UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **January 24, 2023 (September 12, 2022)**

STARCO BRANDS, INC.
(Exact name of Company as specified in its charter)

Nevada	000-54892	27-1781753
(State or other jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification Number)

250 26th Street, Suite 200
Santa Monica, CA 90402
(Address of principal executive offices)

888-484-1908
(Registrant's Telephone Number)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock	STCB	OTC Markets Group OTCQB tier

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (See General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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 ☐

Explanatory Note

This Amendment No. 1 on Form 8-K/A amends the Current Report on Form 8-K of Starco Brands, Inc. (the "Company") filed with the U.S. Securities and Exchange Commission on September 15, 2022 (the "Original Form 8-K"). The Original Form 8-K reported the Company's acquisition of The AOS Group Inc. ("AOS"). This Amendment No. 1 on Form 8-K/A is being filed by the Company solely to provide the disclosures required by Item 9.01 of Form 8-K that were omitted from the Original Report, including the required financial statements of AOS and the required pro forma financial information. Except as otherwise provided herein, the disclosures made in the Original Report remain unchanged.

Item 9.01 Financial Statements and Exhibits

(a) Financial Statements of Business Acquired:

In accordance with Item 9.01(a), the audited financial statements of AOS of and for the year ended December 31, 2021 and 2020 are attached hereto as Exhibit 99.1 and are incorporated herein by reference.

In accordance with Item 9.01(a), the unaudited financial statements of AOS for the six months ended June 30, 2022 and 2021 are attached hereto as Exhibit 99.2 and are incorporated herein by reference.

(b) Pro Forma Financial Information:

In accordance with Item 9.01(b), the unaudited consolidated pro forma statement of operations and balance sheet for and as of the six months ended June 30, 2022, and the unaudited consolidated pro forma statement of operations for the six months ended June 30, 2022, giving effect to the AOS Acquisition, are attached hereto as Exhibit 99.3 and are incorporated herein by reference.

(d) Exhibits.

The following exhibits are filed with this Current Report on Form 8-K:

Exhibit Number	**Description**
99.1	Audited financial statements of AOS as of and for the year ended December 31, 2021 and 2020.
99.2	Unaudited financial statements of AOS as of and for the six months ended June 30, 2022 and 2021.
99.3	Unaudited consolidated pro forma statement of operations for the year ended December 31, 2021, and unaudited consolidated pro forma balance sheet and statement of operations as of and for the six months ended June 30, 2022.
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document

SIGNATURES

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

STARCO BRANDS, INC.

Dated: January 24, 2023

/s/ Ross Sklar
Ross Sklar
Chief Executive Officer

Exhibit 99.1

AOS GROUP INC.
FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021 AND 2020

TABLE OF CONTENTS

INDEPENDENT AUDITORS REPORT

MGO Certified Public Accountants

Board of Directors and Stockholders
The AOS Group Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The AOS Group Inc. (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of loss, changes in stockholders' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements (the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Substantial Doubt About the Entity's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the financial statements, the Company has suffered recurring losses from operations, has a net capital deficiency, and has stated that substantial doubt exists about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

/s/ Macias Gini & O'Connell LLP

Irvine, California
January 24, 2023

AOS GROUP INC.
BALANCE SHEETS

		December 31, 2021		December 31, 2020
ASSETS				
Current Assets:				
Cash and cash equivalents	$	2,472,265	$	6,690,747
Accounts receivable, net		958,646		812,595
Prepaid expenses and other assets		388,256		331,343
Inventory		1,831,650		945,219
Total Current Assets	$	5,650,817	$	8,779,904
Property and equipment, net		49,301		104,175
Intangibles, net		18,454		20,171
Total Assets	$	5,718,572	$	8,904,250
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities:				
Accounts payable	$	995,310	$	745,915
Accrued liabilities		717,992		253,740
Total Current Liabilities	$	1,713,302	$	999,655
Total Liabilities	$	1,713,302	$	999,655
Commitments and Contingencies				
Stockholders' Equity:				
Series A Preferred stock, $.0001 par value; 2,802,907 shares authorized; 2,802,907 shares issued and outstanding, at December 31, 2021 and December 31 2020, respectively		280		280
Series B-1 Preferred stock, $.0001 par value; 584,912 shares authorized; 584,912 shares issued and outstanding, at December 31, 2021 and December 31 2020, respectively		59		59
Series B-2 Preferred stock, $.0001 par value; 2,280,435 shares authorized; 2,280,435 shares issued and outstanding, at December 31, 2021 and December 31 2020, respectively		228		228
Common stock, $.0001 par value; 13,500,000 shares authorized at December 31, 2021 and 2020; 5,689,347 and 5,639,488 shares issued and outstanding, at December 31, 2021 and 2020, respectively		569		564
Additional paid in capital		18,882,778		18,796,319
Accumulated deficit		(14,878,644)		(10,892,855)
Stockholders' Equity	$	4,005,270	$	7,904,595
Total Liabilities and Stockholders' Equity	$	5,718,572	$	8,904,250

The accompanying notes are an integral part of these financial statements.

AOS GROUP INC.
STATEMENTS OF OPERATIONS

	For the Year Ended			
		December 31, 2021		December 31, 2020
Revenue	$	10,099,486	$	9,172,534
Cost of goods sold		7,093,767		5,735,170

Gross profit	$	3,005,719	$	3,437,364
Operating Expenses:				
Compensation expense	$	1,493,084	$	1,400,534
Marketing and advertising		3,402,645		2,980,389
Research and development		204,018		169,658
Professional fees		306,395		449,721
Selling, genereral and administrative		1,584,086		455,024
Total Operating Expenses		6,990,228		5,455,326
Loss from operations		(3,984,509)		(2,017,962)
Other expense:				
Interest expense		(1,142)		221,367
Other expense		2,422		241,079
Total Other Expense		1,280		462,446
Loss before provisions for income taxes	$	(3,985,789)	$	(2,480,408)
Net Loss	$	(3,985,789)	$	(2,480,408)

The accompanying notes are an integral part of these financial statements.

AOS GROUP INC.
STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Preferred Stock		Common Stock		Additional Paid-in	Treasury Stock		Accumulated	Stockholders' Equity
	Shares	Amount	Shares	Amount	Capital	Shares	Amount	Deficit	(Deficit)
Balance at December 31, 2019	-	$ -	5,630,985	$ 563	$ 264	-	$ -	$ (8,412,447)	$ (8,411,620)
Exercise of options	-	-	12,503	1	519	-	-	-	520
Series A preferred stock debt conversion	2,802,907	280	-	-	11,048,042	-	-	-	11,048,322
Series B-1 preferred stock debt conversion	584,912	59	-	-	1,603,996	-	-	-	1,604,055
Issuance of series B-2 preferred stock	2,280,435	228	-	-	6,118,332	-	-	-	6,118,560
Repurchase of treasury shares	-	-	(4,000)	-	-	4,000	-	-	-
Stock based compensation	-	-	-	-	25,166	-	-	-	25,166
Net loss	-	-	-	-	-	-	-	(2,480,408)	(2,480,408)
Balance at December 31, 2020	5,668,254	$ 567	5,639,488	$ 564	$ 18,796,319	4,000	$ -	$ (10,892,855)	$ 7,904,595
Exercise of options	-	-	49,859	5	10,934	-	-	-	10,939
Stock based compensation	-	-	-	-	75,525	-	-	-	75,525
Net loss	-	-	-	-	-	-	-	(3,985,789)	(3,985,789)
Balance at December 31, 2021	5,668,254	$ 567	5,689,347	$ 569	$ 18,882,778	4,000	$ -	$ (14,878,644)	$ 4,005,270

The accompanying notes are an integral part of these financial statements.

AOS GROUP INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020

	For the Twelve Months Ended			
	December 31, 2021		December 31, 2020	
Cash Flows Used In Operating Activities:				
Net loss	$	(3,985,789)	$	(2,480,408)
Adjustments to reconcile net loss to net cash used in operating activities:				
Stock based compensation		75,525		25,166
Depreciation		54,874		53,364
Amortization		1,717		1,716
Changes in operating assets and liabilities:				
Accounts Receivable		(146,051)		(809,742)

Prepaid Expenses and Other Assets	(56,913)	792,064
Inventory	(886,431)	(323,672)
Accounts Payable	249,395	(153,778)
Accrued liabilities	464,252	217,768
Net Cash Used In Operating Activities	(4,229,421)	(2,677,522)
Cash Flows Used In Investing Activities:		
Purchase of Property and Equipment	-	(147,903)
Net Cash Used In Investing Activities	-	(147,903)
Cash Flows From Financing Activities:		
Proceeds from exercise of stock options	10,939	520
Issuance of preferred stock	-	6,354,054
Net Cash Provided By Financing Activities	10,939	6,354,574
Net Increase (Decrease) In Cash	(4,218,482)	3,529,149
Cash - Beginning of Year	$ 6,690,747	$ 3,161,598
Cash - End of Year	$ 2,472,265	$ 6,690,747
Supplemental Cash Flow Information:		
Cash paid for:		
Interest paid	$ -	$ 227,836
Income Taxes	$ -	$ -
Noncash investing and financing activities:		
Conversion of convertible debt into preferred shares	$ -	$ 12,416,883

The accompanying notes are an integral part of these financial statements.

