0001393548 false --09-30 2022 Q3 0001393548 2021-10-01 2022-06-30 0001393548 2022-08-19 0001393548 2022-06-30 0001393548 2021-09-30 0001393548 2022-04-01 2022-06-30 0001393548 2021-04-01 2021-06-30 0001393548 2020-10-01 2021-06-30 0001393548 us-gaap:CommonStockMember 2022-03-31 0001393548 clis:CommonStockToBeIssuedMember 2022-03-31 0001393548 us-gaap:AdditionalPaidInCapitalMember 2022-03-31 0001393548 us-gaap:RetainedEarningsMember 2022-03-31 0001393548 2022-03-31 0001393548 us-gaap:CommonStockMember 2021-09-30 0001393548 clis:CommonStockToBeIssuedMember 2021-09-30 0001393548 us-gaap:AdditionalPaidInCapitalMember 2021-09-30 0001393548 us-gaap:RetainedEarningsMember 2021-09-30 0001393548 us-gaap:CommonStockMember 2021-03-31 0001393548 clis:CommonStockToBeIssuedMember 2021-03-31 0001393548 us-gaap:AdditionalPaidInCapitalMember 2021-03-31 0001393548 us-gaap:RetainedEarningsMember 2021-03-31 0001393548 2021-03-31 0001393548 us-gaap:CommonStockMember 2020-09-30 0001393548 clis:CommonStockToBeIssuedMember 2020-09-30 0001393548 us-gaap:AdditionalPaidInCapitalMember 2020-09-30 0001393548 us-gaap:RetainedEarningsMember 2020-09-30 0001393548 2020-09-30 0001393548 us-gaap:CommonStockMember 2022-04-01 2022-06-30 0001393548 clis:CommonStockToBeIssuedMember 2022-04-01 2022-06-30 0001393548 us-gaap:AdditionalPaidInCapitalMember 2022-04-01 2022-06-30 0001393548 us-gaap:RetainedEarningsMember 2022-04-01 2022-06-30 0001393548 us-gaap:CommonStockMember 2021-10-01 2022-06-30 0001393548 clis:CommonStockToBeIssuedMember 2021-10-01 2022-06-30 0001393548 us-gaap:AdditionalPaidInCapitalMember 2021-10-01 2022-06-30 0001393548 us-gaap:RetainedEarningsMember 2021-10-01 2022-06-30 0001393548 us-gaap:CommonStockMember 2021-04-01 2021-06-30 0001393548 clis:CommonStockToBeIssuedMember 2021-04-01 2021-06-30 0001393548 us-gaap:AdditionalPaidInCapitalMember 2021-04-01 2021-06-30 0001393548 us-gaap:RetainedEarningsMember 2021-04-01 2021-06-30 0001393548 us-gaap:CommonStockMember 2020-10-01 2021-06-30 0001393548 clis:CommonStockToBeIssuedMember 2020-10-01 2021-06-30 0001393548 us-gaap:AdditionalPaidInCapitalMember 2020-10-01 2021-06-30 0001393548 us-gaap:RetainedEarningsMember 2020-10-01 2021-06-30 0001393548 us-gaap:CommonStockMember 2022-06-30 0001393548 clis:CommonStockToBeIssuedMember 2022-06-30 0001393548 us-gaap:AdditionalPaidInCapitalMember 2022-06-30 0001393548 us-gaap:RetainedEarningsMember 2022-06-30 0001393548 us-gaap:CommonStockMember 2021-06-30 0001393548 clis:CommonStockToBeIssuedMember 2021-06-30 0001393548 us-gaap:AdditionalPaidInCapitalMember 2021-06-30 0001393548 us-gaap:RetainedEarningsMember 2021-06-30 0001393548 2021-06-30 0001393548 us-gaap:CreditConcentrationRiskMember 2022-06-30 0001393548 2020-10-01 2021-09-30 0001393548 2020-10-01 2022-06-30 0001393548 us-gaap:SeriesAPreferredStockMember 2021-10-01 2022-06-30 0001393548 us-gaap:SeriesAPreferredStockMember 2020-10-01 2021-06-30 0001393548 us-gaap:ConvertibleNotesPayableMember 2021-10-01 2022-06-30 0001393548 us-gaap:ConvertibleNotesPayableMember 2020-10-01 2021-06-30 0001393548 2019-10-01 2020-09-30 0001393548 2022-01-01 2022-03-31 0001393548 2021-09-07 0001393548 2021-09-08 2021-09-30 0001393548 2021-10-01 2021-12-31 0001393548 2021-12-31 0001393548 clis:DiscoveryGrowthGroupMember 2022-06-30 0001393548 clis:DiscoveryGrowthGroupMember 2021-09-30 0001393548 clis:SixthStreetLendingMember 2022-06-30 0001393548 clis:SixthStreetLendingMember 2021-09-30 0001393548 clis:SixthStreetLending1Member 2022-06-30 0001393548 clis:SixthStreetLending1Member 2021-09-30 0001393548 clis:DiscoveryGrowthGroupMember 2021-10-01 2022-06-30 0001393548 us-gaap:PreferredClassAMember 2021-10-01 2022-06-30 0001393548 clis:ConsultantsMember 2020-10-01 2021-06-30 iso4217:USD xbrli:shares iso4217:USD xbrli:shares xbrli:pure

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

**☒ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended June 30, 2022

**☐ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number **000-52944**

**Clickstream Corporation**

**(Exact name of registrant as specified in its charter)**

|  |  |
| --- | --- |
| **Nevada** **(State or other jurisdiction of** **incorporation or organization)** | **46-5582243** **(I.R.S. Employer** **Identification Number)** |

**8549 Wilshire Blvd. Suite 2181 Beverly Hills, CA 90211**

 (Address of principal executive offices and zip code)

**(213) 205-0684**

 (Registrant’s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

|  |  |
| --- | --- |
| Large accelerated filer ☐ | Accelerated filer ☐ |
| Non-accelerated filer ☒ | Smaller reporting company ☒ |
|  | Emerging growth company ☐ |
|  |  |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Securities registered pursuant to Section 12(b) of the Act:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Title of each class** |  | **Trading Symbol** |  | **Name of exchange on which registered** |
| Common Stock, $0.001 par value per share |  | CLIS |  | N/A |

As of August 19, 2022, there were 343,285,671 outstanding shares of the Registrant’s common stock, par value $0.0001 per share.

Transitional Small Business Disclosure Format Yes ☐ No ☒

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**PART I** — **FINANCIAL INFORMATION**

**Item 1. Financial Statement**

|  |
| --- |
| **CLICKSTREAM CORP. AND SUBSIDIARIES** |
| **CONDENSED CONSOLIDATED BALANCE SHEETS** |
| **(Rounded to nearest thousand except for share quantities)** |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | June 30, | | |  | September 30, | | |
|  |  | 2022 | | |  | 2021 | | |
|  |  | (unaudited) | | |  |  | | |
| ASSETS |  |  |  |  |  |  |  |  |
| Current assets: |  |  |  |  |  |  |  |  |
| Cash |  | $ | 1,000 |  |  | $ | 422,000 |  |
| Prepaid expenses |  |  | 880,000 |  |  |  | 102,000 |  |
| Note receivable and accrued interest - Winners, Inc. - related party |  |  | — |  |  |  | 556,000 |  |
| Total current assets |  |  | 881,000 |  |  |  | 1,080,000 |  |
|  |  |  |  |  |  |  |  |  |
| Investment in equity method investee - Winners, Inc. |  |  | — |  |  |  | 105,000 |  |
|  |  |  |  |  |  |  |  |  |
| Total assets |  | $ | 881,000 |  |  | $ | 1,185,000 |  |
|  |  |  |  |  |  |  |  |  |
| LIABILITIES AND STOCKHOLDERS’ EQUITY (DEFICIT) |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Current liabilities: |  |  |  |  |  |  |  |  |
| Accounts payable and accrued expenses |  | $ | 1,070,000 |  |  | $ | 207,000 |  |
| Convertible notes payable, net of debt discount and plus premium |  |  | 775,000 |  |  |  | — |  |
| Note payable and accrued interest - Winners, Inc. - related party |  |  | 113,000 |  |  |  | — |  |
| Total current liabilities |  |  | 1,958,000 |  |  |  | 207,000 |  |
|  |  |  |  |  |  |  |  |  |
| Total liabilities |  |  | 1,958,000 |  |  |  | 207,000 |  |
|  |  |  |  |  |  |  |  |  |
| Commitments and contingencies (See Note 13) |  |  | — |  |  |  | — |  |
|  |  |  |  |  |  |  |  |  |
| Series A convertible preferred stock, $0.001 par value, 10,000,000 shares authorized; 3,691,670 and 4,000,000 shares issued and outstanding, respectively |  |  | 46,000 |  |  |  | 50,000 |  |
|  |  |  |  |  |  |  |  |  |
| Stockholders’ equity (deficit): |  |  |  |  |  |  |  |  |
| Common stock, $0.0001 par value, 2,000,000,000 shares authorized; 338,183,630 and 279,437,804 shares issued and outstanding, respectively |  |  | 34,000 |  |  |  | 28,000 |  |
| Common stock to be issued, 18,087,827 and 140,000 shares, respectively |  |  | 2,000 |  |  |  | — |  |
| Additional paid-in capital |  |  | 16,996,000 |  |  |  | 14,464,000 |  |
| Accumulated deficit |  |  | (18,155,000 | ) |  |  | (13,564,000 | ) |
| Total stockholders’ equity (deficit) |  |  | (1,123,000 | ) |  |  | 928,000 |  |
|  |  |  |  |  |  |  |  |  |
| Total liabilities and stockholders’ equity (deficit) |  | $ | 881,000 |  |  | $ | 1,185,000 |  |

|  |
| --- |
| The accompanying notes are an integral part of these unaudited condensed consolidated financial statements. |

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| **CLICKSTREAM CORP. AND SUBSIDIARIES** |
| **CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS** |
| **(Rounded to nearest thousand except for share and per share data)** |
| (unaudited) |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  | |  |  |  |  |  |  |  | |
|  |  | For the Three Months Ended June 30, | | | | | | |  | For the Nine Months Ended June 30, | | | | | | |
|  |  | 2022 | | |  | 2021 | | |  | 2022 | | |  | 2021 | | |
|  |  |  | | |  |  | | |  |  | | |  |  | | |
| Revenues |  | $ | — |  |  | $ | — |  |  | $ | — |  |  | $ | — |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Operating expenses: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Research and development |  |  | 189,000 |  |  |  | 230,000 |  |  |  | 484,000 |  |  |  | 521,000 |  |
| Selling, general and administrative expenses |  |  | 741,000 |  |  |  | 1,027,000 |  |  |  | 3,582,000 |  |  |  | 5,389,000 |  |
| Total operating expenses |  |  | 930,000 |  |  |  | 1,257,000 |  |  |  | 4,066,000 |  |  |  | 5,910,000 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Loss from operations |  |  | (930,000 | ) |  |  | (1,257,000 | ) |  |  | (4,066,000 | ) |  |  | (5,910,000 | ) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Other income (expense): |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Settlement of employment agreement |  |  | — |  |  |  | — |  |  |  | (146,000 | ) |  |  | — |  |
| Interest expense |  |  | (60,000 | ) |  |  | (74,000 | ) |  |  | (267,000 | ) |  |  | (90,000 | ) |
| Interest income |  |  | — |  |  |  | 13,000 |  |  |  | 21,000 |  |  |  | 41,000 |  |
| Change in fair value - investments |  |  | — |  |  |  | 377,000 |  |  |  | — |  |  |  | 639,000 |  |
| Gain on debt exinguishment |  |  | 35,000 |  |  |  | — |  |  |  | 35,000 |  |  |  | — |  |
| Total other income (expense), net |  |  | (25,000 | ) |  |  | 316,000 |  |  |  | (357,000 | ) |  |  | 590,000 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Loss before equity method investee loss |  |  | (955,000 | ) |  |  | (941,000 | ) |  |  | (4,423,000 | ) |  |  | (5,320,000 | ) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Loss of equity method investee |  |  | — |  |  |  | — |  |  |  | (105,000 | ) |  |  | — |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net loss |  |  | (955,000 | ) |  |  | (941,000 | ) |  |  | (4,528,000 | ) |  |  | (5,320,000 | ) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Deemed dividend resulting from redemption of Series A shares |  |  | (12,000 | ) |  |  | — |  |  |  | (63,000 | ) |  |  | — |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net loss available to common stockholders |  | $ | (967,000 | ) |  | $ | (941,000 | ) |  | $ | (4,591,000 | ) |  | $ | (5,320,000 | ) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net loss per common share, basic and diluted |  | $ | (0.00 | ) |  | $ | (0.00 | ) |  | $ | (0.01 | ) |  | $ | (0.02 | ) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Weighted average number of common shares outstanding, basic and diluted |  |  | 349,072,877 |  |  |  | 244,277,687 |  |  |  | 316,264,509 |  |  |  | 234,539,844 |  |

