



Financials Statements
Nine Months Ended
September 30, 2009
Unaudited

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

	As of	
	September 30,	December 31,
	2009	2008
	(Unaudited)	
Assets		
Current Assets		
Cash and equivalents	\$ 105	\$ 21
Accounts receivable	27,697	3,680
Inventory	230,305	278,012
Prepaid consulting	-	-
Total current assets	258,107	281,713
Property and equipment, net	5,000	5,000
Patents, net	-	-
Investment in unconsolidated subsidiary	-	-
Note receivable	-	-
Other Assets	-	-
Total assets	\$ 263,107	\$ 286,713
Liabilities and Stockholders' Equity (Deficit)		
Current Liabilities		
Accounts payable	\$ 650,916	\$ 616,415
Accrued liabilities	5,175	5,492
Convertible Notes - current portion net of original issue discount	547,446	539,446
Total current liabilities	1,203,537	1,161,353
Total Liabilities	1,203,537	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	(15,713,209)	(15,647,419)
Total stockholders' equity (deficit)	(940,430)	(874,640)
Total liabilities and stockholders' equity (deficit)	\$ 263,107	\$ 286,713

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
	(Unaudited)		(Unaudited)	
Revenues, net	\$ 2,472	\$ 7,419	\$ 41,540	\$ 18,323
	<u>2,472</u>	<u>7,419</u>	<u>41,540</u>	<u>18,323</u>
Cost of revenues	834	1,806	11,496	4,355
	<u>834</u>	<u>1,806</u>	<u>11,496</u>	<u>4,355</u>
Gross profit (loss)	1,638	5,613	30,044	13,968
	<u>1,638</u>	<u>5,613</u>	<u>30,044</u>	<u>13,968</u>
Operating expenses				
Selling, general and administrative	12,532	73,737	52,826	280,002
Impairment of patents	-	-	38,349	192,576
	<u>12,532</u>	<u>73,737</u>	<u>91,175</u>	<u>472,578</u>
Loss from operations	(10,894)	(68,124)	(61,131)	(458,610)
	<u>(10,894)</u>	<u>(68,124)</u>	<u>(61,131)</u>	<u>(458,610)</u>
Other income (expense):				
Other expense	-	-	-	(18,506)
Interest expense	(4,507)	(1,401)	(4,659)	(1,401)
Total other income (expense)	(4,507)	(1,401)	(4,659)	(19,907)
	<u>(4,507)</u>	<u>(1,401)</u>	<u>(4,659)</u>	<u>(19,907)</u>
Net (loss)	\$ (15,401)	\$ (69,525)	\$ (65,790)	\$ (478,517)
	<u>\$ (15,401)</u>	<u>\$ (69,525)</u>	<u>\$ (65,790)</u>	<u>\$ (478,517)</u>
Earnings (loss) per common share				
Basic and Diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.02)
	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.02)</u>
Weighted Average Shares Outstanding	35,017,806	33,778,038	35,017,806	25,856,582
	<u>35,017,806</u>	<u>33,778,038</u>	<u>35,017,806</u>	<u>25,856,582</u>

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

	<u>Common Stock</u>				<u>Additional Paid in Capital</u>	<u>Retained Earnings (Accumulated Deficit)</u>	<u>Total</u>
	<u>Issuable</u>		<u>Issued</u>				
	<u>Shares</u>	<u>\$</u>	<u>Shares</u>	<u>\$</u>			
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	<u>600,000</u>	<u>\$ 6,000</u>	<u>35,017,805</u>	<u>\$ 350,178</u>	<u>\$ 14,416,601</u>	<u>\$ (15,647,419)</u>	<u>\$ (874,640)</u>
Net loss for the nine months ended September 30, 2009	-	-	-	-	-	(65,790)	(65,790)
Balance September 30, 2009	<u>600,000</u>	<u>\$ 6,000</u>	<u>35,017,805</u>	<u>\$ 350,178</u>	<u>\$ 14,416,601</u>	<u>\$ (15,713,209)</u>	<u>\$ (940,430)</u>

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

	For the Nine Months Ended	
	September 30,	
	2009	2008
	<u>2009</u>	<u>2008</u>
Net Loss	\$ (65,790)	\$ (478,517)
Adjustments to reconcile net loss to cash flows from operating activities:		
Write down of inventory	38,349	-
Write down of patents		195,076
Changes in operating assets and liabilities:		
Accounts receivable	(24,017)	(20,455)
Prepaid expenses	-	(83,500)
Inventory	9,358	5,141
Accounts payable	34,184	37,522
Net cash used in operating activities	<u>(7,916)</u>	<u>(344,733)</u>
Cash Flows from Investing Activities:		
Net cash used in investing activities	<u>-</u>	<u>-</u>
Cash Flows from Financing Activities:		
Proceeds from notes payable	8,000	-
Repayment of notes		(3,599)
Proceeds from issuance of stock		359,140
Net cash provided by financing activities	<u>8,000</u>	<u>355,541</u>
Net increase in cash and cash equivalents	84	10,808
Cash and cash equivalents, beginning	<u>21</u>	<u>3,044</u>
Cash and cash equivalents, ending	<u>\$ 105</u>	<u>\$ 13,852</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.