AOS GROUP INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS

AOS Group, Inc. ("AOS" or the "Company") was incorporated in the State of Delaware on September 20, 2017. AOS is a maker of premium body and skincare products engineered to power and protect athletes. AOS's operations and headquarters are in Los Angeles, California.

On September 12, 2022, Starco Brands, Inc, ("STCB") through its wholly-owned subsidiary Starco Merger Sub Inc. ("Merger Sub"), completed the acquisition (the "AOS Acquisition") of AOS. The AOS Acquisition consisted of Merger Sub merging with and into AOS, with AOS being the surviving corporation. AOS is a wholly-owned subsidiary of STCB following the acquisition.

Throughout this report, the terms "our," "we," "us," and the "Company" refer to AOS.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

Basis of presentation

In the opinion of management, all adjustments necessary for the fair presentation of the financial statements have been included. Such adjustments are of a normal, recurring nature. The financial statements, and the accompanying notes, are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the fair value of stock based compensation and allowance for receivables. Actual results could differ from those estimates.

Concentrations of Credit Risk and Significant Risks and Uncertainties

We maintain our cash in bank deposit accounts, the balances of which at times may exceed federally insured limits. We continually monitor our banking relationships and consequently have not experienced any losses in our accounts. We believe we are not exposed to any significant credit risk on cash.

The COVID-19 pandemic and government steps to reduce the spread and address the impact of COVID-19 have impacted and may continue to impact our consumers' ability to purchase and our ability to manufacture and distribute our products. While we believe that, in the long-term, consumer demand for the products in our categories will continue to be strong, uncertainties continue surrounding the timing and duration of the pandemic and the recovery from it. We expect the ongoing economic impact, health concerns associated with COVID-19 and supply chain disruptions to continue to impact consumer behavior, shopping patterns and consumption preferences during 2023. Although the COVID-19 global pandemic did not have a material impact on the Company's performance in 2022, the Company cannot estimate its future impact.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents. Cash and cash equivalents held at financial institutions may at times exceed insured amounts. The Company believes it mitigates such risk by investing in or through, as well as maintaining cash balances, with major financial institutions. The Company had $2,472,265 and $6,690,747 cash equivalents as of December 31, 2021 and 2020, respectively.

Accounts Receivable

Revenues that have been recognized but payment has not been received are recorded as accounts receivable. Losses on receivables will be recognized when it is more likely than not that a receivable will not be collected. An allowance for estimated uncollectible amounts will be recognized to reduce the amount of receivables to its net realizable value. The allowance for uncollectible amounts is evaluated quarterly. There were no allowances related to uncollectable amounts at December 31, 2021 and 2020 as the Company recorded all uncollectable items as a bad debt expense at the end of the period.

Fair value of financial instruments

The Company follows paragraph 825-10-50-10 of the FASB Accounting Standards Codification for disclosures about fair value of its financial instruments and paragraph 820-10-35-37 of the FASB Accounting Standards Codification ("Paragraph 820-10-35-37") to measure the fair value of its financial instruments. Paragraph 820-10-35-37 establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America (U.S. GAAP) and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements and related disclosures, Paragraph 820-10-35-37 establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three (3) broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three (3) levels of fair value hierarchy defined by Paragraph 820-10-35-37 are described below:

Level 1: Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.

Level 2: Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.

Level 3: Pricing inputs that are generally unobservable inputs and not corroborated by market data.

The carrying amount of the Company's consolidated financial assets and liabilities, such as cash, prepaid expenses and accrued expenses approximate their fair value because of the short maturity of those instruments.

Revenue recognition

AOS earns its revenues through the sale of premium body and skincare products. Revenue from retail sales is recognized shipment to the retailer. Revenue from eCommerce sales, including Amazon Fulfillment by Amazon ("Amazon FBA"), is recognized upon shipment of merchandise and is measured based on the amount of consideration that we expect to receive, reduced by estimates for return allowances and promotional discounts.

The Company applies the following five-step model in order to determine this amount: (i) identification of the promised goods in the contract; (ii) determination of whether the promised goods are performance obligations, including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation.

Stock-based Compensation

The Company accounts for stock-based compensation per the provisions of ASC 718, Share-based Compensation ("ASC 718"), which requires the use of the fair-value based method to determine compensation for all arrangements under which employees and others receive shares of stock or equity instruments (options and restricted stock units). The fair value of each option is estimated on the date of grant using a third-party valuation that uses a Black-Scholes model that makes assumptions for expected volatility, expected dividends, expected term, and the risk-free interest rate. The Company has not paid dividends historically and does not expect to pay them in the future. Expected volatilities are based on the volatility of comparable companies' common stock. The expected term of awards granted is derived using estimates based on the specific terms of each award. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for the period of the expected term. The grant date fair value of a restricted stock unit equals the estimated fair value of our common stock on the day of the grant date.

Preferred stock

In August 2020, the Company created new series of preferred stock entitled Series A Preferred Stock ("Series A"), Series B-1 Preferred Stock ("Series B-1") and Series B-2 Preferred Stock ("Series B-2"). As of December 31, 2021 there were an aggregate of 5,668,254 preferred shares authorized. The preferred shares have equal rights to liquidation preference before the common shares. The Series A has an issue price of $3.94 per share and the Series B-1and Series B-2 has an issue price of $2.74 for any stock dividend, stock split, combination, or other similar recapitalization event with respect to the Preferred Stock.

The Company shall not declare, pay or set aside any dividends to preferred shareholders. If the Company declares a common share dividend to common shareholders, preferred shareholders will have priority to receive a dividend in the amount at least equal to the amount of the dividend on common shares. In the event of a liquidation event, Series B-1 and Series B-2 shares have first right, followed by Series A shares, followed by common stock. At all times, each share of Preferred Stock shall be convertible, at the option of the holder, into such number of fully paid and non-assessable shares of Common Stock.

The Company considered relevant guidance when accounting for the issuance of preferred stock and determined that the preferred shares meet the criteria for equity classification.

Intangible Assets

Indefinite-lived intangible assets consist of certain trademarks. These intangible assets amortized and tested for impairment annually or whenever impairment indicators exist.

The Company assesses potential impairment of its long-lived assets whenever events or changes in circumstances indicate that an asset or asset group's carrying value may not be recoverable. Factors that are considered important that could trigger an impairment review include a current period operating or cash flow loss combined with a history of operating or cash flow losses and a projection or forecast that demonstrates continuing losses or insufficient income associated with the use of a long-lived asset or asset group. Other factors include a significant change in the manner of the use of the asset or a significant negative industry or economic trend. This evaluation is performed based on estimated undiscounted future cash flows from operating activities compared with the carrying value of the related assets. If the undiscounted future cash flows are less than the carrying value, an impairment loss is recognized, measured by the difference between the carrying value, and the estimated fair value of the assets, with such estimated fair values determined using the best information available and in accordance with FASB ASC Topic 820, Fair Value Measurements. There were no charges related to impairment during all periods presented.

Property and Equipment

Property and equipment is recorded at cost. Depreciation is computed using straight-line over the estimated useful lives of the related assets. Expenditures that enhance the useful lives of the assets are capitalized and depreciated. Maintenance and repairs are expensed as incurred. When properties are retired or otherwise disposed of, related costs and related accumulated depreciation are removed from the accounts. Depreciation expense was $54,874 and $53,364 for the years ended December 31, 2021 and 2020, respectively.

Leases

Leases are categorized at their inception as either operating or capital leases. Lease costs, including any rent holidaysor other incentives, are recognized on a straight-line basis over the term of the lease.

The Company leases its corporate office ("AOS Lease"). The AOS Lease is classified as an operating lease and has a term of 2 years, for approximately 1,372 square feet of office space located in West Hollywood, California. The lease expires in September 2023 and has a monthly base rental of $7,564 which increases 4% each year. The remaining weighted average term is 1.75 years. In March 2022, the Company entered into a sublease, whereby, the sublessor will take over the entire AOS Lease office space and the lease payment until the completion of the original AOS Lease term.