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| The accompanying notes are an integral part of these unaudited condensed consolidated financial statements. |

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| **CLICKSTREAM CORP. AND SUBSIDIARIES** |
| **CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS’ EQUITY (DEFICIT)** |
| **FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2022** |
| **(Rounded to nearest thousand except for share quantities)** |
| **(unaudited)** |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  | |  |  |  |  |  |  |  | |  |  | | |  |  | | |  |  | | |
|  |  | Common Stock | | | | | | |  | Common Stock To Be Issued | | | | | | |  | Additional Paid-in | | |  | Accumulated | | |  |  | | |
|  |  | Shares | | |  | Amount | | |  | Shares | | |  | Amount | | |  | Capital | | |  | Deficit | | |  | Total | | |
| Balance, March 31, 2022 |  |  | 332,287,234 |  |  | $ | 33,000 |  |  |  | 15,140,000 |  |  | $ | 2,000 |  |  | $ | 16,875,000 |  |  | $ | (17,188,000 | ) |  | $ | (278,000 | ) |
| Physical issuance of common shares previously to be issued |  |  | 140,000 |  |  |  | — |  |  |  | (140,000 | ) |  |  | — |  |  |  | — |  |  |  | — |  |  |  | — |  |
| Issuance of common shares for services |  |  | — |  |  |  | — |  |  |  | 3,087,827 |  |  |  | — |  |  |  | 62,000 |  |  |  | — |  |  |  | 62,000 |  |
| Redemption of Series A preferred shares |  |  | — |  |  |  | — |  |  |  | — |  |  |  | — |  |  |  | — |  |  |  | (12,000 | ) |  |  | (12,000 | ) |
| Common shares issued upon conversions of convertible notes payable |  |  | 5,756,396 |  |  |  | 1,000 |  |  |  | — |  |  |  | — |  |  |  | 59,000 |  |  |  | — |  |  |  | 60,000 |  |
| Net loss |  |  | — |  |  |  | — |  |  |  | — |  |  |  | — |  |  |  | — |  |  |  | (955,000 | ) |  |  | (955,000 | ) |
| Balance, June 30, 2022 |  |  | 338,183,630 |  |  | $ | 34,000 |  |  |  | 18,087,827 |  |  | $ | 2,000 |  |  | $ | 16,996,000 |  |  | $ | (18,155,000 | ) |  | $ | (1,123,000 | ) |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Common Stock | | | | | | |  | Common Stock To Be Issued | | | | | | |  | Additional Paid-in | | |  | Accumulated | | |  |  | | |
|  |  | Shares | | |  | Amount | | |  | Shares | | |  | Amount | | |  | Capital | | |  | Deficit | | |  | Total | | |
| Balance, September 30, 2021 |  |  | 279,437,804 |  |  | $ | 28,000 |  |  |  | 140,000 |  |  | $ | — |  |  | $ | 14,464,000 |  |  | $ | (13,564,000 | ) |  | $ | 928,000 |  |
| Physical issuance of common shares previously to be issued |  |  | 140,000 |  |  |  | — |  |  |  | (140,000 | ) |  |  | — |  |  |  | — |  |  |  | — |  |  |  | — |  |
| Issuance of common shares for services |  |  | 21,299,430 |  |  |  | 3,000 |  |  |  | 3,087,827 |  |  |  | — |  |  |  | 792,000 |  |  |  | — |  |  |  | 795,000 |  |
| Issuance of common shares for private placement |  |  | 15,000,000 |  |  |  | 1,000 |  |  |  | — |  |  |  | — |  |  |  | 749,000 |  |  |  | — |  |  |  | 750,000 |  |
| Issuance of shares for settlement of employment agreement |  |  | 1,550,000 |  |  |  | — |  |  |  | — |  |  |  | — |  |  |  | 155,000 |  |  |  | — |  |  |  | 155,000 |  |
| Issuance of common shares for marketing fees |  |  | 15,000,000 |  |  |  | 1,000 |  |  |  | — |  |  |  | — |  |  |  | 389,000 |  |  |  | — |  |  |  | 390,000 |  |
| Issuance of common shares for licensing fees |  |  | — |  |  |  | — |  |  |  | 15,000,000 |  |  |  | 2,000 |  |  |  | 388,000 |  |  |  | — |  |  |  | 390,000 |  |
| Deemed dividend on redemption of Series A preferred shares |  |  | — |  |  |  | — |  |  |  | — |  |  |  | — |  |  |  | — |  |  |  | (63,000 | ) |  |  | (63,000 | ) |
| Common shares issued upon conversions of convertible notes payable |  |  | 5,756,396 |  |  |  | 1,000 |  |  |  | — |  |  |  | — |  |  |  | 59,000 |  |  |  | — |  |  |  | 60,000 |  |
| Net loss |  |  | — |  |  |  | — |  |  |  | — |  |  |  | — |  |  |  | — |  |  |  | (4,528,000 | ) |  |  | (4,528,000 | ) |
| Balance, June 30, 2022 |  |  | 338,183,630 |  |  | $ | 34,000 |  |  |  | 18,087,827 |  |  | $ | 2,000 |  |  | $ | 16,996,000 |  |  | $ | (18,155,000 | ) |  | $ | (1,123,000 | ) |

|  |
| --- |
| The accompanying notes are an integral part of these unaudited condensed consolidated financial statements. |

5

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| **CLICKSTREAM CORP. AND SUBSIDIARIES** |
| **CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS’ EQUITY (DEFICIT)** |
| **FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2021** |
| **(Rounded to nearest thousand except for share quantities)** |
| **(unaudited)** |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Common Stock | | | | | | |  | Common Stock To Be Issued | | | | | | |  | Additional Paid-in | | |  | Accumulated | | |  |  | | |
|  |  | Shares | | |  | Amount | | |  | Shares | | |  | Amount | | |  | Capital | | |  | Deficit | | |  | Total | | |
| Balance, March 31, 2021 |  |  | 243,963,102 |  |  | $ | 24,000 |  |  |  | — |  |  | $ | — |  |  | $ | 12,629,000 |  |  | $ | (10,157,000 | ) |  | $ | 2,496,000 |  |
| Issuance of common shares for services |  |  | 474,702 |  |  |  | — |  |  |  | 140,000 |  |  |  | — |  |  |  | 89,000 |  |  |  | — |  |  |  | 89,000 |  |
| Net loss |  |  | — |  |  |  | — |  |  |  | — |  |  |  | — |  |  |  | — |  |  |  | (941,000 | ) |  |  | (941,000 | ) |
| Balance, June 30, 2021 |  |  | 244,437,804 |  |  | $ | 24,000 |  |  |  | 140,000 |  |  | $ | — |  |  | $ | 12,718,000 |  |  | $ | (11,098,000 | ) |  | $ | 1,644,000 |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Common Stock | | | | | | |  | Common Stock To Be Issued | | | | | | |  | Additional Paid-in | | |  | Accumulated | | |  |  | | |
|  |  | Shares | | |  | Amount | | |  | Shares | | |  | Amount | | |  | Capital | | |  | Deficit | | |  | Total | | |
| Balance, September 30, 2020 |  |  | 220,560,625 |  |  | $ | 22,000 |  |  |  | — |  |  | $ | — |  |  | $ | 10,001,000 |  |  | $ | (5,778,000 | ) |  | $ | 4,245,000 |  |
| Issuance of common shares for services |  |  | 13,877,179 |  |  |  | 1,000 |  |  |  | 140,000 |  |  |  | — |  |  |  | 2,590,000 |  |  |  | — |  |  |  | 2,591,000 |  |
| Issuance of common shares for acquisition of Nebula Software Corp. |  |  | 10,000,000 |  |  |  | 1,000 |  |  |  | — |  |  |  | — |  |  |  | 127,000 |  |  |  | — |  |  |  | 128,000 |  |
| Net loss |  |  | — |  |  |  | — |  |  |  | — |  |  |  | — |  |  |  | — |  |  |  | (5,320,000 | ) |  |  | (5,320,000 | ) |
| Balance, June 30, 2021 |  |  | 244,437,804 |  |  | $ | 24,000 |  |  |  | 140,000 |  |  | $ | — |  |  | $ | 12,718,000 |  |  | $ | (11,098,000 | ) |  | $ | 1,644,000 |  |

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| The accompanying notes are an integral part of these unaudited condensed consolidated financial statements. |

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| **CLICKSTREAM CORP. AND SUBSIDIARIES** |
| **CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS** |
| **(Rounded to nearest thousand)** |
| (unaudited) |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  | |
|  |  | For the Nine Months Ended June 30, | | | | | | |
|  |  | 2022 | | |  | 2021 | | |
|  |  |  | | |  |  | | |
| CASH FLOWS FROM OPERATING ACTIVITIES: |  |  |  |  |  |  |  |  |
| Net loss |  | $ | (4,528,000 | ) |  | $ | (5,320,000 | ) |
| Adjustments to reconcile net loss to net cash used in operating activities: |  |  |  |  |  |  |  |  |
| Amortization of debt discount |  |  | 130,000 |  |  |  | 90,000 |  |
| Premium on debt |  |  | 105,000 |  |  |  | — |  |
| Loss on settlement of employment agreement |  |  | 146,000 |  |  |  | — |  |
| Gain on debt extinguishment |  |  | (35,000 | ) |  |  | — |  |
| Stock-based compensation |  |  | 698,000 |  |  |  | 2,591,000 |  |
| Loss of equity method investee |  |  | 105,000 |  |  |  | — |  |
| Change in fair value - investments - related party |  |  | — |  |  |  | (639,000 | ) |
| Changes in operating assets and liabilities: |  |  |  |  |  |  |  |  |
| Prepaid expenses |  |  | 98,000 |  |  |  | 982,000 |  |
| Interest receivable |  |  | (21,000 | ) |  |  | — |  |
| Accounts payable and accrued expenses |  |  | 873,000 |  |  |  | (75,000 | ) |
| Accrued interest payable - related party |  |  | 2,000 |  |  |  | (4,000 | ) |
| Net cash used in operating activities |  |  | (2,427,000 | ) |  |  | (2,375,000 | ) |
|  |  |  |  |  |  |  |  |  |
| CASH FLOWS FROM INVESTING ACTIVITIES: |  |  |  |  |  |  |  |  |
| Advances to Winners, Inc. |  |  | — |  |  |  | (315,000 | ) |
| Repayments and interest income received on advances to Winners, Inc. - related party |  |  | 577,000 |  |  |  | — |  |
| Interest receivable - Winners, Inc. - related party |  |  | — |  |  |  | (41,000 | ) |
| Net cash provided by (used in) investing activities |  |  | 577,000 |  |  |  | (356,000 | ) |
|  |  |  |  |  |  |  |  |  |
| CASH FLOWS FROM FINANCING ACTIVITIES: |  |  |  |  |  |  |  |  |
| Proceeds from issuance of convertible notes payable |  |  | 754,000 |  |  |  | 1,300,000 |  |
| Repayments of convertible notes payable |  |  | (119,000 | ) |  |  | — |  |
| Repayment of loans payable - related parties |  |  | — |  |  |  | (7,000 | ) |
| Proceeds from private placement offering |  |  | 750,000 |  |  |  | — |  |
| Proceeds from note payable to Winners, Inc. - related party |  |  | 111,000 |  |  |  | — |  |
| Redemption of Series A preferred shares |  |  | (67,000 | ) |  |  | — |  |
| Net cash provided by financing activities |  |  | 1,429,000 |  |  |  | 1,293,000 |  |
|  |  |  |  |  |  |  |  |  |
| Net decrease in cash |  |  | (421,000 | ) |  |  | (1,438,000 | ) |
| Cash, beginning of period |  |  | 422,000 |  |  |  | 3,015,000 |  |
| Cash, end of period |  | $ | 1,000 |  |  | $ | 1,577,000 |  |
|  |  |  |  |  |  |  |  |  |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: |  |  |  |  |  |  |  |  |
| Interest paid |  | $ | — |  |  | $ | — |  |
| Income taxes paid |  | $ | — |  |  | $ | — |  |
|  |  |  |  |  |  |  |  |  |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES: |  |  |  |  |  |  |  |  |
| Common shares issued to settle accrued expenses |  | $ | 9,000 |  |  | $ | — |  |
| Deemed dividend related to redemption of Series A preferred shares |  | $ | 63,000 |  |  | $ | — |  |
| Common shares issued for prepaid expenses |  | $ | 877,000 |  |  | $ | — |  |
| Common shares issued upon conversions of convertible notes payable |  | $ | 60,000 |  |  | $ | — |  |
| Common shares issued for acquisitioin of Nebula Software Corp. |  | $ | — |  |  | $ | 128,000 |  |

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| The accompanying notes are an integral part of these unaudited condensed consolidated financial statements. |

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**CLICKSTREAM CORP. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2022**

(unaudited)

**NOTE 1 – NATURE OF OPERATIONS**

Overview

Clickstream Corp. (“Clickstream,” “CLIS”, “we”, “our” or the “Company”), developed and launched a free to play gaming app, WinQuik™, based on an analytics platform that caters to the untapped market of casual users that will spend a few seconds to interact with a platform for free in order to win real money. Our primary target was not the sports betters or the fantasy players, who will join over time, but rather individuals who enjoy the low barrier to entry of entering a quick contest (short time investment) with the chance to win a prize (thrill of winning something for free). Our games were quick to play quiz type games that allowed the user to get involved in around 20 seconds, and then receive results from push notifications. Due to a security breach compromising WinQuik™, WinQuik™ was removed from the App Store and Play Store in late February 2022. No decision has been made as to the future of WinQuik™.

