



Financials Statements
Nine Months Ended
September 30, 2010
Unaudited

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

	As of	
	September 30, 2010	December 31, 2009
	(Unaudited)	
Assets		
Current Assets		
Cash and equivalents	\$ 294	\$ 306
Accounts receivable	11,893	21,572
Inventory	-	206,467
Prepaid consulting	35,450	-
Total current assets	47,637	228,345
Property and equipment, net	5,288	5,000
Total assets	\$ 52,925	\$ 233,345
Liabilities and Stockholders' Equity (Deficit)		
Current Liabilities		
Accounts payable	\$ 821,533	\$ 843,121
Convertible Notes - current portion net of original issue discount	551,992	591,146
Total current liabilities	1,373,525	1,434,267
Total Liabilities	1,373,525	1,434,267
Commitments and Contingencies		
Stockholders' Equity (Deficit)		
Common stock issued and outstanding, \$0.01 par value;	462,178	350,178
Common stock issuable, \$0.01 Par Value	13,500	6,000
Additional paid-in capital	14,462,901	14,416,601
Accumulated deficit	(16,259,179)	(15,973,701)
Total stockholders' equity (deficit)	(1,320,600)	(1,200,922)
Total liabilities and stockholders' equity (deficit)	\$ 52,925	\$ 233,345

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2010	2009	2010	2009
	(Unaudited)		(Unaudited)	
Revenues, net	\$ 34,970	\$ 2,472	\$ 35,181	\$ 41,532
	34,970	2,472	35,181	41,532
Cost of revenues	63	743	76	8,613
Gross profit (loss)	34,907	1,729	35,105	32,919
Operating expenses				
Selling, general and administrative	9,211	7,990	111,801	32,439
Write down of inventory	206,468	-	206,468	-
Impairment of patents	5,704	-	5,704	38,349
	221,383	7,990	323,973	70,788
Loss from operations	(186,476)	(6,261)	(288,868)	(37,869)
Other income (expense):				
Gain on settlement of debt	3,390	-	3,390	-
Interest (expense)	-	-	-	-
Total other income (expense)	3,390	-	3,390	-
Net (loss)	\$ (183,086)	\$ (6,261)	\$ (285,478)	\$ (37,869)
Earnings (loss) per common share				
Basic and Diluted	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)
Shares Outstanding	46,217,805	35,017,806	46,217,805	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	-	-	8,500,000	85,000	20,000	-	105,000
Issuance of common stock in private placement	750,000	7,500	2,700,000	27,000	-	-	34,500
Net loss for the nine months ended September 30, 2010	-	-	-	-	-	(285,478)	(285,478)
Balance September 30, 2010	<u>1,350,000</u>	<u>\$ 13,500</u>	<u>46,217,805</u>	<u>\$ 462,178</u>	<u>\$ 14,462,901</u>	<u>\$ (16,259,179)</u>	<u>\$ (1,320,600)</u>

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

	For the Nine Months Ended September 30,	
	2010	2009
Net Loss	\$ (285,478)	\$ (37,869)
Adjustments to reconcile net loss to cash flows from operating activities:		
Stock issued for services	105,000	-
Warrants issued for services	26,300	-
Write down of inventory	206,468	38,349
Changes in operating assets and liabilities:		
Prepaid expenses	(35,450)	-
Accounts receivable	9,679	(24,017)
Inventory	-	4,662
Accounts payable	(21,589)	11,049
Net cash used in operating activities	4,930	(7,826)
Cash Flows from Investing Activities:		
Fixed asset additions	(288)	-
Net cash used in investing activities	(288)	-
Cash Flows from Financing Activities:		
Repayments of notes payable	(39,154)	8,000
Proceeds from sale of stock	34,500	-
Net cash provided by financing activities	(4,654)	8,000
Net increase in cash and cash equivalents	(12)	174
Cash and cash equivalents, beginning	306	21
Cash and cash equivalents, ending	\$ 294	\$ 195

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.