Inventory

Inventory consists of premium body and skincare products. Inventory is measured using the first-in, first-out method and stated at average cost as of December 31, 2021. The value of inventories is reduced for excess and obsolete inventories. The Company monitors inventory to identify events that would require impairment due to obsolete inventory and adjust the value of inventory when required. We recorded no inventory impairment losses for the years ended December 31, 2021 and 2020.

Research and Development

Research and development activities are directed toward the development of new products and processes as well as improvements in existing products and processes. These costs, which primarily include salaries, contract services and supplies, are expensed as incurred. The Company expensed $204,018 and $169,658 for research and development costs for the years ended December 31, 2021 and 2020, respectively.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets, including tax loss and credit carry forwards, and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company utilizes ASC 740, "Income Taxes," which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. The Company accounts for income taxes using the asset and liability method to compute the differences between the tax basis of assets and liabilities and the related financial amounts, using currently enacted tax rates. A valuation allowance is recorded when it is "more likely-than-not" that a deferred tax asset will not be realized.

For uncertain tax positions that meet a "more likely than not" threshold, the Company recognizes the benefit of uncertain tax positions in the consolidated financial statements. The Company's practice is to recognize interest and penalties, if any, related to uncertain tax positions in income tax expense in the consolidated statements of operations.

Recent accounting pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which will supersede the existing lease guidance. The core principle of the guidance is that an entity should recognize the rights and obligations that arise from leases as assets and liabilities on the statement of financial position including leases that are classified as operating leases under existing GAAP. Further, the guidance requires additional disclosures, both qualitative and quantitative, to supplement the amounts recorded in the financial statements so that users can better understand the nature of the entity's leasing activities. For all non-public entities, this guidance is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2021. Early adoption is permitted. The Company plans to adopt this standard on January 1, 2022 using a modified retrospective approach.

In June 2022, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2022-03, Fair Value Measurement (Topic 820) ("ASU 2022-03"). The amendments in ASU 2022-03 clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The amendments also clarify that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. The amendments in this Update also require additional disclosures for equity securities subject to contractual sale restrictions. The provisions in this Update are effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company does not expect to early adopt this ASU. The Company is currently evaluating the impact of adopting this guidance on the condensed consolidated balance sheets, results of operations and financial condition.

The Company does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

NOTE 3 – GOING CONCERN

The accompanying 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. The Company has an accumulated deficit of $14.9 million at December 31, 2021 including the impact of its net loss of $4.0 million for the year ended December 31, 2021. Net cash used in operating activities was $4.2 million for the year ended December 31, 2021. The Company's ability to continue with this trend is unknown. The Company's ability to raise additional capital through the future issuances of common stock and/or debt financing is unknown. The obtainment of additional financing and the successful development of the Company's contemplated plan of operations, to the attainment of profitable operations are necessary for the Company to continue operations. These conditions and the ability to successfully resolve these factors raise substantial doubt about the Company's ability to continue as a going concern. The financial statements of the Company do not include any adjustments that may result from the outcome of these aforementioned uncertainties. In consideration of the going concern, on September 12, 2022, the Company and its equity holders entered into a share purchase agreement with Starco Brands, Inc. ("Starco"), a Nevada corporation. As a result of the transaction, the Company became a wholly-owned subsidiary of Starco.

NOTE 4 – LEASES

Future minimum payments under non-cancelable leases for operating leases for the remaining terms of the leases following the six months ended June 30, 2022:

Fiscal Year	Operating Leases	
2022	$	91,759
2023		66,864
Total future minimum lease payments		158,623

NOTE 5 – PROPERTY AND EQIUPMENT

Property and equipment, net consist of the following:

	December 31, 2021	
Tools and equipment	$	147,903
Computer equipment		8,220
Property and equipment, gross		156,123
Less: Accumulated depreciation		(106,822)
Property and equipment, net	$	49,301

	December 31, 2020	
Tools and equipment	$	147,903
Computer equipment		8,220
Furniture and fixtures		6,616
Property and equipment, gross		162,739
Less: Accumulated depreciation		(58,564)
Property and equipment, net	$	104,175

Depreciation expense for the year ended December 31, 2021 and 2020 was $54,874 and $53,364, respectively.

NOTE 6 - INVENTORY

Inventories by major class are as follows:

	December 31, 2021		December 31, 2020	
Inventory asset	$	7,870	$	-
Raw materials		317,532		99,012
Finished goods		1,437,974		826,108
Inventory in transit		68,274		20,099
Total inventory	$	1,831,650	$	945,219

NOTE 7 – INTANGIBLE ASSETS

Intangible assets, net consist of the following:

	December 31, 2021					
	Gross Carrying Amount		Accumulated Amortization		Net	
Domain name	$	25,750	$	7,296	$	18,454
Total intangible assets	$	25,750	$	7,296	$	18,454

	December 31, 2020					
	Gross Carrying Amount		Accumulated Amortization		Net	
Domain name	$	25,750	$	5,579	$	20,171
Total intangible assets	$	25,750	$	5,579	$	20,171

Amortization expense for the year ended December 31, 2021 and 2020 was $1,717 and $1,716, respectively.

As of December 31, 2021, future expected amortization expense of Intangible assets was as follows:

Fiscal Period:		
2022	$	1,717
2023		1,717
2024		1,717
2025		1,717
2026		1,717
Thereafter		9,869
Total amortization remaining	$	18,454

NOTE 8 – STOCK OPTIONS

The Company enters into agreements with employees and consultants for services to be performed. As consideration for the services to be performed, the Company grants employees and consultants stock options to purchase common stock. The stock options vest over a 4 year term, except 2 awards that vest over a 3 year term. The stock options are valued using 409A valuations under an options pricing model using the assumption of a 0.16% risk-free interest rate, expected volatility of 67.00%, 0.00% dividend rate and an expected term of 3 years.

A summary of the status of the Company's outstanding stock options and changes during the periods is presented below:

	Shares available to purchase with options	Weighted Average Exercise Price	Grant Date Fair Value
Outstanding, December 31, 2019	166,367	$ 0.94	$ 0.00
Issued	671,894	0.93	0.43
Exercised	(8,503)	0.06	0.00
Forfeited	(17,930)	0.13	0.01
Expired	-	-	-
Outstanding, December 31, 2020	811,828	$ 0.74	$ 0.34
Issued	27,895	0.94	0.45
Exercised	(49,859)	0.23	0.09
Cancelled	(126,039)	0.82	0.38
Expired	(21,970)	0.78	0.36
Outstanding, December 31, 2021	641,855	$ 0.72	$ 0.31

The compensation expense attributed to the issuance of the stock options is recognized as they are vested.

Total expense related to the stock options was $75,525 and $25,166 for the year ended December 31, 2021 and 2020, respectively, and is recorded as part of compensation expense.

NOTE 9 – STOCKHOLDER'S EQUITY

As of December 31, 2021 and 2020, the Company has 19 and 8 common stock shareholders who hold 5,689,347 and 5,639,488 shares of common stock, respectively.

As of December 31, 2021 and 2020, the Company has 11 Series A Preferred shareholders who hold 2,802,907 shares of Series A Preferred.

As of December 31, 2021 and 2020, the Company has 1 Series B-1 Preferred shareholder who holds 584,912 shares of Series B-1 Preferred.

As of December 31, 2021 and 2020, the Company has 15 Series B-2 Preferred shareholders who hold 2,280,435 shares of Series B-2 Preferred.

During the years ended December 31, 2021 and 2020, the Company did not pay any dividends or distribute any capital to shareholders.

On August 18, 2020 the Company converted an aggregate of $12,416,883 convertible debt into 2,802,907 shares of Series A Preferred and 584,912 shares of Series B-1 Preferred.

The Company incurred $131,340 of issuance costs related to the Preferred Stock issuance in the year ended December 31, 2020.

NOTE 10 – RELATED PARTY TRANSACTIONS

For the years ended December 31, 2021 and 2020, the Company did not participate in any related party transactions with any director, officer, affiliate of the Company, any owner of record or beneficial ownership of more than 5% of any class of its voting securities.

NOTE 11 – COMMITMENTS & CONTINGENCIES

Office and Rental Property Leases

As of December 31, 2021, the Company had a non-cancellable commitment to pay $158,623 in lease payments through September 2023 (refer to Note 4 – Leases and Note 13 – Subsequent Events).

Legal

There are no material pending legal proceedings in which the Company is a party or in which any director, officer or affiliate of the Company, any owner of record or beneficially of more than 5% of any class of its voting securities, or security holder is a party adverse to us or has a material interest adverse to the Company.

NOTE 12 – INCOME TAXES

The Company identified their federal and California state tax returns as their "major" tax jurisdictions. The periods our income tax returns are subject to examination for these jurisdictions are 2016 through 2021. The Company believe their income tax filing positions and deductions will be sustained on audit, and they do not anticipate any adjustments that would result in a material change to their financial position. Therefore, no liabilities for uncertain tax positions have been recorded.