In December 2020, the Company acquired Nebula Software Corp. (“NSC”), owner of HeyPalTM, a language exchange platform which allows users from around the world to learn new languages through interactive exchanges and social posts. The Company is currently in the process of commercializing this platform. In November 2021, the Company launched its Android version of HeyPal™ in the Google Play Store.

In March 2021, the Company acquired Rebel Blockchain, Inc. (“RBI”), which has successfully launched the Beta version of its Nifter™ Music NFT Marketplace globally. Nifter™ allows artists to create, sell and discover unique music and sound non-fungible tokens (“NFT”s). NFTs are a new type of digital asset made possible through blockchain technology. NFTs can be created from any digital asset, including music and audio files, thus creating new streams of revenues for artists. The Nifter™ Marketplace allows for the creation and buying and selling of these music NFTs.

In September 2021, the Company acquired approximately 53% of Winners, Inc. (“WNRS”), which together with its prior holdings gives an approximate 55% interest in the common stock of WNRS. Due to the existence of super-voting preferred stock of WNRS, the Company has a voting percentage of approximately 5%. However, management has concluded that Winners, Inc. and its subsidiary VegasWinners, Inc. should be considered an investment in equity method investee (See Note 7).

COVID-19 Update

The ongoing COVID-19 global and national health emergency has caused significant disruption in the international and United States economies and financial markets. In March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. The spread of COVID-19 has caused illness, quarantines, cancellation of events and travel, business and school shutdowns, reduction in business activity and financial transactions, labor shortages, supply chain interruptions and overall economic and financial market instability. The COVID-19 pandemic has the potential to significantly impact the Company’s supply chain, distribution centers, or logistics and other service providers.

In addition, a severe prolonged economic downturn could result in a variety of risks to the business, including weakened demand for products and services and a decreased ability to raise additional capital when needed on acceptable terms, if at all. As the situation continues to evolve, the Company will continue to closely monitor market conditions and respond accordingly.

We have implemented adjustments to our operations designed to keep employees safe and comply with international, federal, state, and local guidelines, including those regarding social distancing. The extent to which COVID-19 may further impact the Company’s business, results of operations, financial condition and cash flows will depend on future developments, which are highly uncertain and cannot be predicted with confidence. In response to COVID- 19, the United States government has passed legislation and taken other actions to provide financial relief to companies and other organizations affected by the pandemic.

The ultimate impact of the COVID-19 pandemic on the Company’s operations is unknown and will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the COVID-19 outbreak, new information which may emerge concerning the severity of the COVID-19 pandemic, and any additional preventative and protective actions that governments, or the Company, may direct, which may result in an extended period of continued business disruption, reduced customer traffic and reduced operations.

To date, the Company has not experienced any significant economic impact due to COVID- 19.

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**CLICKSTREAM CORP. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2022**

(unaudited)

Basis of Presentation

The interim unaudited condensed financial statements included herein reflect all material adjustments (consisting of normal recurring adjustments and reclassifications and non-recurring adjustments) which, in the opinion of the Company’s management, are ordinary and necessary for a fair presentation of results for the interim periods. Certain information and footnote disclosures required under generally accepted accounting principles in the United States of America (“GAAP”) have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). The Company’s management believes the disclosures are adequate to make the information presented not misleading.

The condensed balance sheet information as of September 30, 2021 was derived from the Company’s annual report on Form 10-K for the fiscal year ended September 30, 2021 (“2021 Annual Report”), filed with the SEC pursuant to Section 13 or 15(d) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), on February 11, 2022. These interim unaudited condensed financial statements should be read in conjunction with the 2021 Annual Report. The results of operations for the three and nine months ended June 30, 2022 are not necessarily indicative of the results to be expected for the entire fiscal year or for any other period.

**NOTE 2 — GOING CONCERN AND MANAGEMENT’S LIQUIDITY PLANS**

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

As shown in the accompanying financial statements, as of June 30, 2022, the Company had cash on hand of $1,000 and a working capital deficit (current liabilities in excess of current assets) of $1,077,000. During the nine months ended June 30, 2022, the net loss attributed to common stockholders was $4,591,000 and net cash used in operating activities was $2,427,000. The Company is currently in default on a $600,000 convertible note payable to Discovery Growth Fund, LLC (See Note 8).

Discovery Growth Fund, LLC

The Company has incurred significant losses since its inception and has not demonstrated an ability to generate sufficient revenues from the sales of its products or services to achieve profitable operations. There can be no assurance that profitable operations will ever be achieved, or if achieved, could be sustained on a continuing basis. In making this assessment we performed a comprehensive analysis of our current circumstances including: our financial position, our cash flows and cash usage forecasts for the twelve months ended June 30, 2023, and our current capital structure including equity-based instruments and our obligations and debts.

The Company expects to continue to incur significant losses from operations and have negative cash flows from operating activities for the near-term. These losses could be significant as the Company has not yet generated revenues, but has continuing operating expenses including, but not limited to, compensation costs, professional fees, software development costs and regulatory fees.

The Company’s primary source of operating funds has been from cash proceeds from the sale of common stock and the issuances of promissory notes and other debt. The Company has experienced net losses from operations since inception, but it expects these conditions to improve in the future as it develops its business model. The Company had a stockholders’ deficit at June 30, 2022 and requires additional financing to fund future operations.

Management’s current business plan is primarily to: (i) pursue additional capital raising opportunities, (ii) continue to explore and execute prospective partnering or distribution opportunities; and (iii) identify unique market opportunities that represent potential positive short-term cash flow.

The Company’s existence is dependent upon management’s ability to develop profitable operations and to obtain additional funding sources. There can be no assurance that the Company’s financing efforts will result in profitable operations or the resolution of the Company’s liquidity problems.

If the Company does not obtain additional capital, the Company will be required to reduce the scope of its business development activities or cease operations. The Company continues to explore obtaining additional capital financing and the Company is closely monitoring its cash balances, cash needs, and expense levels.

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**CLICKSTREAM CORP. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2022**

(unaudited)

These factors create substantial doubt about the Company’s ability to continue as a going concern within the twelve-month period subsequent to the date that these consolidated financial statements are issued. The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

**NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the relative fair value of assets acquired, valuation of intangible assets for impairment testing, valuation of share-based compensation, and the valuation allowance on deferred tax assets. Actual results could differ from those estimates, and those estimates may be material.

Asset Acquisitions

The Company accounts for acquisitions of legal entities that do not meet the definition of a business under ASC 805 as asset acquisitions. Assets acquired and liabilities assumed are recorded at their relative fair value and no goodwill is recorded. Contingent consideration for assets acquired is measured and is recognized as an expense on the date the contingency occurs.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Nebula Software Corp. and Rebel Blockchain, Inc. All significant intercompany transactions and balances have been eliminated in consolidation.

Cash

For purposes of the consolidated statements of cash flows, the Company considers all highly liquid instruments with a maturity of three months or less at the purchase date and money market accounts to be cash equivalents.

At June 30, 2022 and 2021, respectively, the Company did not have any cash equivalents.

The Company is exposed to credit risk on its cash and cash equivalents in the event of default by the financial institutions to the extent account balances exceed the amount insured by the FDIC, which is $250,000. At June 30, 2022 and September 30, 2021, the Company had cash in banks exceeding the insured FDIC limit of $0 and $172,000, respectively.

Equity Method Investment

The equity method is applied to investments in affiliated companies and joint ventures. An affiliated company is an entity which is not controlled by the Company, but for which the Company is able to exert significant influence over the decisions on financial and operating business policies. If the Company has 20% or more, but not more than 50%, of the voting rights of another entity, the Company is presumed to have significant influence over that entity. However, if a company has less than 20% of the voting rights and is able to exert significant influence, then the equity method should be applied. Under the equity method, the investment in an affiliated company or joint venture is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company’s share of the net income or loss of the affiliated company or joint venture. When the Company’s share of losses of an affiliated company equals or exceeds it interest in the affiliated company or joint venture, the Company discontinues recognizing its share of further losses. All intercompany profits have been eliminated in proportion to interests in affiliated companies or joint ventures.

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**CLICKSTREAM CORP. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2022**

(unaudited)

Segments

The Company uses the “management approach” to identify its reportable segments. The management approach requires companies to report segment financial information consistent with information used by management for making operating decisions and assessing performance as the basis for identifying the Company’s reportable segments. Management has determined that the Company has one operating segment.

Fair Value Measurements

The Company accounts for financial instruments under Financial Accounting Standards Board (“FASB”) ASC 820, *Fair Value Measurements*. ASC 820 provides a framework for measuring fair value and requires disclosures regarding fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, based on the Company’s principal or, in absence of a principal, most advantageous market for the specific asset or liability.

The Company uses a three-tier fair value hierarchy to classify and disclose all assets and liabilities measured at fair value on a recurring basis, as well as assets and liabilities measured at fair value on a non-recurring basis, in periods subsequent to their initial measurement. The hierarchy requires the Company to use observable inputs when available, and to minimize the use of unobservable inputs, when determining fair value.

The three tiers are defined as follows:

|  |  |  |
| --- | --- | --- |
|  | ● | Level 1 —Observable inputs that reflect quoted market prices (unadjusted) for identical assets or liabilities in active markets; |

|  |  |  |
| --- | --- | --- |
|  | ● | Level 2—Observable inputs other than quoted prices in active markets that are observable either directly or indirectly in the marketplace for identical or similar assets and liabilities; and |

|  |  |  |
| --- | --- | --- |
|  | ● | Level 3—Unobservable inputs that are supported by little or no market data, which require the Company to develop its own assumptions. |

The determination of fair value and the assessment of a measurement’s placement within the hierarchy requires judgment. Level 3 valuations often involve a higher degree of judgment and complexity. Level 3 valuations may require the use of various cost, market, or income valuation methodologies applied to unobservable management estimates and assumptions. Management’s assumptions could vary depending on the asset or liability valued and the valuation method used. Such assumptions could include estimates of prices, earnings, costs, actions of market participants, market factors, or the weighting of various valuation methods. The Company may also engage external advisors to assist us in determining fair value, as appropriate.

Although the Company believes that the recorded fair value of our financial instruments is appropriate, these fair values may not be indicative of net realizable value or reflective of future fair values.

The Company recorded intangible assets for an asset acquisition (See Note 5). The Company performs impairment tests on these assets to reduce such asset to their fair value as applicable. These are considered level 3 non-recurring fair value measurements. The Company may use both qualitative and quantitative techniques such as the income method to value such assets. At September 30, 2021, the Company recorded impairment of intangible assets of $128,000, resulting in a net book value of zero.

