



Financials Statements
Six Months Ended
June 30, 2010
Unaudited

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

	As of	
	June 30, 2010	December 31, 2009
	(Unaudited)	
Assets		
Current Assets		
Cash and equivalents	\$ 2,680	\$ 306
Accounts receivable	21,072	21,572
Inventory	206,467	206,467
Prepaid consulting	58,525	-
Total current assets	288,744	228,345
Property and equipment, net	5,287	5,000
Total assets	\$ 294,031	\$ 233,345
Liabilities and Stockholders' Equity (Deficit)		
Current Liabilities		
Accounts payable	\$ 844,078	\$ 843,121
Convertible Notes - current portion net of original issue discount	591,392	591,146
Total current liabilities	1,435,470	1,434,267
Total Liabilities	1,435,470	1,434,267
Commitments and Contingencies		
Stockholders' Equity (Deficit)		
Common stock issued and outstanding, \$0.01 par value;	447,178	350,178
Common stock issuable, \$0.01 Par Value	6,000	6,000
Additional paid-in capital	14,458,401	14,416,601
Accumulated deficit	(16,053,018)	(15,973,701)
Total stockholders' equity (deficit)	(1,141,439)	(1,200,922)
Total liabilities and stockholders' equity (deficit)	\$ 294,031	\$ 233,345

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2010	2009	2010	2009
	(Unaudited)		(Unaudited)	
Revenues, net	\$ 203	\$ 35,128	\$ 211	\$ 39,060
	203	35,128	211	39,060
Cost of revenues	63	6,789	76	7,493
Gross profit (loss)	140	28,339	135	31,567
Operating expenses				
Selling, general and administrative	44,695	40,715	79,452	57,041
Write down of inventory	-	-	-	-
Impairment of patents	-	-	-	-
	44,695	40,715	79,452	57,041
Loss from operations	(44,555)	(12,376)	(79,317)	(25,474)
Other income (expense):				
Interest (expense)	-	(3,986)	-	(4,036)
Total other income (expense)	-	(3,986)	-	(4,036)
Net (loss)	\$ (44,555)	\$ (16,362)	\$ (79,317)	\$ (29,510)
Earnings (loss) per common share				
Basic and Diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Shares Outstanding	37,567,805	35,017,806	37,567,805	35,017,806

GelStat Corporation and Subsidiary
Consolidated Statement of Changes in Stockholders' Equity (Deficit)
(Unaudited)

	Common Stock				Additional Paid in Capital	Retained Earnings (Accumulated Deficit)	Total
	Issuable		Issued				
	Shares	\$	Shares	\$			
Balance January 1, 2009	600,000	6,000	35,017,805	350,178	14,416,601	(15,922,249)	(1,149,470)
Net loss for the year ended December 31, 2009	-	-	-	-	-	(51,452)	(51,452)
Balance December 31, 2009	600,000	6,000	35,017,805	350,178	14,416,601	(15,973,701)	(1,200,922)
Issuance of warrants for services	-	-	-	-	26,300	-	26,300
Issuance of common stock for services	-	-	7,750,000	77,500	15,500	-	93,000
Issuance of common stock in private placement	-	-	1,950,000	19,500	-	-	19,500
Net loss for the six months ended June 30, 2010	-	-	-	-	-	(79,317)	(79,317)
Balance June 30, 2010	600,000	\$ 6,000	44,717,805	\$ 447,178	\$ 14,458,401	\$ (16,053,018)	\$ (1,141,439)

GelStat Corporation and Subsidiary
Consolidated Statements of Cash Flows
(Unaudited)

	For the Six Months Ended	
	June 30,	
	2010	2009
Net Loss	\$ (79,317)	\$ (31,607)
Adjustments to reconcile net loss to cash flows from operating activities:		
Impairment of patents	-	-
Write-down of inventory	-	-
Write down of accounts payable and accrued expenses	-	-
Stock issued for Services	93,000	-
Warrants issued for services	26,300	-
Changes in operating assets and liabilities:		
Write down of inventory	-	38,349
Accounts receivable	500	(25,393)
Inventory	-	4,769
Prepaid expenses	(58,525)	-
Accounts payable	957	8,750
Accrued liabilities	-	-
Deferred revenue	-	-
Net cash used in operating activities	<u>(17,085)</u>	<u>(5,132)</u>
Cash Flows from Investing Activities:		
Fixed asset additions	(287)	-
Net cash used in investing activities	<u>(287)</u>	<u>-</u>
Cash Flows from Financing Activities:		
Debt repayments	-	-
Proceeds from notes payable	246	5,500
Proceeds from sale of stock	19,500	-
Net cash provided by financing activities	<u>19,746</u>	<u>5,500</u>
Net increase in cash and cash equivalents	<u>2,374</u>	<u>368</u>
Cash and cash equivalents, beginning	<u>306</u>	<u>21</u>
Cash and cash equivalents, ending	<u>\$ 2,680</u>	<u>\$ 389</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.