At December 31, 2021, we had available net operating loss carry-forwards for federal income tax reporting purposes of approximately $15,003,592 which are available to offset future taxable income. As a result of the Tax Cuts Job Act 2017, certain of these carry-forwards do not expire. We have not performed a formal analysis, but we believe our ability to use such net operating losses and tax credit carry-forwards is subject to annual limitations due to change of control provisions under Sections 382 and 383 of the Internal Revenue Code, which significantly impacts our ability to realize these deferred tax assets.

Our net deferred tax assets, liabilities and valuation allowance as of December 31, 2021 and 2020 are summarized as follows:

	Year Ended November 30,	
	2021	**2020**
Deferred tax assets:		
Net operating loss carryforwards	$ 5,066,900	$ 2,132,000
Changes in prior year estimates	-	-
Total deferred tax assets	5,066,900	2,132,000
Valuation allowance	(5,066,900)	(2,132,000)

Net deferred tax assets	$ -	$ -

We record a valuation allowance in the full amount of our net deferred tax assets since realization of such tax benefits has been determined by our management to be less likely than not. The valuation allowance increased $2,934,900 during the fiscal year ended December 31, 2021. The valuation allowance decreased $2,132,000 during the fiscal year ended December 31, 2020.

A reconciliation of the statutory federal income tax benefit to actual tax benefit for the years ended December 31, 2021 and 2020, is as follows:

	2021	2020
Federal statutory blended income tax rates	(21)%	(21)%
State statutory income tax rate, net of federal benefit	(7)	(7)
Incentive stock options	-	-
Change in valuation allowance	28	28
Other	(-)	(-)
Effective tax rate	-%	-%

NOTE 13 - SUBSEQUENT EVENTS

In March 2022, the Company entered into a sublease, whereby, the sublessor will take over the entire AOS Lease office space and the entirety of the lease payment until the completion of the original AOS Lease term.

On September 12, 2022, the Company and its equity holders entered into a share purchase agreement with Starco Brands, Inc., a Nevada corporation. As a result of the transaction, the Company became a wholly-owned subsidiary of Starco.

AOS GROUP INC.
CONDENSED FINANCIAL STATEMENTS AS OF JUNE 30 2022 AND 2021

TABLE OF CONTENTS

AOS GROUP INC.
CONDENSED BALANCE SHEETS
(Unaudited)

	June 30, 2022	June 30, 2021
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1,422,787	$ 3,404,946
Accounts receivable, net	831,405	3,182,391
Prepaid expenses and other assets	404,668	468,986
Inventory	1,124,609	1,079,173
Total Current Assets	$ 3,783,469	$ 8,135,496
Property and equipment, net	25,028	75,178
Operating lease, right of use assets	96,932	-
Intangibles, net	17,596	19,312
Total Assets	$ 3,923,025	$ 8,229,986
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 345,400	$ 1,113,648
Accrued liabilities	135,502	412,197
Lease liability	80,092	-
Total Current Liabilities	$ 560,994	$ 1,525,845
Lease liability, net of current portion	$ 19,167	-
Total Liabilities	$ 580,161	$ 1,525,845
Commitments and Contingencies		
Stockholders' Equity:		
Series A Preferred stock, $.0001 par value; 2,802,907 shares authorized; 2,802,907 shares issued and outstanding, at June 30, 2022 and June 30, 2021, respectively	280	280
Series B-1 Preferred stock, $.0001 par value; 584,912 shares authorized; 584,912 shares issued and outstanding, at June 30, 2022 and June 30, 2021, respectively	59	59
Series B-2 Preferred stock, $.0001 par value; 2,280,435 shares authorized; 2,280,435 shares issued and outstanding, at June 30, 2022 and June 30, 2021, respectively	228	228
Common stock, $.0001 par value; 13,500,000 shares authorized at June 30, 2022 and 2021, respectively; 5,690,579 and 5,648,734 shares issued and outstanding, at June 30, 2022 and 2021, respectively	569	565
Additional paid in capital	18,919,434	18,842,772
Accumulated deficit	(15,577,706)	(12,139,763)
Stockholders' Equity	$ 3,342,864	$ 6,704,141
Total Liabilities and Stockholders' Equity	$ 3,923,025	$ 8,229,986

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

AOS GROUP INC.
CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Revenue	$ 1,556,057	$ 3,079,486	$ 3,016,941	$ 5,989,870
Cost of goods sold	1,062,101	2,072,153	2,165,597	3,994,221
Gross profit	$ 493,956	$ 1,007,333	$ 851,344	$ 1,995,649
Operating Expenses:				
Compensation expense	$ 166,958	$ 440,896	$ 352,166	$ 913,832
Marketing and advertising	238,137	634,824	621,728	1,807,096
Research and development	1,191	51,299	9,718	70,843
Professional fees	50,230	71,890	112,019	166,168
Selling, genereral and administrative	196,089	162,159	172,114	255,648
Total Operating Expenses	652,605	1,361,068	1,267,745	3,213,587
Loss from operations	(158,649)	(353,735)	(416,401)	(1,217,938)
Other Income (Expense):				
Interest income	$ 866	$ 287	$ 898	$ 887
Other income (expense)	$ (270,829)	$ (16,086)	$ (283,559)	$ (29,856)
Total Other Income (Expense)	(269,963)	(15,799)	(282,661)	(28,969)
Loss before provisions for income taxes	$ (428,612)	$ (369,534)	$ (699,062)	$ (1,246,908)
Net Loss	$ (428,612)	$ (369,534)	$ (699,062)	$ (1,246,908)

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

AOS GROUP INC.
CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021
(Unaudited)

	Preferred Stock		Common Stock		Additional Paid-in	Treasury Stock		Accumulated	Stockholders' Equity
	Shares	Amount	Shares	Amount	Capital	Shares	Amount	Deficit	(Deficit)
Balance at December 31, 2020	5,668,254	$ 567	5,639,488	$ 564	$ 18,796,319	4,000	$ -	$ (10,892,855)	$ 7,904,595
Exercise of options	-	-	9,246	1	8,690		-	-	8,691
Stock based compensation	-	-	-	-	37,763		-	-	37,763
Net loss	-	-	-	-	-		-	(1,246,908)	(1,246,908)
Balance at June 30, 2021	5,668,254	$ 567	5,648,734	$ 565	$ 18,842,772	4,000	$ -	$ (12,139,763)	$ 6,704,141
Balance at December 31, 2021	5,668,254	$ 567	5,689,347	$ 569	$ 18,882,778	4,000	$ -	$ (14,878,644)	$ 4,005,270
Exercise of options	-	-	1,232	-	1,107		-	-	1,107
Stock based compensation	-	-	-	-	35,549		-	-	35,549
Net loss	-	-	-	-	-		-	(699,062)	(699,062)
Balance at June 30, 2022	5,668,254	$ 567	5,690,579	$ 569	$ 18,919,434	4,000	$ -	$ (15,577,706)	$ 3,342,864

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

AOS GROUP INC.
CONDENSED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021
(Unaudited)

	For the Six Months Ended	
	June 30, 2022	June 30, 2021
Cash Flows Used In Operating Activities:		
Net loss	$ (699,062)	$ (1,246,908)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock based compensation	35,549	37,763
Depreciation	24,273	28,997
Amortization	858	859
Changes in operating assets and liabilities:		
Accounts Receivable	127,241	(2,369,796)
Prepaid Expenses and Other Assets	(16,412)	(137,643)
Inventory	707,041	(133,954)
Operating lease, right of use assets	(96,932)	-
Accounts Payable	(649,910)	367,733
Accrued liabilities	(582,490)	158,457
Operating lease liability	99,259	-
Net Cash Used In Operating Activities	(1,050,585)	(3,294,492)
Cash Flows From Financing Activities:		
Proceeds from exercise of stock options	1,107	8,691
Issuance of preferred stock	-	-
Net Cash (Used) Provided By Financing Activities	1,107	8,691
Net Decrease In Cash	(1,049,478)	(3,285,801)
Cash - Beginning of Period	$ 2,472,265	$ 6,690,747
Cash - End of Period	$ 1,422,787	$ 3,404,946
Supplemental Cash Flow Information:		
Cash paid for:		
Interest paid	$ -	$ -
Income Taxes	$ -	$ -

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

AOS GROUP INC.
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021

NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS

AOS Group, Inc. ("AOS" or the "Company") was incorporated in the State of Delaware on September 20, 2017. AOS is a maker of premium body and skincare products engineered to power and protect athletes. AOS's operations and headquarters are in Los Angeles, California.