Financial Instruments

Accounting Standards Codification subtopic 825-10, Financial Instruments (“ASC 825-10”) requires disclosure of the fair value of certain financial instruments. The carrying value of accounts payable and accrued expenses, and short-term borrowings, as reflected in the consolidated balance sheets, approximate fair value because of the short-term maturity of these instruments. All other significant financial assets, financial liabilities and equity instruments of the Company are either recognized or disclosed in the consolidated financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk. Where practicable the fair values of financial assets and financial liabilities have been determined and disclosed; otherwise only available information pertinent to fair value has been disclosed.

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**CLICKSTREAM CORP. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2022**

(unaudited)

Impairment of Long-lived Assets

Management evaluates the recoverability of the Company’s identifiable intangible assets and other long-lived assets when events or circumstances indicate a potential impairment exists, in accordance with the provisions of ASC 360-10-35-15 *“Impairment or Disposal of Long- Lived Assets.”* Events and circumstances considered by the Company in determining where the carrying value of identifiable intangible assets and other long-lived assets may not be recoverable include but are not limited to significant changes in performance relative to expected operating results; significant changes in the use of the assets; significant negative industry or economic trends; and changes in the Company’s business strategy. In determining if impairment exists, the Company estimates the undiscounted cash flows to be generated from the use and ultimate disposition of these assets.

If impairment is indicated based on a comparison of the assets’ carrying values and the undiscounted cash flows, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Income Taxes

The Company accounts for income tax using the asset and liability method prescribed by ASC 740, *“Income Taxes”.* Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the year in which the differences are expected to reverse. The Company records a valuation allowance to offset deferred tax assets if based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rates is recognized as income or loss in the period that includes the enactment date.

The Company follows the accounting guidance for uncertainty in income taxes using the provisions of ASC 740 “Income Taxes”. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. As of June 30, 2022 and September 30, 2021, the Company had no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs are included as a component of general and administrative expense in the consolidated statements of operations. The Company recognized $515,000 and $25,000 in marketing and advertising costs during the nine months ended June 30, 2022 and 2021, respectively.

Research and Development Costs

Research and development costs consist of expenditures for the research and development of new products and technology. These costs are primarily expenses to vendors contracted to perform research projects and develop technology for the Company’s mobile gaming applications. Costs incurred for research and development are expensed as incurred.

Stock-Based Compensation

We account for our stock-based compensation to employees and non-employees under ASC 718 *“Compensation – Stock Compensation”* using the fair value-based method. Under this method, compensation cost is measured at the grant date based on the value of the award and is recognized over the requisite service period, which is usually the vesting period. This guidance establishes standards for the accounting for transactions in which an entity exchanges it equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity’s equity instruments or that may be settled by the issuance of those equity instruments.

Net Loss per Common Share

The Company computes earnings (loss) per share under Accounting Standards Codification subtopic 260-10, Earnings Per Share (“ASC 260-10”). Net loss per common share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per share, if presented, would include the dilution that would occur upon the exercise or conversion of all potentially dilutive securities into common stock using the “if converted” method.

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**CLICKSTREAM CORP. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2022**

(unaudited)

The computation of basic and diluted income (loss) per share excludes potentially dilutive securities when their inclusion would be anti-dilutive, or if their exercise prices were greater than the average market price of the common stock during the period.

Potentially dilutive securities excluded from the computation of basic and diluted net loss per share are as follows:

Schedule of potentially dilutive equity securities

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **June 30,** | | | | | | |
|  |  | **2022** | | |  | **2021** | | |
| Series A preferred shares |  |  | 369,167,000 |  |  |  | 400,000,000 |  |
| Convertible notes |  |  | 44,707,814 |  |  |  | — |  |
| Total potentially dilutive shares |  |  | 413,874,814 |  |  |  | 400,000,000 |  |

Based on the potential common stock equivalents noted above at June 30, 2022, the Company has sufficient authorized shares of common stock (2,000,000,000) to settle any potential exercises of common stock equivalents.

Recent Accounting Standards

In August 2020, the FASB issued ASU 2020-06, which simplifies the guidance on accounting for convertible debt instruments by removing the separation models for: (1) convertible debt with a cash conversion feature; and (2) convertible instruments with a beneficial conversion feature. As a result, the Company will not separately present in equity an embedded conversion feature in such debt. Instead, we will account for a convertible debt instrument wholly as debt, unless certain other conditions are met. We expect the elimination of these models will reduce reported interest expense and increase reported net income for the Company’s convertible instruments falling under the scope of those models before the adoption of ASU 2020-06. Also, ASU 2020-06 requires the application of the if-converted method for calculating diluted earnings per share and the treasury stock method will be no longer available. The Company adopted ASU 2020-06 in the first quarter of fiscal 2022 utilizing the modified retrospective method. The adoption of this guidance did not have a material impact on the Company’s consolidated financial statements and related disclosures.

In June 2016, the FASB issued ASU No. 2016-13, “Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments”, which significantly changes how entities will measure credit losses for most financial assets, including accounts receivable. ASU No. 2016-13 will replace today’s “incurred loss” approach with an “expected loss” model, under which companies will recognize allowances based on expected rather than incurred losses. On November 15, 2019, the FASB delayed the effective date of Topic 326 for certain small public companies and other private companies until fiscal years beginning after December 15, 2022 for SEC filers that are eligible to be smaller reporting companies under the SEC’s definition, as well as private companies and not-for-profit entities. The Company does not expect the new guidance will have a material impact on its financial statements.

There are various other updates recently issued, most of which represented technical corrections to the accounting literature or application to specific industries and are not expected to a have a material impact on the Company’s financial position, results of operations or cash flows.

**NOTE 4 — NOTE RECEIVABLE, INVESTMENT IN AND OPTION TO ACQUIRE COMMON SHARES OF WINNERS, INC., AND NOTE PAYABLE – RELATED PARTY**

During the year ended September 30, 2020, the Company completed certain transactions with Winners Inc., formerly known as GoooGreen, Inc. (OTC:WNRS) (www.vegaswinners.com). Winners, Inc. is engaged in the business of sports gambling research, data, advice, analysis and predictions utilizing all available media, advertising formats and its database of users. The business and customers of Winners is expected to compliment and benefit that of the Company. These transactions are considered related party transactions since certain officers and members of the Company’s Board of Directors are also members of Winner’s Inc. Board of Directors.

On September 8, 2021, the Company exercised the option to acquire common shares of Winners, Inc and the Company recorded the investment using the equity method of accounting and reflecting it as an equity method investee.

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The asset and liability balances are as follows:

Schedule of assets and liability

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **June 30,** | | |  | **September 30,** | | |
|  |  | **2022** | | |  | **2021** | | |
| Notes receivable |  | $ | — |  |  | $ | 515,000 |  |
| Accrued interest receivable |  |  | — |  |  |  | 41,000 |  |
| Equity method investment in Winners, Inc. |  |  | — |  |  |  | 105,000 |  |
| Total assets |  | $ | — |  |  | $ | 661,000 |  |
|  |  |  |  |  |  |  |  |  |
| Notes payable |  | $ | 111,000 |  |  | $ | — |  |
| Accrued interest payable |  |  | 2,000 |  |  |  | — |  |
| Total liabilities |  | $ | 113,000 |  |  | $ | — |  |

A. Notes Receivable

During the year ended September 30, 2020, the Company loaned Winners, Inc. $350,000, of which $150,000 was repaid to the Company by Winners, Inc. in that same year. During the year ended September 30, 2021, the Company loaned Winners, Inc. an additional $315,000.

The notes were secured by all tangible and intangible assets of Winners Inc., bore interest at a rate of 10% per annum and matured on August 11, 2021 and was past due until it was repaid.

During the nine months ended June 30, 2022, the entire receivable balance of $515,000 as well as accrued interest of $62,000 was repaid to the Company.

The balance of the notes receivable as of June 30, 2022 is $0.

B. Accrued Interest Receivable

During the nine months ended June 30, 2022, the Company recorded interest income of $21,000 from the notes receivable and the entire balance of accrued interest receivable of $62,000 was repaid to the Company.

C. Investment in Winners, Inc.

In July 2020, the Company purchased 500,000 shares of Winners Inc. common stock representing approximately 3% of Winners, Inc. issued and outstanding common stock in exchange for cash of $50,000.

The Company accounted for the investment to Winners Inc. pursuant to ASC 320, Investments - Debt and Equity, as the Company’s equity interest does not give it the ability to exercise significant influence (generally less than 20% of an investee’s equity) and accounts for the investment at fair value. The investment is then re-valued at each reporting date, with changes in the fair value reported in the consolidated statements of operations.

On September 8, 2021, the Company began accounting for its investment in Winners, Inc as an equity method investment (See Note 7).

D. Option to Acquire Common Shares of Winners, Inc.

In August 2020, the Company obtained an option as amended from Thomas Terwilliger, Winners, Inc.’s former Chief Executive Officer and shareholder, to purchase 149,012,000 (14,901,200 pre-split) common shares for $175,000 for which the Company had provided a $100,000 non-refundable deposit. Once the Company remitted the remaining $75,000 to Mr. Terwilliger, the option became exercisable anytime through May 31, 2021 and which exercise date was subsequently extended.

The Company followed the guidance of ASC 321, Investment – Equity Securities and accounted the option at cost of $100,000. The remaining balance of $75,000 was paid to Mr. Terwilliger and the option was exercised on September 8, 2021 (See Note 7).

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E. Investment in Equity Method Investee - Winners, Inc.

Upon payment of the remaining balance of $75,000 owed to Mr. Terwilliger for the option, the option was exercised on September 8, 2021. Subsequent to exercise of the option, the Company began accounting for the investment as an equity method investment under ASC 323, Investment - Equity Method and Joint Ventures (See Note 7).

F. Note Payable

During March 30, 2022 through June 16, 2022, the Company borrowed an aggregate of $111,000 from Winners, Inc. in exchange for three promissory notes bearing interest at 10% per annum and due on demand. As of June 30, 2022, the principal balance due on the note payable was $111,000 and accrued interest payable on the notes was $2,000.

**NOTE 5 — ACQUISITION OF NEBULA SOFTWARE CORP. (ASSET PURCHASE)**

On December 3, 2020, the Company acquired 100% of the outstanding shares of Nebula in exchange for 10,000,000 shares of common stock having a fair value of $128,000 ($0.0128/share), based upon the quoted closing trading price. The $128,000 was recorded as an intangible asset. In addition, there was 10,000,000 additional common shares due as contingent consideration upon the launch of the HeyPal™ App without major software bugs which inhibit large functionality. These common shares were issued and accounted for as a $2,370,000 expense in March 2021 when the contingency occurred, which was included in general and administrative expenses.

With the acquisition, the Company is able to consolidate and complement existing content operations, trained workforce, proprietary software and operating platform, and the opportunity to generate future synergies with our existing business.

The Company has included the results of operations of Nebula since its acquisition date. There were no acquisition related costs.

Pursuant to ASU 2017-01, Business Combinations (Topic 805): “Clarifying the Definition of a Business”, this acquisition was determined to be that of an asset and not a business, therefore, there was not a business combination requiring acquisition accounting or related financial reporting. Since this was deemed to be an asset purchase, this did not result in the recognition of goodwill.

During the year ended September 30, 2021, the Company recorded an impairment expense of $128,000 since the asset has not generated any revenue and the Company cannot project any positive cash flows.

**NOTE 6 – ACQUISITION OF REBEL BLOCKCHAIN, INC. (“RBI”) (ASSET PURCHASE)**

On March 19, 2021, the Company acquired 100% of Rebel Blockchain, Inc. (a start-up) in exchange for a contingent consideration arrangement in the form of up to 15,000,000 common shares of the Company.

Pursuant to the agreement, the Company is required to issue milestone payments in the form of common shares as follows:

|  |  |  |
| --- | --- | --- |
|  | ● | 2,000,000 shares upon launch of Nifter™ marketplace without major software bugs which inhibit large functionality subject to and issuable upon the Company’s common stock 10-day volume weighted minimum average price per share of $0.30 within 15 days of the benchmark being reached. |
|  |  |  |
|  | ● | 3,000,000 shares upon reaching $100,000 in monthly gross merchandise value on the Nifter™ platform subject to and issuable upon the Company’s common stock 10-day volume weighted minimum average price per share of $0.50 within 15 days of the benchmark being reached. |
|  |  |  |
|  | ● | 4,000,000 shares upon reaching $1,000,000 in yearly gross merchandise value on the Nifter™ platform subject to and issuable upon the Company’s common stock 10-day volume weighted minimum average price per share of $0.75 within 15 days of the benchmark being reached. |
|  |  |  |
|  | ● | 6,000,000 shares upon reaching $10,000,000 in 3-year gross merchandise value on the Nifter™ platform subject to and issuable upon the Company’s common stock 10-day volume weighted minimum average price per share of $ 1.00 within 15 days of the benchmark being reached. |

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As of the issuance date of this report, no contingency has been met and no contingent shares have been issued.

