GelStat CORPORATION

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

GelStat Corp. and Subsidiary
Consolidated Statements of Operations

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

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

	Common Stock						
	Issuable		Issued		Additional Paid in	Retained Earnings (Accumulated	
	Shares	$	Shares	$	Capital	Deficit)	Total
Balance January 1, 2008	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)
Balance December 31, 2008	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)
Balance March 31, 2009	600,000	$ 6,000	35,017,805	$ 350,178	$ 14,416,601	$ (15,662,341)	$ (889,562)

Consolidated Statements of Cash Flows
(Unaudited)

	For the Three Months Ended March 31, 2009		For the Three Months Ended March 31, 2008	
Net Loss	$	(14,922)	$	(146,472)
Adjustments to reconcile net loss to cash flows from operating activities:				
Changes in operating assets and liabilties:				
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		(4,021)		(4,540)
Cash Flows from Investing Activities:				
Net cash used in investing activities		-		-
Cash Flows from Financing Activities:				
Proceeds from notes payable		4,000		5,500
Net cash provided by financing activities		4,000		5,500
Net increase in cash and cash equivalents		(21)		960
Cash and cash equivalents, beginning		21		3,044
Cash and cash equivalents, ending	$	-	$	4,004

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.