On September 12, 2022, Starco Brands, Inc, ("STCB") through its wholly-owned subsidiary Starco Merger Sub Inc. ("Merger Sub"), completed the acquisition (the "AOS Acquisition") of AOS. The AOS Acquisition consisted of Merger Sub merging with and into AOS, with AOS being the surviving corporation. AOS is a wholly-owned subsidiary of STCB following the acquisition.

Throughout this report, the terms "our," "we," "us," and the "Company" refer to AOS.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

Basis of presentation

In the opinion of management, all adjustments necessary for the fair presentation of the condensed financial statements have been included. Such adjustments are of a normal, recurring nature. The condensed financial statements, and the accompanying notes, are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of estimates

The preparation of the condensed financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the fair value of stock based compensation and allowance for receivables. Actual results could differ from those estimates.

Concentrations of Credit Risk and Significant Risks and Uncertainties

We maintain our cash in bank deposit accounts, the balances of which at times may exceed federally insured limits. We continually monitor our banking relationships and consequently have not experienced any losses in our accounts. We believe we are not exposed to any significant credit risk on cash.

The COVID-19 pandemic and government steps to reduce the spread and address the impact of COVID-19 have impacted and may continue to impact our consumers' ability to purchase and our ability to manufacture and distribute our products. While we believe that, in the long-term, consumer demand for the products in our categories will continue to be strong, uncertainties continue surrounding the timing and duration of the pandemic and the recovery from it. We expect the ongoing economic impact, health concerns associated with COVID-19 and supply chain disruptions to continue to impact consumer behavior, shopping patterns and consumption preferences during 2023. Although the COVID-19 global pandemic did not have a material impact on the Company's performance in during the six months ended June 30, 2022 and 2021, the Company cannot estimate its future impact.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents. Cash and cash equivalents held at financial institutions may at times exceed insured amounts. The Company believes it mitigates such risk by investing in or through, as well as maintaining cash balances, with major financial institutions. The Company had $1,422,787 and $3,404,946 cash equivalents as of June 30, 2022 and 2021, respectively.

Accounts Receivable

Revenues that have been recognized but payment has not been received are recorded as accounts receivable. Losses on receivables will be recognized when it is more likely than not that a receivable will not be collected. An allowance for estimated uncollectible amounts will be recognized to reduce the amount of receivables to its net realizable value. The allowance for uncollectible amounts is evaluated quarterly. There were no allowances related to uncollectable amounts at June 30, 2022 and 2021 as the Company recorded all uncollectable items as a bad debt expense at the end of the period.

Fair value of financial instruments

The Company follows paragraph 825-10-50-10 of the FASB Accounting Standards Codification for disclosures about fair value of its financial instruments and paragraph 820-10-35-37 of the FASB Accounting Standards Codification ("Paragraph 820-10-35-37") to measure the fair value of its financial instruments. Paragraph 820-10-35-37 establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America (U.S. GAAP) and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements and related disclosures, Paragraph 820-10-35-37 establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three (3) broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three (3) levels of fair value hierarchy defined by Paragraph 820-10-35-37 are described below:

Level 1: Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.

Level 2: Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.

Level 3: Pricing inputs that are generally unobservable inputs and not corroborated by market data.

The carrying amount of the Company's consolidated financial assets and liabilities, such as cash, prepaid expenses and accrued expenses approximate their fair value because of the short maturity of those instruments.

Revenue recognition

AOS earns its revenues through the sale of premium body and skincare products. Revenue from retail sales is recognized shipment to the retailer. Revenue from eCommerce sales, including Amazon Fulfillment by Amazon ("Amazon FBA"), is recognized upon shipment of merchandise and is measured based on the amount of consideration that we expect to receive, reduced by estimates for return allowances and promotional discounts.

The Company applies the following five-step model in order to determine this amount: (i) identification of the promised goods in the contract; (ii) determination of whether the promised goods are performance obligations, including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation.

Stock-based Compensation

The Company accounts for stock-based compensation per the provisions of ASC 718, Share-based Compensation ("ASC 718"), which requires the use of the fair-value based method to determine compensation for all arrangements under which employees and others receive shares of stock or equity instruments (options and restricted stock units). The fair value of each option is estimated on the date of grant using the third-party valuation that uses a Black-Scholes model that makes assumptions for expected volatility, expected dividends, expected term, and the risk-free interest rate. The Company has not paid dividends historically and does not expect to pay them in the future. Expected volatilities are based on the volatility of comparable companies' common stock. The expected term of awards granted is derived using estimates based on the specific terms of each award. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for the period of the expected term. The grant date fair value of a restricted stock unit equals the estimated fair value of our common stock on the day of the grant date.

Preferred stock

In August 2020, the Company created new series of preferred stock entitled Series A Preferred Stock ("Series A"), Series B-1 Preferred Stock ("Series B-1") and Series B-2 Preferred Stock ("Series B-2"). As of June 30, 2022 there were an aggregate of 5,668,254 preferred shares authorized. The preferred shares have equal rights to liquidation preference before the common shares. The Series A has an issue price of $3.94 per share and the Series B-1and Series B-2 has an issue price of $2.74 for any stock dividend, stock split, combination, or other similar recapitalization event with respect to the Preferred Stock.

The Company shall not declare, pay or set aside any dividends to preferred shareholders. If the Company declares a common share dividend to common shareholders, preferred shareholders will have priority to receive a dividend in the amount at least equal to the amount of the dividend on common shares. In the event of a liquidation event, Series B-1 and Series B-2 shares have first right, followed by Series A shares, followed by common stock. At all times, each share of Preferred Stock shall be convertible, at the option of the holder, into such number of fully paid and non-assessable shares of Common Stock.

The Company considered relevant guidance when accounting for the issuance of preferred stock and determined that the preferred shares meet the criteria for equity classification.

Intangible Assets

Indefinite-lived intangible assets consist of certain trademarks. These intangible assets amortized and tested for impairment annually or whenever impairment indicators exist.

The Company assesses potential impairment of its long-lived assets whenever events or changes in circumstances indicate that an asset or asset group's carrying value may not be recoverable. Factors that are considered important that could trigger an impairment review include a current period operating or cash flow loss combined with a history of operating or cash flow losses and a projection or forecast that demonstrates continuing losses or insufficient income associated with the use of a long-lived asset or asset group. Other factors include a significant change in the manner of the use of the asset or a significant negative industry or economic trend. This evaluation is performed based on estimated undiscounted future cash flows from operating activities compared with the carrying value of the related assets. If the undiscounted future cash flows are less than the carrying value, an impairment loss is recognized, measured by the difference between the carrying value, and the estimated fair value of the assets, with such estimated fair values determined using the best information available and in accordance with FASB ASC Topic 820, Fair Value Measurements. There were no charges related to impairment during all periods presented.

Property and Equipment

Property and equipment is recorded at cost. Depreciation is computed using straight-line over the estimated useful lives of the related assets. Expenditures that enhance the useful lives of the assets are capitalized and depreciated. Maintenance and repairs are expensed as incurred. When properties are retired or otherwise disposed of, related costs and related accumulated depreciation are removed from the accounts. Depreciation expense was $24,273 and $28,997 for the six months ended June 30, 2022 and 2021, respectively.

Leases

With the adoption of ASC 842, operating lease agreements are required to be recognized on the balance sheet as Right-of-Use ("ROU") assets and corresponding lease liabilities. ROU assets include any prepaid lease payments and exclude any lease incentives and initial direct costs incurred. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. The lease terms may include options to extend or terminate the lease if it is reasonably certain that the Company will exercise that option.

The Company leases its corporate office ("AOS Lease"). The AOS Lease is classified as an operating lease and has a term of 2 years, for approximately 1,372 square feet of office space located in West Hollywood, California. The lease expires in September 2023 and has a monthly base rental of $7,564 which increases 4% each year. The remaining weighted average term is 1.25 years. In March 2022, the Company entered into a sublease, whereby, the sublessor will take over the entire AOS Lease office space and the lease payment until the completion of the original AOS Lease term.

In accordance with ASC 842, Leases, the Company recognized a ROU asset and corresponding lease liability on the consolidated balance sheet for long-term office leases. See Note 4 – Leases for further discussion, including the impact on the condensed financial statements and related disclosures.

Inventory

Inventory consists of premium body and skincare products. Inventory is measured using the first-in, first-out method and stated at average cost as of June 30, 2022. The value of inventories is reduced for excess and obsolete inventories. The Company monitors inventory to identify events that would require impairment due to obsolete inventory and adjust the value of inventory when required. We recorded no inventory impairment losses for the six months ended June 30, 2022 and 2021.