Pursuant to ASU 2017-01, Business Combinations (Topic 805): “Clarifying the Definition of a Business”, this acquisition was determined to be that of an asset and not a business, therefore, there was not a business combination requiring acquisition accounting or related financial reporting. Since this was deemed to be an asset purchase, this did not result in the recognition of goodwill and no assets or liabilities were recorded on the acquisition date as there was no initial consideration.

**NOTE 7 – EQUITY METHOD INVESTMENT – RELATED PARTY**

In fiscal 2020, the Company was granted by Thomas Terwilliger, Winners, Inc.’s former Chief Executive Officer an option to purchase 149,012,000 shares owned by him representing approximately 83.3% of the Winners, Inc.’s then outstanding common stock for $175,000 for which the Company had provided a $100,000 non-refundable deposit in 2020. On September 8, 2021, the Company completed the option exercise and paid the remaining $75,000. Prior to the exercise of the option, the Company owned 5,000,000 shares of Winners, Inc. With the exercise of the option, the Company now owns 154,012,000 shares of the common stock of Winners, Inc. The total shares outstanding of Winners, Inc. on the date of exercise was 280,090,934 shares.

As a result, the Company owns approximately 55% of Winners, Inc. common shares, but does not have voting control due to the existence of outstanding Series A preferred shares which have super-voting rights (See Below).

Winners, Inc. has outstanding Redeemable Preferred Stock with the following terms:

|  |  |  |
| --- | --- | --- |
|  | ● | 100,000,000 shares authorized |
|  |  |  |
|  | ● | Par value – $0.001 |
|  |  |  |
|  | ● | Convertible – one hundred (100) shares of common stock for each one (1) share of preferred stock |
|  |  |  |
|  | ● | Dividends – para passu with common stock |
|  |  |  |
|  | ● | Voting - equivalent to the as converted number of common shares (100:1) |
|  |  |  |
|  | ● | Liquidation value – no stated value but para passu with common stock on an as converted basis Deemed liquidation provision relating to any reorganization, recapitalization, reclassification, consolidation or merger |
|  |  |  |
|  | ● | Convertible – Automatic upon the later of (a) written consent of at least a majority of the then outstanding Series A preferred stock; or (b) January 1, 2023 |
|  |  |  |
|  | ● | Anti-dilution rights – Ability to maintain a 90% interest on a fully-diluted basis of all common stock and related common stock equivalents for the period ending January 1, 2024 |

There are 9,000,000 Series A preferred shares issued and outstanding. The total voting power of those shares is 900,000,000 votes.

The Company conducted an analysis to determine the proper accounting method for its investment in Winners, Inc. Although Clickstream directly holds less than 20% of the vote of Winners, Inc. (approximately 5.5%), Clickstream can exert influence over Winners, Inc. due to among other reasons, voting shares held by related parties of Clickstream and board representation. Therefore, the Company determined that the investment should be recorded pursuant ASC 323, Investment - Equity Method and Joint Ventures.

Accordingly, the Company has recognized the investment in Winners, Inc. and its subsidiary VegasWinners, Inc. effective September 8, 2021, as an equity method investment.

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At September 30, 2021, the underlying equity in net assets of Winners, Inc. and its subsidiary was $1,456,000. The Company owns 54.99% of the common stock of Winners, Inc., or $800,000. The book value on the initial date of September 8, 2021, is $192,000. Therefore, the book value exceeds the purchase price of $192,000 (See table below) by $608,000.

Schedule of purchase price allocation

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Consideration Paid:** |  | **Fair Value** | | |
| Cash |  | $ | 175,000 |  |
| Pre-existing investment at fair value |  |  | 17,000 |  |
| Total consideration paid |  | $ | 192,000 |  |

The Company measured the fair value per share of the outstanding capital stock on the initial date of September 8, 2021, utilizing a dribble out method which resulted in a fair value of the pre-existing interest of $17,000.

A loss of $18,000 was recognized in operations on September 8, 2021, the re-measurement to fair value of the pre-existing equity interest held. Activity related to the investment in equity method investee is as follows:

**Schedule of remeasurement of fair value of equity interest**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Initial recognition, September 8, 2021 |  | $ | 192,000 |  |
| Loss of equity method investee |  |  | (87,000 | ) |
| Investment in equity method investee - Winners, Inc., September 30, 2021 |  |  | 105,000 |  |
| Loss of equity method investee |  |  | (105,000 | ) |
| Investment in equity method investee - Winners, Inc., December 31, 2021 |  | $ | — |  |

As of June 30, 2022, the Company owns 154,012,000 shares of Winners, Inc. The quoted closing price on that date was $0.0099. As such, the market value of the investment based on the closing price is $1,524,719.

**NOTE 8 – CONVERTIBLE NOTES PAYABLE**

Convertible notes payable were comprised of the following as of June 30, 2022 and September 30, 2021:

Schedule of convertible notes payable

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **June 30,** | | |  | **September 30,** | | |
|  |  | **2022** | | |  | **2021** | | |
| Discovery Growth Group LLC convertible note payable |  | $ | 600,000 |  |  | $ | — |  |
| Sixth Street Lending LLC convertible note payable |  |  | 48,000 |  |  |  | — |  |
| Sixth Street Lending LLC convertible note payable |  |  | 104,000 |  |  |  | — |  |
| Total convertible note payable |  |  | 752,000 |  |  |  | — |  |
| Less unamortized debt discount |  |  | (32,000 | ) |  |  | — |  |
| Add debt premium |  |  | 55,000 |  |  |  | — |  |
| Total convertible notes payable, net of unamortized debt discount plus debt premium |  |  | 775,000 |  |  |  | — |  |
| Less current portion |  |  | (775,000 | ) |  |  | — |  |
| Long-term portion |  | $ | — |  |  | $ | — |  |

Discovery Growth Fund, LLC

On November 16, 2021, the Company issued a convertible note payable to Discovery Growth Fund, LLC with a face value of $600,000 in exchange for cash proceeds of $500,000, representing an original issue discount (“OID”) of $100,000. The note bears interest at 8% per annum and all principal and unpaid interest are due and payable on maturity on May 16, 2022. From the period commencing February 16, 2022, and terminating on the maturity date, the noteholder has the right to exchange the principal plus accrued interest into shares of the Company’s qualified Reg A offering. The note is convertible with a conversion price of $0.04 per share provided that number of shares beneficially owned by the noteholder and its affiliates does not result in the beneficial ownership exceeding 4.99% of the then outstanding shares of common stock.

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During the nine months ended June 30, 2022, the Company amortized $100,000 of debt discount and accrued interest of $30,000. As of June 30, 2022, the remaining balance due on the convertible note payable was $600,000.

In the event of default, the entire unpaid principal and accrued interest become immediately due and payable upon the occurrence of any of the following events:

(a) any failure on the part of the Company to make any payment under this Note when due, and such failure continues for five (5) days after the due date; accrued interest shall default to the maximum legal rate;

(b) the Company’s commencement (or take any action for the purpose of commencing) of any proceeding under any bankruptcy, or for the reorganization of any party liable hereon, whether as maker, endorser, guarantor, surety or otherwise, or for the readjustment of any of the debts of any of the foregoing parties, under the Federal Bankruptcy Code, as amended, or any part thereof, or under any other laws, whether state or Federal, for the relief of debtors, now or hereafter existing, by any of the foregoing parties, or against any of the foregoing parties;

(c) a proceeding shall be commenced against the Company under any bankruptcy, reorganization, arrangement, readjustment of debt, moratorium or similar law or statute and relief is ordered against such party, or the proceeding is controverted but is not dismissed within thirty (30) days after the commencement thereof;

(d) the appointment of a receiver, trustee or custodian for all or substantially all of the assets of the Company, which appointment remains in place for at least one hundred twenty (120) days, the dissolution or liquidation of the Company; or

(e) the admission by the Company of its inability to pay its debts as they mature, or an assignment for the benefit of the creditors of the Company.

The OID has been accounted for as debt discount and will be amortized to interest expense using the effective interest method over the term of the note payable.

On May 16, 2022, the maturity date of the note, the Company failed to pay both the principal and accrued interest due on the note. On May 24, 2022, Discovery Growth Fund, LLC (the “Payee”) notified the Company it was in default of its convertible promissory note dated November 16, 2021 in the amount of $600,000 plus accrued interest and attorney’s fees due May 16, 2022. On May 26, 2022, the Payee filed a complaint in the United States District Court Central District of California, Western Division. On June 3, 2022, the Payee filed a Second Amended Complaint (“SAC”) alleging breach of contract. On June 15, 2022, the Payee filed a First Amended Ex Parte Application for Writ of Attachment. On July 12, 2022, the Court denied the Payee’s Ex Parte Application for Writ of Attachment.

1800 Diagonal Lending LLC (formerly Sixth Street Lending LLC)

On December 9, 2021, the Company issued a convertible note payable to 1800 Diagonal Lending LLC (formerly Sixth Street Lending LLC) with a face value of $169,000 in exchange for cash proceeds of $154,000, representing an original issue discount (“OID”) of $15,000. A one-time upfront interest charge of 10% was applied and $17,000 was added to the principal with an offset to debt discount. The principal and interest is to be paid over ten consecutive equal payments commencing January 10, 2022 for a total of $186,000, with a final maturity date of December 9, 2022. During the nine months ended June 30, 2022, the Company paid five payments totaling $93,000. As a result of the payments, the Company reduced the debt premium by $31,000, resulting in a gain on debt extinguishment of $31,000. During the nine months ended June 30, 2022, the noteholder converted an aggregate of $45,000 of principal into 5,756,396 shares of common stock, resulting in a reduction in convertible notes payable by $45,000 and debt premium by $15,000, with a corresponding increase in common stock of $1,000 and additional paid-in capital of $59,000. As of June 30, 2022, the remaining balance due on the convertible note payable was $53,000, net of debt discount of $11,000, plus debt premium of $16,000.

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On March 1, 2022, the Company issued a second convertible note payable to Sixth Street Lending LLC (formerly Sixth Street Lending LLC) with a face value of $116,000 in exchange for cash proceeds of $100,000, representing an original issue discount (“OID”) of $16,000. A one-time upfront interest charge of 12% was applied and $14,000 was added to the principal with an offset to debt discount. The principal and interest is to be paid over ten consecutive equal payments commencing April 15, 2022 for a total of $130,000, with a final maturity date of March 1, 2023. During the nine months ended June 30, 2022, the Company paid two payments totaling $26,000. As a result of the payments, the Company reduced the debt premium by $4,000, resulting in a gain on debt extinguishment of $4,000. As of June 30, 2022, the remaining balance due on the convertible note payable was $122,000, net of debt discount of $21,000, plus debt premium of $39,000.

The notes are convertible with a conversion price of 75% of the lowest trading price during the ten trading days prior to the conversion date. The OID was accounted for as debt discount and will be amortized to interest expense over the term of the respective note payable. The notes will be treated as stock settled debt. As such, the Company recorded aggregate debt premium of $105,000. At June 30, 2022, as a result of the aforementioned payments and conversions, the remaining debt premium was $55,000

There is a cross-default provision whereby the notes becomes immediately due in the event of default and the total obligation is equal to 150% of the then outstanding balance plus default interest.

If any of the following events of default listed below shall occur, and if the borrower fails to pay the default amount within five (5) business days of written notice that such amount is due and payable, then the holder shall have the right at any time, to convert the balance owed pursuant to the note including the default amount into shares of common stock of the Company as set forth herein.

Failure to Pay Principal and Interest. The Borrower fails to pay the principal hereof or interest thereon when due on this Note, whether at maturity, upon acceleration or otherwise and such breach continues for a period of five (5) days after written notice from the Holder.

Breach of Covenants. The Borrower breaches any material covenant or other material term or condition contained in this Note and any collateral documents including but not limited to the Purchase Agreement and such breach continues for a period of twenty (20) days after written notice thereof to the Borrower from the Holder.

Breach of Representations and Warranties. Any representation or warranty of the Borrower made herein or in any agreement, statement or certificate given in writing pursuant hereto or in connection herewith (including, without limitation, the Purchase Agreement), shall be false or misleading in any material respect when made and the breach of which has (or with the passage of time will have) a material adverse effect on the rights of the Holder with respect to this Note or the Purchase Agreement.

