



Financials Statements
Three Months Ended
March 31, 2010
Unaudited

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

	As of	
	March 31, 2010	December 31, 2009
	(Unaudited)	
Assets		
Current Assets		
Cash and equivalents	\$ 690	\$ 306
Accounts receivable	21,072	21,572
Inventory	206,467	206,467
Prepaid consulting	81,600	-
Total current assets	309,829	228,345
Property and equipment, net	5,000	5,000
Total assets	\$ 314,829	\$ 233,345
Liabilities and Stockholders' Equity (Deficit)		
Current Liabilities		
Accounts payable	\$ 845,067	\$ 843,121
Convertible Notes - current portion net of original issue discount	591,146	591,146
Total current liabilities	1,436,213	1,434,267
Total Liabilities	1,436,213	1,434,267
Commitments and Contingencies		
Stockholders' Equity (Deficit)		
Common stock issued and outstanding, \$0.01 par value;	424,678	350,178
Common stock issuable, \$0.01 Par Value	6,000	6,000
Additional paid-in capital	14,456,401	14,416,601
Accumulated deficit	(16,008,463)	(15,973,701)
Total stockholders' equity (deficit)	(1,121,384)	(1,200,922)
Total liabilities and stockholders' equity (deficit)	\$ 314,829	\$ 233,345

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

	For the Three Months Ended March 31,	
	2010	2009
	(Unaudited)	
Revenues, net	\$ 8	\$ 3,932
	<u>8</u>	<u>3,932</u>
Cost of revenues	13	3,873
	<u>13</u>	<u>3,873</u>
Gross profit (loss)	(5)	59
	<u>(5)</u>	<u>59</u>
Operating expenses		
Selling, general and administrative	34,757	9,831
	<u>34,757</u>	<u>9,831</u>
Loss from operations	(34,762)	(9,772)
	<u>(34,762)</u>	<u>(9,772)</u>
Other income (expense):		
Interest (expense)	-	-
	<u>-</u>	<u>-</u>
Total other income (expense)	-	-
	<u>-</u>	<u>-</u>
Net (loss)	\$ (34,762)	\$ (9,772)
	<u>\$ (34,762)</u>	<u>\$ (9,772)</u>
Earnings (loss) per common share		
Basic and Diluted	\$ (0.00)	\$ (0.00)
	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Weighted Average Shares Outstanding	42,467,805	35,617,806
	<u>42,467,805</u>	<u>35,617,806</u>

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

	<u>Common Stock</u>				Additional Paid in Capital	Retained Earnings (Accumulated Deficit)	Total
	<u>Issuable</u>		<u>Issued</u>				
	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	-	-	6,750,000	67,500	13,500	-	81,000
Issuance of common stock in private placement	-	-	700,000	7,000	-	-	7,000
Net loss for the three months ended March 31, 2010	-	-	-	-	-	(34,762)	(34,762)
Balance March 31, 2010	<u>600,000</u>	<u>\$ 6,000</u>	<u>42,467,805</u>	<u>\$ 424,678</u>	<u>\$ 14,456,401</u>	<u>\$ (16,008,463)</u>	<u>\$ (1,121,384)</u>

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

	For the Three Months Ended	
	March 31,	
	2010	2009
Net Loss	\$ (34,762)	\$ (9,772)
Adjustments to reconcile net loss to cash flows from operating activities:		
Stock issued for Services	81,000	-
Warrants issued for services	26,300	
Changes in operating assets and liabilities:		
Accounts receivable	500	490
Prepaid expenses	(81,600)	
Inventory	-	3,176
Security deposits	-	-
Accounts payable	1,946	2,085
Accrued liabilities	-	-
Deferred revenue	-	-
Net cash used in operating activities	(6,616)	(4,021)
Cash Flows from Investing Activities:		
Disposal of fixed assets	-	-
Net cash used in investing activities	-	-
Cash Flows from Financing Activities:		
Proceeds from notes payable	-	4,000
Proceeds from sale of stock	7,000	-
Net cash provided by financing activities	7,000	4,000
Net increase in cash and cash equivalents	384	(21)
Cash and cash equivalents, beginning	306	21
Cash and cash equivalents, ending	\$ 690	\$ -

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.