Research and Development

Research and development activities are directed toward the development of new products and processes as well as improvements in existing products and processes. These costs, which primarily include salaries, contract services and supplies, are expensed as incurred. The Company expensed $9,718 and $70,843 for research and development costs for the six months ended June 30, 2022 and 2021, respectively.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets, including tax loss and credit carry forwards, and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company utilizes ASC 740, "Income Taxes," which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. The Company accounts for income taxes using the asset and liability method to compute the differences between the tax basis of assets and liabilities and the related financial amounts, using currently enacted tax rates. A valuation allowance is recorded when it is "more likely-than-not" that a deferred tax asset will not be realized.

For uncertain tax positions that meet a "more likely than not" threshold, the Company recognizes the benefit of uncertain tax positions in the consolidated financial statements. The Company's practice is to recognize interest and penalties, if any, related to uncertain tax positions in income tax expense in the consolidated statements of operations.

The Company has incurred losses during all periods being presented. As such, the Company has not provided for federal income taxes during the periods presented. Additionally, the company has recorded a valuation allowance in the full amount of any potential deferred tax asset since realization of any future tax benefits has been determined by our management to be less likely than not. Moreover, there are no deferred income taxes related to state and local level income taxes at June 30, 2022 and June 30, 2021.

Recent accounting pronouncements

Adopted

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02,*Leases (Topic 842)* which requires an entity to recognize the rights and obligations that arise from leases as assets and liabilities on the statement of financial position, including leases that are classified as operating leases. Further, the guidance requires additional disclosures, both qualitative and quantitative, to supplement the amounts recorded in the financial statements to help users of the financial statements better understand the nature of the entity's leasing activities. The adoption of ASC 842 resulted in our recording lease right-of-use assets and lease liabilities of $151,017 on our consolidated balance. At the January 1, 2022 adoption date, we did not record a cumulative effect adjustment to retained earnings. The adoption of ASC 842 did not materially impact our consolidated statements of operations or consolidated cash flows. Further information regarding our leases is provided in Note 4 - Leases.

The Company adopted this standard on January 1, 2022, and applied its provisions to the beginning of fiscal year 2021 using the modified retrospective approach. The Company has elected the package of practical expedients, which allows the Company not to reassess (1) whether any expired or existing contracts as of the adoption date are or contain a lease, (2) lease classification for any expired or existing leases as of the adoption date, and (3) initial direct costs for any existing leases as of the adoption date. Upon adoption, the Company recorded ROU assets and lease liabilities on the Condensed Balance Sheets related to operating leases.

Issued

In June 2022, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2022-03, Fair Value Measurement (Topic 820)

("ASU 2022-03"). The amendments in ASU 2022-03 clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The amendments also clarify that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. The amendments in this Update also require additional disclosures for equity securities subject to contractual sale restrictions. The provisions in this Update are effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company does not expect to early adopt this ASU. The Company is currently evaluating the impact of adopting this guidance on the consolidated balance sheets, results of operations and financial condition.

The Company does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

NOTE 3 – GOING CONCERN

The accompanying condensed 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. The Company has an accumulated deficit of $14.7 million at June 30, 2022 including the impact of its net loss of $0.7 million for the six months ended June 30, 2022. Net cash used in operating activities was $1.1 million for the six months ended June 30, 2022. The Company's ability to continue with this trend is unknown. The Company's ability to raise additional capital through the future issuances of common stock and/or debt financing is unknown. The obtainment of additional financing and the successful development of the Company's contemplated plan of operations, to the attainment of profitable operations are necessary for the Company to continue operations. These conditions and the ability to successfully resolve these factors raise substantial doubt about the Company's ability to continue as a going concern. The condensed financial statements of the Company do not include any adjustments that may result from the outcome of these aforementioned uncertainties. In consideration of the going concern, on September 12, 2022, the Company and its equity holders entered into a share purchase agreement with Starco Brands, Inc. ("Starco"), a Nevada corporation. As a result of the transaction, the Company became a wholly-owned subsidiary of Starco.

NOTE 4 – LEASES

The following table presents net lease cost and other supplemental lease information:

		Six Months Ended June 30, 2022
Lease cost		
Operating lease cost (cost resulting from lease payments)	$	45,276
Short term lease cost		-
Sublease income		(22,638)
Net lease cost	$	22,638
Operating lease – operating cash flows (fixed payments)	$	45,276
Operating lease – operating cash flows (liability reduction)	$	32,250
Current leases – right of use assets	$	96,932
Current liabilities – operating lease liabilities	$	80,092
Non-current liabilities – operating lease liabilities	$	19,167
Operating lease right of use assets	$	96,932
Weighted-average remaining lease term (in years)		1.25
Weighted-average discount rate		21%

The Company did not have any leases for the six months ended June 30, 2021.

The Company did not obtain any right-of-use assets in exchange for operating lease liabilities during the six months ended June 30, 2022 or 2021.

Future minimum payments under non-cancelable leases for operating leases for the remaining terms of the leases following the nine months ended June 30, 2022:

Fiscal Year		Operating Leases
Remainer of 2022	$	46,483
2023		66,864
Total future minimum lease payments		113,347
Amount representing interest		14,088
Present value of net future minimum lease payments	$	99,259

NOTE 5 – PROPERTY AND EQIUPMENT

Property and equipment, net consist of the following:

		June 30, 2022
Tools and equipment	$	147,903
Computer equipment		8,220
Property and equipment, gross		156,123
Less: Accumulated depreciation		(131,095)
Property and equipment, net	$	25,028

		June 30, 2021
Tools and equipment	$	147,903
Computer equipment		8,220
Property and equipment, gross		156,123
Less: Accumulated depreciation		(80,945)
Property and equipment, net	$	75,178

Depreciation expense for the six months ended June 30, 2022 and 2021 was $24,273 and $28,997, respectively.

NOTE 6 - INVENTORY

Inventories by major class are as follows:

	June 30, 2022	June 30, 2021
Inventory asset	$ 33,821	$ -
Raw materials	452,339	147,306
Finished goods	613,290	743,849
Inventory in transit	25,159	188,018
Total inventory	$ 1,124,609	$ 1,079,173

NOTE 7 – INTANGIBLE ASSETS

Intangible assets, net consist of the following:

	June 30, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net
Domain name	$ 25,750	$ 8,154	$ 17,596
Total intangible assets	$ 25,750	$ 8,154	$ 17,596

	June 30, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net
Domain name	$ 25,750	$ 6,438	$ 19,312
Total intangible assets	$ 25,750	$ 6,438	$ 19,312

Amortization expense for the six months ended June 30, 2022 and 2021 was $859 and $858, respectively.

As of June 30, 2022, future expected amortization expense of Intangible assets was as follows:

Fiscal Period:	
Remainder of 2022	$ 859
2023	1,717
2024	1,717
2025	1,717
2026	1,717
Thereafter	9,869
Total amortization remaining	$ 17,596

NOTE 8 – STOCK OPTIONS

The Company enters into agreements with employees and consultants for services to be performed. As consideration for the services to be performed, the Company grants employees and consultants stock options to purchase common stock. The stock options vest over a 4 year term, except 2 awards that vest over a 3 year term. The stock options are valued using 409A valuations.

The compensation expense attributed to the issuance of the stock warrants is recognized as they are vested.

Total compensation expense related to the stock options was $37,763 for the six months ended June 30, 2022 and 2021, respectively, and is recorded as part of compensation expense.

NOTE 9 – STOCKHOLDER'S EQUITY

As of June 30, 2022 and 2021, the Company has 20 and 17 common stock shareholders who hold 5,690,579 and 5,648,734 shares of common stock, respectively.

As of June 30, 2022 and 2021, the Company has 11 Series A Preferred shareholders who hold 2,802,907 shares of Series A Preferred.

As of June 30, 2022 and 2021, the Company has 1 Series B-1 Preferred shareholder who holds 584,912 shares of Series B-1 Preferred.

As of June 30, 2022 and 2021, the Company has 15 Series B-2 Preferred shareholders who hold 2,280,435 shares of Series B-2 Preferred.

During the six months ended June 30, 2022 and 2021, the Company did not pay any dividends or distribute any capital to shareholders.

NOTE 10 – RELATED PARTY TRANSACTIONS

For the six months ended June 30, 2022 and 2021, the Company did not participate in any related party transactions with any director, officer, affiliate of the Company, any owner of record or beneficial ownership of more than 5% of any class of its voting securities.

NOTE 11 – COMMITMENTS & CONTINGENCIES

Office and Rental Property Leases

As of June 30, 2022, the Company had a non-cancellable commitment to pay $113,347 in lease payments through September 2023 (refer to Note 4 – Leases).

Legal

There are no material pending legal proceedings in which the Company is a party or in which any director, officer or affiliate of the Company, any owner of record or beneficially of more than 5% of any class of its voting securities, or security holder is a party adverse to us or has a material interest adverse to the Company.