Receiver or Trustee. The Borrower or any subsidiary of the Borrower shall make an assignment for the benefit of creditors, or apply for or consent to the appointment of a receiver or trustee for it or for a substantial part of its property or business, or such a receiver or trustee shall otherwise be appointed.

Bankruptcy. Bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings, voluntary or involuntary, for relief under any bankruptcy law or any law for the relief of debtors shall be instituted by or against the Borrower or any subsidiary of the Borrower.

Delisting of Common Stock. The Borrower shall fail to maintain the listing of the Common Stock on at least one of the OTC (which specifically includes the quotation platforms maintained by the OTC Markets Group) or an equivalent replacement exchange, the Nasdaq National Market, the Nasdaq SmallCap Market, the New York Stock Exchange, or the American Stock Exchange.

Failure to Comply with the Exchange Act. The Borrower shall fail to comply with the reporting requirements of the Exchange Act; and/or the Borrower shall cease to be subject to the reporting requirements of the Exchange Act.

Liquidation. Any dissolution, liquidation, or winding up of Borrower or any substantial portion of its business.

Cessation of Operations. Any cessation of operations by Borrower or Borrower admits it is otherwise generally unable to pay its debts as such debts become due, provided, however, that any disclosure of the Borrower’s ability to continue as a “going concern” shall not be an admission that the Borrower cannot pay its debts as they become due.

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Financial Statement Restatement. The restatement of any financial statements filed by the Borrower with the SEC at any time after 180 days after the Issuance Date for any date or period until this Note is no longer outstanding, if the result of such restatement would, by comparison to the un-restated financial statement, have constituted a material adverse effect on the rights of the Holder with respect to this Note or the Purchase Agreement.

Replacement of Transfer Agent. In the event that the Borrower proposes to replace its transfer agent, the Borrower fails to provide, prior to the effective date of such replacement, a fully executed Irrevocable Transfer Agent Instructions in a form as initially delivered pursuant to the Purchase Agreement (including but not limited to the provision to irrevocably reserve shares of Common Stock in the Reserved Amount) signed by the successor transfer agent to Borrower and the Borrower.

Cross-Default. Notwithstanding anything to the contrary contained in this Note or the other related or companion documents, a breach or default by the Borrower of any covenant or other term or condition contained in any of the Other Agreements, after the passage of all applicable notice and cure or grace periods, shall, at the option of the Holder, be considered a default under this Note and the Other Agreements, in which event the Holder shall be entitled (but in no event required) to apply all rights and remedies of the Holder under the terms of this Note and the Other Agreements by reason of a default under said Other Agreement or hereunder. “Other Agreements” means, collectively, all agreements and instruments between, among or by: (1) the Borrower, and, or for the benefit of, (2) the Holder and any affiliate of the Holder, including, without limitation, promissory notes; provided, however, the term “Other Agreements” shall not include the related or companion documents to this Note. Each of the loan transactions will be cross-defaulted with each other loan transaction and with all other existing and future debt of Borrower to the Holder.

In addition, for all convertible note payable outstanding, the Company has reserved a total 43,296,296 common shares as per the requirements of the convertible notes payable agreements.

**NOTE 9 – RELATED PARTY TRANSACTIONS**

Consulting Agreements

During fiscal 2020, the Company executed consulting agreements with shareholders and/or officers of the Company ranging from 12 months to 36 months.

During the nine months ended June 30, 2022 and 2021, the Company recognized consulting expense – related parties of $809,000 and $650,000, respectively, which is included in selling, general and administrative expenses in the accompanying consolidated statements of operations.

Winners, Inc.

During the nine months ended June 30, 2022, the Company received a $515,000 in principal payments and $62,000 of accrued interest receivable in regards to the promissory notes from Winners, Inc. (See Note 4).

During March 30, 2022 through June 16, 2022, the Company borrowed an aggregate of $111,000 from Winners, Inc. in exchange for three promissory notes bearing interest at 10% per annum and due on demand (See Note 4).

**NOTE 10– CONVERTIBLE SERIES A PREFERRED STOCK**

Issuance of Series A Preferred Stock

The Company is authorized to issue 10,000,000 shares of preferred stock and has designated 4,000,000 preferred shares as Series A preferred.

The Series A has the following rights and privileges as amended:

|  |  |  |
| --- | --- | --- |
|  | ● | have a conversion rate of 100 shares of Common Stock for each share of Preferred Stock; |
|  |  |  |
|  | ● | shall be treated pari passu with Common Stock except that the dividend on each share of Preferred Stock shall be the amount of dividend declared and paid on each share of common stock multiplied by the Conversion rate; |
|  |  |  |
|  | ● | shall be treated pari passu with Common Stock except that the liquidation payment on each share of Series A Convertible Preferred Stock shall be equal to the amount of the payment on each share of Common Stock multiplied by the Conversion Rate; |

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|  |  |  |
| --- | --- | --- |
|  | ● | shall vote on all matters as a class with the holders of Common Stock and each share of Series A Convertible Preferred Stock shall be entitled to the number of votes per share equal to the Conversion Rate; |
|  |  |  |
|  | ● | shall automatically be converted into shares of common stock at its then effective Conversion Rate upon the latest of:    a. The closing of either a Form S-1 Registration or Form 1-A Offering under the Securities Act of 1933, as amended, covering the offer and sale to the public of Common Stock for the account of the Company with $5,000,000 in cash proceeds to the Company, net of underwriting discounts;    b. The written consent of the holders of at least a majority of the then outstanding Series A Convertible Preferred Stock; and    c. January 1, 2022. |
|  |  |  |
|  | ● | shall have anti-dilution rights (the “Anti-Dilution Rights”) during the two-year period after the Series A Convertible Preferred converted into shares of Common Stock at its then effective conversion Rate. The anti-dilution rights shall be applied pro-rata to the holder’s ownership of the Series A Convertible Preferred Stock. The Company agrees to assure that the holders of the Series A Convertible Preferred Stock shall have and maintain at all times, full ratchet anti-dilution protection rights as to the total number of issued and outstanding shares of common stock and preferred stock of the Company from time to time, at the rate of 80%, calculated on a fully- diluted basis. In the event that the Company issues any shares of common stock, preferred stock or any security convertible into or exchangeable for common stock or preferred stock to any person or entity, the Company agrees to undertake all necessary measures as may be necessary or expedient to accommodate its performance under this Series A Convertible Preferred Stock Designation, including, without limitation, the amendment of its articles of incorporation to the extent necessary to provide for a sufficient number of shares of authorized common stock or preferred stock to be issued to Series A Convertible Preferred Stock holders so as to maintain in Series A Convertible Preferred Stock holders, an 80% interest in the common stock and preferred stock of the Company, calculated on a fully-diluted basis. |

Issuance of Series A Convertible Preferred Stock

During the year ended September 30, 2020, the Company issued 1,000,000 shares of Series A Convertible Preferred Stock (the “Series A”) in exchange for cash proceeds of $12,000, or $0.0125 per share. In addition, the Company issued 2,000,000 shares of its Series A to two non-related consultants for services rendered and 1,000,000 shares of its Series A to a related party pursuant to a consulting agreement with a total fair value of $38,000, which was based on the cash selling price of the Series A of $0.0125 per share.

The Company considered accounting guidance to determine the appropriate treatment of the Series A shares. Accordingly, based on a deemed liquidation provision which causes potential cash redemption of the Series A shares, the Company recorded the issuance of its Series A for cash and services with a total amount of $50,000 as temporary equity.

Redemption of Series A Shares

On January 28, 2022, the Company entered into a Stock Purchase Agreement (the “Agreement”) whereby the Company agreed to repurchase 462,500 Series A shares owned by the Panza Family Trust (“Panza”) for the aggregate sum of $100,000 payable as follows: (i) $50,000 within one day of execution of the Agreement; and (ii) 12 equal monthly installments of $4,166.66 commencing March 1, 2022. Upon execution of the Agreement, Panza returned 231,250 Series A shares to the Company. Subsequently, each time Panza receives a monthly installment, it shall return an additional 19,270.83 shares to the Company. Whatever fraction of shares is left to accomplish the transfer of all 462,500 Series A shares shall be transferred in the last month.

During the nine months ended June 30, 2022, an aggregate of 308,330 Series A preferred shares were redeemed for $67,000 in cash, resulting in a deemed dividend of $63,000. Accordingly, the Series A convertible preferred stock was reduced by $4,000 and a $63,000 deemed dividend was recorded to the accumulated deficit. As of June 30, 2022, the remaining amount owed under the Agreement was $33,000.

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**CLICKSTREAM CORP. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2022**

(unaudited)

**NOTE 11 - STOCKHOLDERS’ EQUITY (DEFICIT)**

Issuance of Common Shares for Services

During the nine months ended June 30, 2022, the Company agreed to issue a total of 24,387,257 shares of common stock, of which 21,299,430 shares were issued and 3,087,827 are to be issued, to consultants with a fair value of $795,000 for services rendered, of which $311,000 is included in prepaid expenses as of June 30, 2022 and is being amortized over the respective service period or agreement term. The common shares issued were valued at the trading price at the respective date of issuances.

During the nine months ended June 30, 2021, the Company issued a total of 13,877,179 shares of common stock to consultants with a fair value of $2,591,000 for services rendered.

Issuance of Common Shares for Licensing and Marketing Fees

Effective March 29, 2022, the Company entered into a Collaboration Agreement (the “Agreement”) with The Stan Lee Estate (“SLE”) and Roc Nation LLC (“Roc Nation”) pursuant to which the parties will collaborate in the mining, marketing and distributing of non-fungible tokens (“NFTs) of among other things data, art, assets, expressions and any other information, expressions and renderings of or related to SLE that SLE owns, controls or otherwise has the right to use and distribute on a non-exclusive and exclusive basis including 147 original art drawings by Stan Lee and autographed by Stan Lee as one NFT, Stan Lee original drawings of Spiderman Circa 1940’s, Stan Lee/Charles Schultz collaboration painting of Snoopy and Spiderman, Silver Surfer artwork original and Spiderman woven tapestry original.

For its compensation under the Agreement, the Company will receive 10% of net revenues from original issue NFT’s and 20% of all resale net revenues. In turn, the Company will issue to SLE: (a) 15,000,000 restricted shares of the Company’s common stock upon execution of the Agreement; and (b) 10,000,000 restricted shares of the Company’s Common Stock after in each case NFT gross sales reach $1,000,000, $10,000,000 and $20,000,000. Additionally, SLE is to receive a series of 5% equity interests in Rebel after in each case NFT gross sales reach $1,000,000, $5,000,000, $75,000,000 and $100,000,000. Also, Roc Nation is to receive 15,000,000 restricted shares of the Company’s Common Stock upon execution of this Agreement and 5,000,000 restricted shares when NFT gross sales reach $10,000,000.

During the nine months ended June 30, 2022, the 15,000,000 common shares required to be issued to SLE upon execution of the Agreement resulted in prepaid licensing fees of $390,000, which is being amortized to expense over the one-year term of the Agreement. As of June 30, 2022, the amount remaining in prepaid expense was $283,000. As of June 30, 2022, the 15,000,000 common shares to SLE are shown as common stock to be issued on the accompanying consolidated balance sheet. The 15,000,000 common shares required to be issued to Roc Nation upon execution of the Agreement resulted in prepaid marketing fees of $390,000, which is being amortized to advertising expense over the one-year term of the Agreement. As of June 30, 2022, the amount remaining in prepaid expense was $283,000. Effective March 29, 2022, the 15,000,000 common shares to Roc Nation were issued.

Issuance of Common Shares for Settlement of Employment Agreement

On October 14, 2021, the Company issued a total of 1,550,000 shares of common stock as settlement of an employment agreement with a former employee. The common shares were valued at the trading price of $0.10 on the settlement date or $155,000. As there was $9,000 accrued to the employee, the Company recognized a loss on the settlement of $146,000.

Issuance of Common Shares for Cash

During the nine months ended June 30, 2022, the Company issued a total of 15,000,000 shares of common stock in a private placement offering for cash proceeds of $750,000.

