the United States. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. These estimates and assumptions are affected by management's application of accounting policies. Management believes that understanding the basis and nature of the estimates and assumptions involved with the following aspects of Madison's financial statements is critical to an understanding of Madison's financial statements.

Use of Estimates

The preparation of financial statements in accordance with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses in the reporting period. Madison regularly evaluates estimates and assumptions related to the recovery of long-lived assets, donated expenses and deferred income tax asset valuation allowances. Madison bases its estimates and assumptions on current facts, historical experience and various other factors that management believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by Madison may differ materially and adversely from Madison's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

Investment Securities

Madison reports its investment in equity securities at cost, pursuant to Accounting Principles Board Opinion 18 *The Equity Method of Accounting for Investments in Common Stock* as the fair value of the investment is not readily determinable.

Madison periodically reviews these investments for other-than-temporary declines in fair value based on the specific identification method and writes down investments to their fair value when an other-than-temporary decline has occurred. When determining whether a decline is other-than-temporary, Madison examines (i) the length of time and the extent to which the fair value of an investment has been lower than its carrying value; (ii) the financial condition and near-term prospects of the investee, including any specific events that may influence the operations of the investee

such as changes in technology that may impair the earnings potential of the investee; and (iii) Madison's intent and ability to retain its investment in the investee for a sufficient period of time to allow for any anticipated recovery in market value. Management generally believes that an other-than-

temporary decline has occurred when the fair value of the investment is below the carrying value for one year, absent of evidence to the contrary.

Mineral Property Costs

Madison has been in the exploration stage since its inception on June 15, 1998 and has not yet realized any revenues from its planned operations. It is primarily engaged in the acquisition and exploration of mining properties. Mineral property exploration costs are expensed as incurred. Mineral property acquisition costs are initially capitalized when incurred using the guidance in EITF 04-02, *Whether Mineral Rights Are Tangible or Intangible Assets*. Madison assesses the carrying costs for impairment under SFAS No. 144, *Accounting for Impairment or Disposal of Long Lived Assets* at each fiscal quarter end. When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, the costs then incurred to develop such property, are capitalized. Such costs will be amortized using the units-of-production method over the estimated life of the probable reserve. If mineral properties are subsequently abandoned or impaired, any capitalized costs will be charged to operations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Madison is a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and is not required to provide the information required under this item.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Management maintains disclosure controls and procedures, as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the **Exchange Act**), that are designed to ensure that information required to be disclosed in Madison's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to management, including Madison's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

In connection with the preparation of this quarterly report on Form 10-Q, an evaluation was carried out by management, with the participation of the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of Madison's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of June 30, 2009).

Based on the evaluation and the identification of the material weaknesses in Madison's internal control over financial reporting, as described in its Form 10-K for the year ended December 31, 2008, the Chief Executive Officer and the Chief Accounting Officer concluded that, as of June 30, 2009, Madison's disclosure controls and procedures were not effective to detect the inappropriate application of US GAAP rules as more fully described below. This was due to deficiencies that existed in the design or operation of our internal control over financial reporting that adversely affected our internal controls and that may be considered to be material weaknesses.

The matters involving internal controls and procedures that the Company's management considered to be material weaknesses under the standards of the Public Company Accounting Oversight Board were: (1) lack of a functioning audit committee and lack of a majority of outside directors on the Company's board of directors, resulting in ineffective oversight in the establishment and monitoring of required internal controls and procedures; (2) inadequate segregation of duties consistent with control objectives; (3) insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of US GAAP and SEC disclosure requirements; and (4) ineffective controls over period end financial disclosure and reporting processes. The

aforementioned material weaknesses were identified by the Company's Chief Financial Officer in connection with the audit of our financial statements as of December 31, 2008 and communicated the matters to our management.

Management believes that the material weaknesses set forth in items (2), (3) and (4) above did not have an affect on the Company's financial results. However, management believes that the lack of a functioning audit committee and lack of a majority of outside directors on the Company's board of directors, resulting in ineffective oversight in the establishment and monitoring of required internal controls and procedures can result in the Company's determination to its financial statements for the future years.