NOTE 12 - SUBSEQUENT EVENTS

On September 12, 2022, the Company and its equity holders entered into a share purchase agreement with Starco Brands, Inc., a Nevada corporation. As a result of the transaction, the Company became a wholly-owned subsidiary of Starco.

STARCO BRANDS INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following unaudited pro forma condensed consolidated balance sheet as of June 30, 2022 and the unaudited pro forma condensed consolidated statement of operations for the six months ended June 30, 2022 and the year ended December 31, 2021 are based on the historical consolidated financial statements of Starco Brands Inc., a Nevada corporation ("STCB" or the "Company") and The AOS Group Inc., a Delaware corporation ("AOS"), after giving retroactive effect to the Company's acquisition of AOS effective September 12, 2022 (the "Acquisition"), and applying the assumptions and adjustments described in the accompanying notes to the unaudited pro forma condensed consolidated financial statements.

The unaudited pro forma condensed consolidated balance sheet as of June 30, 2022 is presented as if the Acquisition had occurred on June 30, 2022, and is derived from the unaudited condensed consolidated balance sheet of the Company at June 30, 2022 and the unaudited condensed balance sheet of AOS at June 30, 2022 and gives effect to certain pro forma adjustments. The unaudited pro forma condensed consolidated statement of operations for the six months ended June 30, 2022 is presented as if the Acquisition had occurred on January 1, 2022 and gives effect to certain pro forma adjustments and are derived from the unaudited condensed consolidated statement of operations of the Company for the six months ended June 30, 2022 and the unaudited condensed consolidated statement of operations of AOS for the six months ended June 30, 2022; the unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2021 are derived from the audited historical statement of operations of the Company for the year ended December 31, 2021 and the audited historical statement of operations of AOS for the year ended December 31, 2021 and are presented as if the Acquisition occurred on January 1, 2021 and gives effect to certain pro forma adjustments.

The unaudited pro forma condensed consolidated financial information is based on the assumptions set forth in the notes to such information. These adjustments are provisional and subject to further adjustment as additional information becomes available, additional analyses are performed, and as warranted by changes in current conditions and future expectations. The unaudited pro forma adjustments made in preparation of the unaudited pro forma information are based upon available information and assumptions that the Company considers to be reasonable and have been made solely for purposes of developing such unaudited pro forma condensed consolidated financial information for illustrative purposes in compliance with the disclosure requirements of the Securities and Exchange Commission ("SEC").

The unaudited pro forma adjustments have been made solely for information purposes. The actual results reported by the Company in periods following the Acquisition may differ significantly from that reflected in these unaudited pro forma condensed consolidated financial statements. As a result, the unaudited pro forma condensed consolidated information is not intended to represent and does not purport to be indicative of what the Company's financial condition or results of operations would have been had the acquisition been completed on the applicable dates of this unaudited pro forma condensed consolidated financial information. In addition, the unaudited pro forma condensed consolidated financial information does not purport to project the future financial condition and results of operations of the Company.

The unaudited pro forma condensed consolidated financial statements, including the notes thereto, should be read in conjunction with:

- the accompanying notes to the unaudited pro forma condensed consolidated financial statements;
- the audited consolidated financial statements of the Company for the year ended December 31, 2021 and the related notes thereto, included in the Company's Annual Report on Form 10-K/A filed with the Securities and Exchange Commission on August 25, 2022;
- the unaudited condensed consolidated financial statements of the Company for the six months ended June 30, 2022 and 2021 and the related notes thereto, included in the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 15, 2022;
- the audited financial statements of AOS for the year ended December 31, 2021 filed as Exhibit 99.1 to this Current Report on Form 8-K/A; and
- the unaudited financial statements of AOS for the six months ended June 30, 2022 and 2021filed as Exhibit 99.2 to this Current Report on Form 8-K/A.

The purchase price allocation takes into account the information management believes is reasonable. Nevertheless, the Company has one year from the Closing Date to make a final determination of purchase accounting allocations; and, accordingly, adjustments may be made to the foregoing allocations for the Acquisition.

STARCO BRANDS INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

	As of June 30, 2022				
	STCB	AOS	Pro Forma Adjustments		Pro Forma Combined
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 240,169	$ 1,422,787	$ (6,991)	(3)	$ 1,655,965
Accounts receivable, $1,001,797 from related parties, net	1,001,797	831,405			1,833,202
Prepaid expenses and other assets	290,970	404,668			695,638
Inventory	-	1,124,609			1,124,609
Total Current Assets	1,532,936	3,783,469			5,309,414
Property and equipment, net	-	25,028			25,028
Operating lease right-of-use assets	-	96,932			96,932
Intangibles, net	20,000	17,596			37,596
Note receivable, related party	95,640	-			95,640
Goodwill	-	-	9,898,731	(1)	9,898,731
Total Assets	$ 1,648,576	$ 3,923,025			$ 15,463,341
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)					
Current Liabilities:					
Accounts payable	$ 584,383	$ 345,400			$ 929,783
Other payables and accrued liabilities, $110,390 from related parties	369,889	135,502	1,175	(4)	506,566
Stock payable	-	-			-
Treasury stock payable, current	131,400	-			131,400
Loans and advances payable, related party	376,382	-			376,382
Notes payable	-	-			-
Lease liability	-	80,092			80,092

	STCB	AOS	Pro Forma Adjustments		Pro Forma Combined
Total Current Liabilities	1,462,054	560,994			2,024,223
Treasury stock payable, net of current portion	131,400	-			131,400
Loans payable, net of current portion, $1,572,500 from related party	1,572,500	-			1,572,500
Lease liability, net of current portion	$ -	$ 19,167			
Total Liabilities	3,165,954	580,161	-		3,728,123
Commitments and Contingencies					
Stockholders' Deficit:					-
Preferred stock, $.001 par value; 40,000,000 shares authorized; no shares issued and outstanding	-	567	(567)	(1)	-
Common stock, $.001 par value; 300,000,000 shares authorized; 160,237,149	160,237	569	60,760	(1), (2)	221,566
Additional paid in capital	16,960,155	18,919,434	(5,728,167)	(1), (2)	30,151,422
Treasury stock at cost	(394,200)	-	-		(394,200)
Accumulated deficit	(18,204,824)	(15,577,706)	15,577,706		(18,204,824)
Total Starco Brands' Stockholders' Equity (Deficit)	(1,478,632)	3,342,864			11,773,964
Non-controlling interest	(38,746)	-			(38,746)
Total Stockholders' Equity (Deficit)	(1,517,378)	3,342,864			11,735,218
Total Liabilities and Stockholders' Equity (Deficit)	$ 1,648,576	$ 3,923,025			$ 15,463,341

See the unaudited notes to the Pro Forma Condensed Consolidated Financial Statements

---

STARCO BRANDS INC. AND SUBSIDIARIES
UNUADUITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2022

	For the Six Months Ended June 30, 2022				
	STCB	AOS	Pro Forma Adjustments		Pro Forma Combined
Revenue	$ 2,153,493	$ 3,016,941	$ -		$ 5,170,434
Cost of goods sold	-	2,165,597	-		2,165,597
Gross profit	$ 2,153,493	$ 851,344	$ -		$ 3,004,837
Operating Expenses:					
Compensation expense	$ 219,826	$ 352,166	$ -		$ 571,992
Professional fees	237,974	112,019	-		349,993
Marketing, General and administrative	1,313,660	803,560	-		2,117,220
Marketing, related party	131,614	-	-		131,614
Total Operating Expenses	1,903,074	1,267,745	-		3,170,819
Income (Loss) from operations	$ 250,419	$ (416,401)	$ -		$ (165,982)
Other Income (Expense):					$ -
Interest income (expense)	(31,895)	898	-		(30,997)
Other income (expense)	-	(283,559)	(845,788)	5	(1,129,347)
Total Other Income (Expense)	(31,895)	(282,661)	(845,788)		(1,160,344)
Income (loss) before provisions for income taxes	$ 218,524	$ (699,062)	$ (845,788)		$ (1,326,326)
Provision for income taxes	-	-	-		-
Net Income (Loss)	$ 218,524	$ (699,062)	$ (845,788)		$ (1,326,326)
Net (income) loss attributable to non-controlling interest	$ (35,163)	$ -	$ -		$ (35,163)
Net Income (Loss) attributable to Starco Brands	$ 183,361	$ (699,062)	$ (845,788)		$ (1,361,489)
Income (Loss) per share, basic and diluted	$ 0.00				$ (0.01)
Weighted Average Shares Outstanding - Basic	159,849,628				159,849,628

See the unaudited notes to the Pro Forma Condensed Consolidated Financial Statements