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**CLICKSTREAM CORP. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2022**

(unaudited)

Issuance of Common Shares Upon Conversions of Convertible Notes Payable

During the nine months ended June 30, 2022, a noteholder converted an aggregate of $45,000 of principal into 5,756,396 shares of common stock, resulting in a reduction in convertible notes payable by $45,000 and debt premium by $15,000, with a corresponding increase in common stock of $1,000 and additional paid-in capital of $59,000 (See Note 8).

Issuance of Common Shares to be Issued

On May 13, 2022, the Company issued 140,000 common shares that were previously to be issued as of September 30, 2021.

Issuance of Common Shares for Acquisition

During the nine months ended June 30, 2021, the Company issued 10,000,000 shares of common stock to acquire 100% of Nebula Software Corp. with a fair value of $128,000.

**NOTE 12 – RESEARCH AND DEVELOPMENT COSTS**

Research and development costs consist of expenditures for the research and development of new products and technology. These costs are primarily expenses to vendors contracted to perform research projects and develop technology for the Company’s mobile gaming applications. Costs incurred for research and development are expensed as incurred.

During the three and nine months ended June 30, 2022, the Company incurred $189,000 and $484,000, respectively, of research and development expenses relating to the Company’s efforts to develop, design and enhance our mobile gaming app and the HeyPal™ app.

During the three and nine months ended June 30, 2021, the Company incurred and $230,000 and $521,000, respectively, of research and development expenses relating to the Company’s efforts to develop, design and enhance our mobile gaming app.

**NOTE 13– COMMITMENTS AND CONTINGENCIES**

Legal Matters

On May 24, 2022, Discovery Growth Fund, LLC (the “Payee”) notified the Company it was in default of its convertible promissory note dated November 16, 2021 in the amount of $600,000 plus accrued interest and attorney’s fees due May 16, 2022. On May 26, 2022, the Payee filed a complaint in the United States District Court Central District of California, Western Division. On June 3, 2022, the Payee filed a Second Amended Complaint (“SAC”) alleging breach of contract. On June 15, 2022, the Payee filed a First Amended Ex Parte Application for Writ of Attachment. On July 12, 2022, the Court denied the Payee’s Ex Parte Application for Writ of Attachment (See Note 8).

We are involved in certain legal proceedings that arise from time to time in the ordinary course of our business. Except for income tax contingencies, we record accruals for contingencies to the extent that our management concludes that the occurrence is probable and that the related amounts of loss can be reasonably estimated. Legal expenses associated with the contingency are expensed as incurred. There was no outstanding litigation as of June 30, 2022 other than that described above.

Consulting Agreements

On April 1, 2022, the Company entered into a Director Agreement with Michael Smith to serve a director of the Company in exchange for $5,000 per month. On April 15, 2022, the effective date of the Director Agreement was changed from April 1, 2022 to May 1, 2022.

On April 1, 2022, the Company entered into a Director Agreement with Raymond Brothers to serve a director of the Company in exchange for $5,000 per month. On April 15, 2022, the effective date of the Director Agreement was changed from April 1, 2022 to May 1, 2022.

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**CLICKSTREAM CORP. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2022**

(unaudited)

The Company has consulting agreements with various consultants and related party consultants with a service term ranging from 12 months up to 36 months. The following table summarizes the Company’s future payments/commitments as of June 30, 2022:

  Schedule of operating leases future payments

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2022 |  |  | $ | 199,000 |  |
| 2023 |  |  |  | 209,000 |  |
| Total minimum payments |  |  | $ | 408,000 |  |

Collaboration Agreement with Stan Lee Estate and Roc Nation LLC

Effective March 29, 2022, Clickstream Corporation (the “Company”) and its subsidiary Rebel Blockchain Corp (“Rebel”) entered into a Collaboration Agreement (the “Agreement”) with The Stan Lee Estate (“SLE”) and Roc Nation LLC (“Roc Nation”) pursuant to which the parties will collaborate in the mining, marketing and distributing of non-fungible tokens (“NFTs) of among other things data, art, assets, expressions and any other information, expressions and renderings of or related to SLE that SLE owns, controls or otherwise has the right to use and distribute on a non-exclusive and exclusive basis including 147 original art drawings by Stan Lee and autographed by Stan Lee as one NFT, Stan Lee original drawings of Spiderman Circa 1940’s, Stan Lee/Charles Schultz collaboration painting of Snoopy and Spiderman, Silver Surfer artwork original and Spiderman woven tapestry original.

For its compensation under the Agreement, the Company will receive 10% of net revenues from original issue NFT’s and 20% of all resale net revenues. In turn, the Company will issue to SLE: (a) 15,000,000 restricted shares of the Company’s common stock upon execution of the Agreement (to be issued as of June 30, 2022); and (b) 10,000,000 restricted shares of the Company’s Common Stock after in each case NFT gross sales reach $1,000,000, $10,000,000 and $20,000,000. Additionally, SLE is to receive a series of 5% equity interests in Rebel after in each case NFT gross sales reach $1,000,000, $5,000,000, $75,000,000 and $100,000,000. Also, Roc Nation is to receive 15,000,000 restricted shares of the Company’s Common Stock upon execution of this Agreement and 5,000,000 restricted shares when NFT gross sales reach $10,000,000.

The gross sales milestones (the “Milestones”) for additional share awards are performance based and, accordingly, are accrued when it is probable the respective performance condition shall be achieved. As of June 30, 2022, sales of the NFTs had not yet begun. Hence, it was not yet probable that any of the Milestones would be achieved. Accordingly, no additional licensing fees or marketing costs were recognized for the Milestones for the nine months ended June 30, 2022.

Other Commitments

Certain asset acquisition contingent consideration may be issuable in the future if contingency conditions are met (See Note 6).

**NOTE 14– SUBSEQUENT EVENTS**

On July 5, 2022, a noteholder converted $25,000 of principal into 5,102,041 shares of common stock, resulting in a reduction in convertible notes payable by $25,000 and debt premium by $8,000, with a corresponding increase in common stock of $1,000 and additional paid-in capital of $32,000.

On August 18, 2022, the Company issued a promissory note payable to Leonard Tucker, LLC with a face value of $12,500 in exchange for cash proceeds of $10,000, representing an original issue discount (“OID”) of $2,500. The note bears interest at 8% per annum and all principal and unpaid interest are due and payable on the earlier of: (a) proceeds are received from any debt or equity financing; or (b) August 18, 2023.

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**Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.**

**CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS**

Some of the statements in this Quarterly Report on Form 10-Q are “forward-looking statements” within the meaning of the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements regarding our current beliefs, goals and expectations about matters such as our expected financial position and operating results, our business strategy and our financing plans. The forward-looking statements in this report are not based on historical facts, but rather reflect the current expectations of our management concerning future results and events. The forward-looking statements generally can be identified by the use of terms such as “believe,” “expect,” “anticipate,” “intend,” “plan,” “foresee,” “may,” “guidance,” “estimate,” “potential,” “outlook,” “target,” “forecast,” “likely” or other similar words or phrases. Similarly, statements that describe our objectives, plans or goals are, or may be, forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be different from any future results, performance and achievements expressed or implied by these statements. We cannot guarantee that our forward-looking statements will turn out to be correct or that our beliefs and goals will not change. Our actual results could be very different from and worse than our expectations for various reasons. You should review carefully all information, including the discussion of risk factors under “Part I. Item 1A: Risk Factors” and “Part II. Item 7: Management’s Discussion and Analysis of Financial Condition and Results of Operations” of the Form 10-K for the year ended September 30, 2021. Any forward-looking statements in the Form 10-Q are made only as of the date hereof and, except as may be required by law, we do not have any obligation to publicly update any forward-looking statements contained in this Form 10-Q to reflect subsequent events or circumstances.

Throughout this Quarterly Report on Form 10-Q, the terms “CLIS,” ”we,” “us,” ”our,” “the company” and “our company” refer to Clickstream Corporation, a Nevada corporation and its subsidiaries.

**Our corporate history**

We were incorporated in Nevada on September 30, 2005, and previously operated under the name of Peak Resource Incorporated. In August 2008, we changed our name to “Mine Clearing Corporation”. We had been operating as an exploration division in the mining sector until May 2014. On May 2, 2014, we acquired all of the shares of Clickstream Corporation, a Nevada corporation. Subsequent to the acquisition, we were operating as a data analytics tool developer and had sought to further develop and exploit our data analytics technology and proprietary algorithms. Currently, we are a technology company focused on developing apps and digital platforms that disrupt conventional industries. We’re currently marketing and developing WinQuik™, HeyPal™, Nifter™ and Joey’s Animal Kingdom™, respectively.

The address of our virtual executive office is 8549 Wilshire Blvd., Suite 2181, Beverly Hills, California 90211, and our telephone number is (213) 205-0684.

**Overview**

Over the last few years, there has been a substantial increase in the availability and quality of applications readily available from sources such as Google Play Store and Apple Play Store for various types of gaming. The initial objective of the Company is to develop apps and digital platforms that disrupt conventional industries. The Company is currently marketing and developing WinQuik™, HeyPal™, Nifter™ and Joey’s Animal Kingdon™, respectively. WinQuik™ is a free-to-play synchronized mobile app and digital gaming platform. The platform is designed to enable WinQuik™ users to have fun, interact and compete in order to win real money and prizes. Due to a security breach compromising WinQuikTM, WinQuikTM was removed from the App Store and Play Store. No decision has been made as to the future of WinQuikTM. HeyPal™, a unit of our subsidiary Nebula Software Corp., is a language learning app that focuses on “language exchanging” between users around the world. Nifter™, by way of ClickStream subsidiary Rebel Blockchain Inc., is a music NFT marketplace that allows artists to create, sell and discover unique music and sound NFTs on the Nifter™ marketplace. Joey’s Animal Kingdom™ is a children’s entertainment and education app that takes kids all around this amazing planet to see incredible animals and creatures.

In September 2021, the Company acquired approximately 53% of Winners, Inc. (WNRS) which, together with its prior holdings, gives an approximate 55% interest in the common stock of WNRS. Due to the existence of super-voting preferred stock of WNRS, the Company has a vote of approximately 5%. However, management has concluded that Winners, Inc. and its subsidiary VegasWinners, Inc. should be considered as an investment in equity method investee.

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**Recent Developments**

Issuance of Common Shares for Services

During the nine months ended June 30, 2022, the Company agreed to issue a total of 24,387,257 shares of common stock, of which 21,299,430 shares were issued and 3,087,827 are to be issued, to consultants with a fair value of $795,000 for services rendered. The common shares issued were valued at the trading price at the respective date of issuances.

Issuance of Common Shares for Licensing and Marketing Fees

Effective March 29, 2022, the Company entered into a Collaboration Agreement (the “Agreement”) with The Stan Lee Estate (“SLE”) and Roc Nation LLC (“Roc Nation”) pursuant to which the parties will collaborate in the mining, marketing and distributing of non-fungible tokens (“NFTs) of among other things data, art, assets, expressions and any other information, expressions and renderings of or related to SLE that SLE owns, controls or otherwise has the right to use and distribute on a non-exclusive and exclusive basis including 147 original art drawings by Stan Lee and autographed by Stan Lee as one NFT, Stan Lee original drawings of Spiderman Circa 1940’s, Stan Lee/Charles Schultz collaboration painting of Snoopy and Spiderman, Silver Surfer artwork original and Spiderman woven tapestry original.

For its compensation under the Agreement, the Company will receive 10% of net revenues from original issue NFT’s and 20% of all resale net revenues. In turn, the Company will issue to SLE: (a) 15,000,000 restricted shares of the Company’s common stock upon execution of the Agreement; and (b) 10,000,000 restricted shares of the Company’s Common Stock after in each case NFT gross sales reach $1,000,000, $10,000,000 and $20,000,000. Additionally, SLE is to receive a series of 5% equity interests in Rebel after in each case NFT gross sales reach $1,000,000, $5,000,000, $75,000,000 and $100,000,000. Also, Roc Nation is to receive 15,000,000 restricted shares of the Company’s Common Stock upon execution of this Agreement and 5,000,000 restricted shares when NFT gross sales reach $10,000,000.

During the nine months ended June 30, 2022, the 15,000,000 common shares required to be issued to SLE upon execution of the Agreement resulted in prepaid licensing fees of $390,000, which is being amortized to expense over the one-year term of the Agreement. As of June 30, 2022, the amount remaining in prepaid expense was $283,000. As of June 30, 2022, the 15,000,000 common shares to SLE are shown as common stock to be issued on the accompanying consolidated balance sheet. The 15,000,000 common shares required to be issued to Roc Nation upon execution of the Agreement resulted in prepaid marketing fees of $390,000, which is being amortized to advertising expense over the one-year term of the Agreement. As of June 30, 2022, the amount remaining in prepaid expense was $283,000. Effective March 29, 2022, the 15,000,000 common shares to Roc Nation were issued.