Changes in Internal Controls over Financial Reporting

There were no changes in Madison's internal controls over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the quarter ended June 30, 2009, that materially affected, or are reasonably likely to materially affect, Madison's internal control over financial reporting.

Limitations on the Effectiveness of Controls and Procedures

Management, including our Chief Executive Officer and Chief Financial Officer, does not expect that Madison's 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.

Madison is not a party to any pending legal proceedings and, to the best of Madison's knowledge, none of Madison's property or assets are the subject of any pending legal proceedings.

Item 1A. Risk Factors.

Madison is a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and is not required to provide the information required under this item.

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

During the quarter of the fiscal year covered by this report, (i) Madison did not modify the instruments defining the rights of its shareholders, (ii) no rights of any shareholders were limited or qualified by any other class of securities, and (iii) Madison did not sell any unregistered equity securities.

Item 3. Defaults Upon Senior Securities.

During the quarter of the fiscal year covered by this report, no material default has occurred with respect to any indebtedness of Madison. Also, during this quarter, no material arrearage in the payment of dividends has occurred.

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

No matter was submitted to a vote of security holders through the solicitation of proxies or otherwise, during the quarter of the fiscal year covered by this report.

Item 5. Other Information.

During the quarter of the fiscal year covered by this report, Madison reported all information that was required to be disclosed in a report on Form 8-K.

Madison's board of directors has not adopted a code of ethics (the **Code**) that applies to members of its Board of Directors, its officers including its chief executive officer (being its principal executive officer), and its chief

financial officer (being its principal financial and accounting officer). Because Madison currently has only two executive officers (both of whom are also directors of Madison), it is not considered necessary for Madison to adopt a Code of Business Conduct and Ethics. Once Madison's operations expand and it has additional employees, management intends to adopt a Code of Business Conduct and Ethics.

Item 6. Exhibits

(a) Index to and Description of Exhibits

All Exhibits required to be filed with the Form 10-Q are included in this quarterly report or incorporated by reference to Madison's previous filings with the SEC, which can be found in their entirety at the SEC website at www.sec.gov under SEC File Number 000-51302.

Exhibit Description	Status
3.1 Articles of Incorporation, filed as an exhibit to Madison's registration statement on Form 10-SB filed on May 4, 2005, and incorporated herein by reference.	Filed
3.2 By-Laws, filed as an exhibit to Madison's registration statement on Form 10-SB filed on May 4, 2005, and incorporated herein by reference.	Filed
10.1 Mineral Property Agreement Contract dated June 16, 2004, filed as an exhibit to Madison's registration statement on Form 10-SB filed on May 4, 2005, and incorporated herein by reference.	Filed
10.2 Amendment to Property Agreement dated September 1, 2005, filed as an exhibit to Madison's registration statement on Form 10-SB/A filed on November 4, 2005, and incorporated herein by reference.	Filed
10.3 Option Agreement dated September 14, 2005 with Echo Resources, Inc., filed as an exhibit to Madison's registration statement on Form 10-SB/A filed on November 4, 2005, and incorporated herein by reference.	Filed
<u>31.1</u> <u>Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>	<u>Included</u>
<u>31.2</u> <u>Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>	<u>Included</u>
<u>32.1</u> <u>Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>	<u>Included</u>
<u>32.2</u> <u>Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>	<u>Included</u>

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, Madison Explorations, Inc. has caused this report to be signed on its behalf by the undersigned duly authorized person.

MADISON EXPLORATIONS, INC.

Dated: **August 10, 2009**

By:

Name:

Title:

/s/ Joseph Gallo

Joseph Gallo

**President and Chief Executive Officer
(Principal Executive Officer)**

Dated: **August 10, 2009**

By:

Name:

Title:

/s/ Steven Cozine

Steven Cozine

**Chief Financial Officer
(Principal Financial Officer)**