---

STARCO BRANDS INC. AND SUBSIDIARIES
UNUADUITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2021

For the Year Ended December 31, 2021

	STCB	AOS	Pro Forma Adjustments	Pro Forma Combined
Revenue	$ 673,329	$ 10,099,486	$ -	$ 10,772,815
Cost of goods sold	-	7,093,767	-	7,093,767
Gross profit	$ 673,329	$ 3,005,719	$ -	$ 3,679,048
Operating Expenses:				
Compensation expense	$ 285,837	$ 1,493,084	$ -	$ 1,778,921
Professional fees	460,363	306,395	-	766,758
Marketing, General and administrative	1,159,520	5,190,749	-	6,350,269
Marketing, related party	1,058,210	-	-	1,058,210
Total Operating Expenses	2,963,930	6,990,228	-	9,954,158
Income (Loss) from operations	$ (2,290,601)	$ (3,984,509)	$ -	$ (6,275,110)
Other Income (Expense):				$ -
Interest income (expense)	(30,973)	(1,142)	-	(32,115)
Gain on forgiveness of debt	(3,500)	-	-	-
Other income (expense)	-	2,422	-	2,422
Total Other Income (Expense)	(34,473)	1,280	-	(33,193)
Income (loss) before provisions for income taxes	$ (2,325,074)	$ (3,985,789)	$ -	$ (6,310,863)
Provision for income taxes	-	-	-	-
Net Income (Loss)	$ (2,325,074)	$ (3,985,789)	$ -	$ (6,310,863)
Net (income) loss attributable to non-controlling interest	$ 73,909	$ -	$ -	$ 73,909
Net Income (Loss) attributable to Starco Brands	$ (2,251,165)	$ (3,985,789)	$ -	$ (6,236,954)
Income (Loss) per share, basic and diluted	$ (0.01)			$ (0.04)
Weighted Average Shares Outstanding - Basic	159,140,665			159,140,665

See the unaudited notes to the Pro Forma Condensed Consolidated Financial Statements

STARCO BRANDS INC. AND SUBSIDIARIES
NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ACQUISITION OF AOS

On *September 12, 2022,* STCB, through its wholly-owned subsidiary Merger Sub, completed the AOS Acquisition. The AOS Acquisition consisted of Merger Sub merging with and into AOS, with AOS being the surviving corporation. The AOS Acquisition was completed through an all-stock deal, where the Company's shares were valued at $0.19 per share, which amount is equal to the fair value of the stock on the acquisition date. As consideration for the Meger, the Company reserved an aggregate of 61,400,000 restricted shares of Company common stock to issue to the AOS Stockholders (such stockholders as of immediately prior to the closing of the Merger, the "AOS Stockholders"), 5,000,000 restricted shares of Company common stock *may* be issued to the AOS Stockholders after an *18*-month indemnification period, and offsetting against these additional shares will be the sole recourse for any indemnity claims by the Company against the AOS Stockholders. An additional 5,000,000 restricted shares of Company common stock *may* be issued to the AOS Stockholders contingent upon AOS meeting certain future sales metrics. Further, in the event that the AOS Stockholders have any indemnity claims against the Company or Merger Sub, the Company shall satisfy any such indemnity claims solely by the issuance of additional shares of its Company common stock, which shall *not* exceed, in the aggregate, 5,000,000 additional shares of Company common stock. Notwithstanding the foregoing, under the terms of the Merger Agreement, any AOS Stockholder that is *not* an "accredited investor" as defined in Rule *501*(a) of Regulation D promulgated under the Securities Act of *1933,* as amended (the "Securities Act"), will receive cash in lieu of shares of Company common stock at a value equal to $0.0982 per share.

The 5,000,000 additional restricted shares of Company common stock to be issued after an*18*-month indemnification period and the 5,000,000 earnout shares of Company common stock to be issued if certain future sales metrics are met, are deemed to be part of the consideration paid for the acquisition. The 5,000,000 additional shares of Company common stock that *may* be issued in the event of an indemnity claim against the Company are*not* deemed to be part of the consideration paid for the acquisition as the Company does *not* expect any additional shares will be issued under the indemnity clause.

On the date of acquisition, the Company paid $6,991 in cash to non-accredited investors. Additionally, the Company will hold back $1,175 in cash, the equivalent of 11,961 shares to be paid to non-accredited investors.

The Company accounted for this transaction in accordance with the acquisition method of accounting for business combinations. Assets and liabilities of the acquired business will be included in the Company's audited consolidated balance sheet as of December 31, 2022, based on the estimated fair value on the date of Acquisition as determined in a purchase price allocation using available information and making assumptions management believes are reasonable.

Per ASC Topic 805, "Business Combinations" ("ASC 805"), the measurement period is the period after the Acquisition date during which the acquirer may adjust the provisional amounts recognized for a business combination. The measurement period shall not exceed one year from the acquisition date. The Company has identified the acquisition date as September 12, 2022. Subsequent to the issuance of these pro forma financial statements, the Company expects to obtain a third-party valuation on the fair value of the assets acquired and the liabilities assumed for use in the purchase price allocation.

The following table shows the preliminary allocation of the purchase price for the Company to the acquired identifiable assets, liabilities assumed and goodwill as of September 12, 2022, to be presented in the Company's unaudited pro forma condensed consolidated financial statements for the six months ended June 30, 2022:

Consideration[1]	$	13,558,366
Assets acquired:		
Cash and cash equivalents		200,661
Accounts receivable		665,961
Prepaid and other assets		443,428
Inventory		2,504,722
PP&E, net		16,622
Intangibles		17,309
Right of use asset		85,502
Total assets acquired		3,934,205
Liabilities assumed:		
Accrued liabilities		61,064
Accounts payable		125,967
Right of use liability		87,539
Total liabilities assumed		274,570
Net assets acquired		3,659,635
Goodwill[2 3]	$	9,898,731

The above purchase price allocation is not reflected in the unaudited pro forma condensed balance sheet at June 30, 2022 (see Note 4).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited pro forma condensed consolidated financial statements have been compiled in a manner consistent with the accounting policies adopted by the Company. The accounting policies of AOS were not deemed to be materially different to those adopted by the Company. See the Company's audited financial statements as of December 31, 2021 and 2020.

NOTE 3 – ACQUISITION-RELATED COSTS

In conjunction with the Acquisition, the Company incurred acquisition-related charges, related primarily to investment banking, legal, accounting and other professional services which are expensed as incurred.

---

[1]Of the $13,558,366 consideration payable, $950,000 is contingent upon AOS Stockholders meeting certain future sales metrics

[2] Goodwill is the excess of the purchase price over the fair value of the underlying assets. In accordance with applicable accounting standards, goodwill is not amortized but instead is tested for impairment at least annually or more frequently if certain indicators are present. Goodwill and intangibles are not deductible for tax purposes.

[3] Goodwill represents expected synergies from the merger of operations and intangible assets that do not qualify for separate recognition. STCB and AOS both produce human and skincare products. The acquisition of AOS provides STCB potential sales synergies resulting from STCB's access to AOS's current client-base to offer additional products and will allow AOS to vertically integrate their current manufacturing process into their own. These items will be assigned a fair value upon the completion of the third-party valuation, and will be amortizable, which will affect the pro forma loss from operations and loss per share.

NOTE 4 – PRO FORMA ADJUSTMENTS

The unaudited pro forma condensed consolidated financial statements are based upon the historical financial statements of the Company and AOS and certain adjustments which the Company believes are reasonable to give effect to the Acquisition. These adjustments are based upon currently available information and certain assumptions, and therefore the actual impacts will likely differ from the pro forma adjustments. The unaudited pro forma condensed consolidated balance sheet at June 30, 2022 reflects the assets, liabilities and equity positions of the Company and AOS as of June 30, 2022. This differs from the fair value of the assets and liabilities acquired by the Company on September 12, 2022 as discussed above in Note 1. However, the Company believes that the preliminary determination of the fair value of goodwill and other related assumptions utilized in preparing the unaudited pro forma condensed consolidated financial statements provide a reasonable basis for presenting the pro forma effects of the Acquisition.

The adjustments made in preparing the unaudited pro forma condensed consolidated financial statements are as follows:

(1) Reflects the estimated amount of goodwill purchased as part of the acquisition and the elimination of AOS's equity.
(2) Reflects the fair value of the 61,328,805 common shares issued to the sellers of AOS.
(3) Reflects the amount of cash paid to sellers of AOS.
(4) Reflects the fair value of the consideration held back to be paid following the 18 month indemnification period and consideration contingent upon AOS Shareholders meeting future sales metrics.
(5) Reflects the expenses incurred, related to the AOS acquisition, primarily from bankers, lawyers and accountants.