Issuance of Common Shares for Settlement of Employment Agreement

On October 14, 2021, the Company issued a total of 1,550,000 shares of common stock as settlement of an employment agreement with a former employee. The common shares were valued at the trading price of $0.10 on the settlement date or $155,000. As there was $9,000 accrued to the employee, the Company recognized a loss on the settlement of $146,000.

Issuance of Common Shares for Cash

During the nine months ended June 30, 2022, the Company issued a total of 15,000,000 shares of common stock in a private placement offering for cash proceeds of $750,000.

Issuance of Common Shares Upon Conversions of Convertible Notes Payable

During the nine months ended June 30, 2022, a noteholder converted an aggregate of $45,000 of principal into 5,756,396 shares of common stock, resulting in a reduction in convertible notes payable by $45,000 and debt premium by $15,000, with a corresponding increase in common stock of $1,000 and additional paid-in capital of $59,000.

Issuance of Common Shares to be Issued

On May 13, 2022, the Company issued 140,000 common shares that were previously to be issued as of September 30, 2021.

**Results of Operations—Comparison of the Three Months Ended June 30, 2022 and 2021**

Research and Development Expenses

Research and development expenses for the three months ended June 30, 2022 decreased to $189,000 from $230,000 in the comparative prior period, a decrease of $41,000 or 18%. This is mainly due to the research and development expenses incurred for the HeyPal™ app and Nifter™ music NFT.

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Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three months ended June 30, 2022 decreased to $741,000 from $1,027,000 in the comparative prior period, a decrease of $286,000, or 28%. The decrease in selling, general, and administrative expenses in 2022 was due to shutting down the WinQuik™ app.

Interest Expense

Interest expense for the three months ended June 30, 2022 decreased to $60,000 from $74,000 in the comparative prior period, an decrease of $14,000 or 19%. The decrease is primarily the result of the amortization of the remaining debt discount on a $600,000 convertible note payable during the three months ended June 30, 2022.

Interest Income

Interest income for the three months ended June 30, 2022 decreased to $0 from $13,000 in the comparative prior period, a decrease of $13,000 or 100%. The Company received the remaining principal amount due under the notes receivable from Winners, Inc. in January 2022. Thus, interest expense fell to $0 for the three months ended June 30, 2022.

**Results of Operations—Comparison of the Nine Months Ended June 30, 2022 and 2021**

Research and Development Expenses

Research and development expenses for the nine months ended June 30, 2022 decreased to $484,000 from $521,000 in the comparative prior period, a decrease of $37,000 or 7%. This is mainly due to the research and development expenses incurred for the HeyPal™ app and Nifter™ music NFT.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the nine months ended June 30, 2022 decreased to $3,582,000 from $5,389,000 in the comparative prior period, a decrease of $1,807,000, or 34%. The decrease in selling, general, and administrative expenses in 2022 was due to shutting down the WinQuik™ app.

Settlement of Employment Agreement

During the nine months ended June 30, 2022, the Company recorded a loss on settlement of employment agreement of $146,000 related to an employment agreement with a former employee that was settled with shares of common stock. There was no such loss in nine months ended June 30, 2021.

Interest Expense

Interest expense for the nine months ended June 30, 2022 increased to $267,000 from $90,000 in the comparative prior period, an increase of $177,000 or 197%. The increase is primarily due to an increase in non-cash amortization of $40,000 of debt discount and recognition of debt premium of $105,000 associated with convertible notes payable during the nine months ended June 30, 2022. There was no debt premium recognized in the comparative prior period.

Interest Income

Interest income for the nine months ended June 30, 2022 decreased to $21,000 from $41,000 in the comparative prior period, a decrease of $20,000 or 49%. The Company received all principal due under the notes receivable from Winners, Inc. from October 2021 through January 2022. Thus, interest expense fell to $21,000 for the nine months ended June 30, 2022.

**Liquidity and Capital Resources**

As of June 30, 2022, we had cash of $1,000. The Company’s current operations have focused on business planning, raising capital, continued research and development and sales and marketing. The Company has not generated any revenue from product sales. The Company has sustained operating losses since inception and expects such losses to continue over the foreseeable future. During the nine months ended June 30, 2022, the Company raised $754,000 in cash (net of OID and issuance costs of $131,000) from the issuances of convertible notes payable. In addition, the Company raised $750,000 from the sale of common shares in a private placement. The Company also received $515,000 in principal and $62,000 of accrued interest receivable in cash from the repayment of its notes receivable and accrued interest due from Winners, Inc. We anticipate that cash utilized for selling, general, and administrative expenses will range between $1,000,000 and $1,500,000 for the remainder of calendar 2022, while research and development expenses will continue and is expected to range between $200,000 and $400,000 for the remainder of calendar 2022. The Company is pursuing several alternatives to address this situation, including the raising of additional funding through equity and/or debt financings. In order to finance existing operations and pay current liabilities over the next twelve months, the Company will need to raise an additional $2,500,000 of capital.

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**Application of Critical Accounting Policies**

We believe that our critical accounting policies are as follows:

|  |  |  |
| --- | --- | --- |
|  | ● | Research and Development Costs; |
|  |  |  |
|  | ● | Share-Based Compensation; |
|  |  |  |
|  | ● | Fair Value Measurements; |
|  |  |  |
|  | ● | Equity Method Investments; and |
|  |  |  |
|  | ● | Asset Acquisitions. |

**Research and Development Costs**

Research and development costs consist of expenditures for the research and development of new products and technology. These costs are primarily expenses to vendors contracted to perform research projects and develop technology for the Company’s mobile gaming applications. Costs incurred for research and development are expensed as incurred.

**Share-Based Compensation**

We account for our stock-based compensation to employees and non-employees under ASC 718 *“Compensation – Stock Compensation”* using the fair value-based method. Under this method, compensation cost is measured at the grant date based on the value of the award and is recognized over the requisite service period, which is usually the vesting period. This guidance establishes standards for the accounting for transactions in which an entity exchanges it equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity’s equity instruments or that may be settled by the issuance of those equity instruments.

**Fair Value Measurements**

We use fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. We base our fair values on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, from time to time, we may be required to record certain assets at fair value on a non-recurring basis, such as certain impaired loans held for investment and securities held to maturity that are other-than-temporarily impaired or goodwill. These non-recurring fair value adjustments typically involve write-downs of individual assets due to application of lower-of-cost or market accounting or other accounting standards.

We have established and documented a process for determining fair value. We maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements. Whenever there is no readily available market data, management uses its best estimate and assumptions in determining fair value, but these estimates involve inherent uncertainties and the application of management’s judgment. As a result, if other assumptions had been used, our recorded earnings or disclosures could have been materially different from those reflected in these financial statements. For detailed information on our use of fair value measurements and our related valuation methodologies, see Note 3 to the Consolidated Financial Statements of this report.

**Equity Method Investments**

The equity method is applied to investments in affiliated companies and joint ventures. An affiliated company is an entity which is not controlled by the Company but for which the Company is able to exert significant influence over the decisions on financial and operating business policies. If the Company has 20% or more but not more than 50% of the voting rights of another entity, the Company is presumed to have significant influence over that entity however, if a company has less than 20% of the voting rights and is able to exert significant influence the equity method should be applied. Under the equity method, the investment in an affiliated company or joint venture is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company’s share of the net income or loss of the affiliated company or joint venture. When the Company’s share of losses of an affiliated company equals or exceeds it interest in the affiliated company or joint venture, the Company discontinues recognizing its share of further losses. All intercompany profits have been eliminated in proportion to interests in affiliated companies or joint ventures.

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**Asset Acquisitions**

The Company accounts for acquisitions of legal entities that do not meet the definition of a business under ASC 805 as asset acquisitions. Assets acquired and liabilities assumed are recorded at their relative fair value and no goodwill is recorded. Contingent consideration for assets acquired is measured and is recognized as an expense on the date the contingency occurs.

**Recently Issued Accounting Standards**

See discussion in Note 3 to the condensed consolidated financial statements.

**Inflation**

We believe that inflation has not had a material adverse impact on our business or operating results during the periods presented.

**Off-balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company’s financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

This company qualifies as a smaller reporting company, as defined in 17 C.F.R. §229.10(f)(1) and is not required to provide information by this Item.

**Item 4. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures**

Our principal executive officer and principal financial officer evaluated the effectiveness of our “disclosure controls and procedures” (as such term is defined in Rules 13a-15(e) and 15d-15(e) of the United States Securities Exchange Act of 1934, as amended (the “Exchange Act”)), as of March 31, 2022. Based on that evaluation we have concluded that our disclosure controls and procedures were not effective as of March 31, 2022 as a result of material weaknesses in internal control over financial reporting due to (i) inadequate segregation of duties and monitoring controls, (ii) risks of executive override and (iii) insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of both U.S. GAAP and SEC regulation, in each case, as described in “Item 9A. Controls and Procedures” in the Company’s Form 10-K for the year ended September 30, 2021.

The Company is taking steps, and intends to take additional steps, to mitigate the issues identified and implement a functional system of internal control over financial reporting. Such measures will include, but not be limited to: hiring of additional employees in our finance and accounting department; preparation of risk-control matrices to identify key risks and develop and document policies to mitigate those risks; and identification and documentation of standard operating procedures for key financial and SEC reporting activities.

**Changes in Internal Control over Financial Reporting**

Except for the ongoing remediation of the material weaknesses in internal controls over financial reporting noted above, no changes in our internal control over financial reporting were made during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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**PART II** — **OTHER INFORMATION**

**Item 1. Legal Proceedings**

**Item 1A. Risk Factors**

Information regarding risk factors appears under “Risk Factors” included in Part I. Item 1A. Risk Factors of our Annual Report on Form 10-K for the year ended September 30, 2021. There have been no material changes from the risk factors previously disclosed in the above-mentioned periodic report.

**Item 2. Unregistered Sales of Securities and Use of Proceeds**

The Company made the following issuances of its unregistered equity securities pursuant exemptions contained in Section 4(a)(2) or 3(a)(9) of the Securities Act of 1933, as amended (the “Securities Act”) and/or Rule 506 of Regulation D promulgated thereunder that have not previously been reported:

Not applicable.

**Item 3. Defaults Upon Senior Securities.**

Not applicable.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information.**

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**Item 6. Exhibits**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **Incorporated by Reference** | | | | |
| **Exhibit** |  | **Description** |  | **Filed** **Herewith** |  | **Form** | **Number** | **SEC File No.** |  | **Filing Date** |
|  |  |  |  |  |  |  |  |  |  |  |
| 31.1 |  | [Certification of Principal Executive Officer and Principal Financial Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended.](ex31_1.htm) |  | X |  |  |  |  |  |  |
| 32.1\* |  | [Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer and Chief Financial Officer).](ex31_2.htm) |  | X |  |  |  |  |  |  |
| 101.INS |  | Inline XBRL Instance Document. |  | X |  |  |  |  |  |  |
| 101.SCH |  | Inline XBRL Taxonomy Extension Schema Document. |  | X |  |  |  |  |  |  |
| 101.CAL |  | Inline XBRL Taxonomy Extension Calculation Linkbase Document. |  | X |  |  |  |  |  |  |
| 101.DEF |  | Inline XBRL Taxonomy Extension Definition Linkbase Document. |  | X |  |  |  |  |  |  |
| 101.LAB |  | Inline XBRL Taxonomy Extension Label Linkbase Document. |  | X |  |  |  |  |  |  |
| 101.PRE |  | Inline XBRL Taxonomy Extension Presentation Linkbase Document. |  | X |  |  |  |  |  |  |

|  |  |
| --- | --- |
| \* | This certification shall not be deemed “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that Section, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act. |

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

|  |  |  |
| --- | --- | --- |
|  | Clickstream Corporation | |
|  |  |  |
| Dated: August 22, 2022 | By: | /s/ Frank Magliochetti |
|  |  | Frank Magliochetti |
|  |  | Chief Executive Officer and Chairman of the Board |

|  |  |  |
| --- | --- | --- |
|  | Clickstream Corporation | |
|  |  |  |
| Dated: August 22, 2022 | By: | /s/ Frank Magliochetti |
|  |  | Frank Magliochetti |
|  |  | Interim Chief Financial Officer |

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