



Financials Statements  
Three Months Ended  
March 31, 2009  
Unaudited

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**GelStat Corp. and Subsidiary  
Consolidated Balance Sheets**

	As of	
	March 31, 2009	December 31, 2008
	(Unaudited)	
<b>Assets</b>		
<b>Current Assets</b>		
Cash and equivalents	\$ -	\$ 21
Accounts receivable	3,190	3,680
Inventory	274,836	278,012
Prepaid consulting	-	-
<b>Total current assets</b>	278,026	281,713
Property and equipment, net	5,000	5,000
Patents, net	-	-
Investment in unconsolidated subsidiary	-	-
Note receivable	-	-
Other Assets	-	-
<b>Total assets</b>	\$ 283,026	\$ 286,713
<b>Liabilities, Redeemable Convertible Cumulative Preferred Stock and Stockholders' Equity (Deficit)</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 623,972	\$ 616,415
Accrued liabilities	5,170	5,492
Convertible Notes - current portion net of original issue discount	543,446	539,446
<b>Total current liabilities</b>	1,172,588	1,161,353
<b>Total Liabilities</b>	1,172,588	1,161,353
<b>Commitments and Contingencies</b>		
<b>Stockholders' Equity (Deficit)</b>		
<b>Common stock issued and outstanding, \$0.01 par value;</b>	350,178	350,178
<b>Common stock issuable, \$0.01 Par Value</b>	6,000	6,000
<b>Additional paid-in capital</b>	14,416,601	14,416,601
<b>Accumulated deficit</b>	(15,662,341)	(15,647,419)
<b>Total stockholders' equity (deficit)</b>	(889,562)	(874,640)
<b>Total liabilities, redeemable convertible cumulative preferred stock, and stockholders' equity (deficit)</b>	\$ 283,026	\$ 286,713
<b>Shares outstanding at balance sheet date</b>	35,017,805	35,017,805

**GelStat Corp. and Subsidiary  
Consolidated Statements of Operations**

	<b>For the Three Months Ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
	<b>(Unaudited)</b>	
	<u>          </u>	<u>          </u>
<b>Revenues, net</b>	\$ 3,932	\$ 5,165
	<u>          </u>	<u>          </u>
	-	-
	<u>          </u>	<u>          </u>
	3,932	5,165
<b>Cost of revenues</b>	<u>          </u>	<u>          </u>
	3,873	1,145
<b>Gross profit (loss)</b>	<u>          </u>	<u>          </u>
	59	4,020
<b>Operating expenses</b>		
Selling, general and administrative	14,931	131,986
	<u>          </u>	<u>          </u>
	14,931	131,986
<b>Loss from operations</b>	(14,872)	(127,966)
<b>Other income (expense):</b>		
Other expense	-	(18,506)
Interest expense	(50)	-
<b>Total other income (expense)</b>	<u>          </u>	<u>          </u>
	(50)	(18,506)
<b>Net (loss)</b>	<u>          </u>	<u>          </u>
	\$ (14,922)	\$ (146,472)
<b>Earnings (loss) per common share</b>		
Basic and Diluted	<u>          </u>	<u>          </u>
	\$ (0.00)	\$ (0.01)
Weighted Average Shares Outstanding	<u>          </u>	<u>          </u>
	35,017,806	24,668,010

**Consolidated Statement of Changes in Stockholders' Equity (Deficit)**  
(Unaudited)

	Common Stock				Additional Paid in Capital	Retained Earnings (Accumulated Deficit)	Total
	Issuable		Issued				
	Shares	\$	Shares	\$			
<b>Balance January 1, 2008</b>	350,000	\$ 3,500	25,068,010	\$ 250,680	\$ 14,159,459	\$ (14,415,476)	\$ (1,837)
Issuance of common stock for cash, net of expense	350,000	3,500	2,800,000	28,000	63,000		94,500
Issuance of common stock for services	-	-	6,256,795	62,568	142,772		205,340
Issuance of common stock in payment of A/P	(100,000)	(1,000)	593,000	5,930	39,370		44,300
Issuance of common stock in payment of interest	-	-	300,000	3,000	12,000		15,000
Net loss for the year	-	-	-	-	-	(1,231,943)	(1,231,943)
<b>Balance December 31, 2008</b>	600,000	\$ 6,000	35,017,805	\$ 350,178	\$ 14,416,601	\$ (15,647,419)	\$ (874,640)
Net loss for the quarter	-	-	-	-	-	(14,922)	(14,922)
<b>Balance March 31, 2009</b>	600,000	\$ 6,000	35,017,805	\$ 350,178	\$ 14,416,601	\$ (15,662,341)	\$ (889,562)

**Consolidated Statements of Cash Flows**  
**(Unaudited)**

	<b>For the Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2009</b>	<b>2008</b>
	<hr/>	<hr/>
<b>Net Loss</b>	\$ (14,922)	\$ (146,472)
Adjustments to reconcile net loss to cash flows from operating activities:		
Changes in operating assets and liabilities:		
Accounts receivable	490	(67,201)
Prepaid expenses	-	140,517
Inventory	3,176	696
Accounts payable	7,235	67,920
Net cash used in operating activities	<hr/> <u>(4,021)</u>	<hr/> <u>(4,540)</u>
 <b>Cash Flows from Investing Activities:</b>		
Net cash used in investing activities	<hr/> <u>-</u>	<hr/> <u>-</u>
 <b>Cash Flows from Financing Activities:</b>		
Proceeds from notes payable	4,000	5,500
Net cash provided by financing activities	<hr/> <u>4,000</u>	<hr/> <u>5,500</u>
<b>Net increase in cash and cash equivalents</b>	(21)	960
<b>Cash and cash equivalents, beginning</b>	<hr/> <u>21</u>	<hr/> <u>3,044</u>
 <b>Cash and cash equivalents, ending</b>	 <hr/> <u>\$ -</u>	 <hr/> <u>\$ 4,004</u>

**Notes to Consolidated Financial Statements:**

The accompanying financial statements were prepared by the Company in accordance with U.S. GAAP. However, we caution readers and investors the statements were not audited and could be subject to revision once audited.