

Kallo Inc.
Form 10-Q
August 19, 2015

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

FORM 10-Q

QUARTERLY REPORT UNDER TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2015

OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

Commission file number 000-53183

KALLO INC.
(Exact name of registrant as specified in its charter)

NEVADA
(State or other jurisdiction of incorporation or organization)

675 Cochrane Drive,
West Tower, Suite 630
Markham, Ontario
Canada L3R 0B8
(Address of principal executive offices, including zip code.)

(416) 246-9997
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (SS 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," "non-accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer

Accelerated Filer

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Non-accelerated Filer (Do not check if smaller reporting company) Smaller Reporting Company

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicated the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 595,229,134 as of August 14, 2015.

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KALLO INC.
JUNE 30, 2015

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

KALLO INC.

Consolidated Balance Sheets

(Amounts expressed in US dollars)

(Unaudited)

	June 30, 2015	December 31, 2014
ASSETS		
Current Assets:		
Cash	\$97,023	\$250,339
Other receivables	10,531	11,531
Deferred project costs	24,990	24,990
Prepaid expenses (including \$20,130 advanced to a director)	80,599	122,022
Total Current Assets	213,143	408,882
Deposit – long term	45,714	49,220
Equipment, net	532,807	98,241
TOTAL ASSETS	\$791,664	\$556,343
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current Liabilities:		
Accounts payable and accrued liabilities (including \$23,575 due to a director)	\$955,189	\$924,494
Loans payable	-	56,112
Derivative liabilities	742,186	336,390
Convertible promissory notes, net of discount of \$261,508 and \$248,825 respectively	364,072	16,175
Short term loans payable	36,550	38,555
Deferred lease inducement	24,911	35,181
Deferred revenue	24,990	24,990
Total Current Liabilities	2,147,898	1,431,897
Convertible promissory notes, net of discount of \$90,352 and \$Nil respectively	17,548	-
TOTAL LIABILITIES	2,165,446	1,431,897
Commitments and Contingencies		
Stockholders' Deficiency		
Preferred stock, \$0.00001 par value, 100,000,000 shares authorized, 95,000,000 (December 31, 2014 – 95,000,000) Series A preferred shares issued and outstanding	950	950
Common stock, \$0.00001 par value, 1,000,000,000 (December 31, 2014 – 500,000,000) shares authorized, 546,270,070 and 382,156,160 shares issued and outstanding, respectively.	5,473	3,822
Additional paid-in capital	27,947,572	22,297,758
Accumulated deficit	(29,327,777)	(23,178,084)

Total Stockholders' Deficiency	(1,373,782)	(875,554)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	\$791,664	\$556,343

See accompanying notes to the unaudited consolidated financial statements

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KALLO INC.

Consolidated Statements of Operations

(Amounts expressed in US dollars)

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Expenses				
General and administration	\$4,502,348	\$372,407	\$5,545,760	\$905,157
Selling and marketing	78,435	18,299	123,549	142,435
Foreign exchange loss (gain)	14,294	24,789	(17,090)	(7,111)
Depreciation	11,700	11,374	20,354	22,747
Interest and financing costs	248,334	5,304	421,943	10,515
Change in fair value on convertible promissory note	(320,177)	-	(28,167)	-
Gain on extinguishment of convertible promissory note	-	-	-	-
Loss on extinguishment of short term loan payable and accounts payable	83,344	-	83,344	3,424
	4,618,278	432,173	6,149,693	1,077,167
Net Loss	\$(4,618,278)	\$(432,173)	\$(6,149,693)	\$(1,077,167)
Basic and diluted net loss per share	\$(0.01)	\$(0.00)	\$(0.02)	\$(0.00)
Weighted average shares used in calculating Basic and diluted net loss per share	421,868,092	340,737,150	404,600,778	336,549,384

See accompanying notes to the unaudited consolidated financial statements

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KALLO INC.

Consolidated Statements of Changes in Stockholders' Deficiency

For the six months ended June 30, 2015

(Amounts expressed in US dollars)

(Unaudited)

	Preferred Stock \$0.00001 par value		Common Stock \$0.00001 par value		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Deficiency
	Shares	Amount	Shares	Amount			
Balance December 31, 2014	95,000,000	\$ 950	382,156,160	\$ 3,822	\$ 22,297,758	\$(23,178,084)	\$(875,554)
Shares issued to directors, employees and others for services	-	-	117,308,500	1,173	3,652,952	-	3,654,125
Issuance of common shares – Kodiak put	-	-	6,250,000	63	172,119	-	172,182
Conversion of promissory notes into common shares	-	-	2,343,130	23	62,725	-	62,748
Settlement of accounts payable by common shares	-	-	1,557,840	15	171,347	-	171,362
Issuance of common shares for cash	-	-	37,654,440	377	1,590,671	-	1,591,048
Net Loss	-	-	-	-	-	(6,149,693)	(6,149,693)
Balance June 30, 2015	95,000,000	\$ 950	547,270,070	\$ 5,473	\$ 27,947,572	\$(29,327,777)	\$(1,373,782)

See accompanying notes to the unaudited consolidated financial statements

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KALLO INC.

Consolidated Statements of Cash Flows

(Amounts expressed in US dollars)

(Unaudited)

	Six Months Ended June 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	\$(6,149,693)	\$(1,077,167)
Adjustment to reconcile net loss to cash used in operating activities:		
Depreciation	20,354	22,747
Stock based compensation	3,414,000	230,400
Loss on extinguishment of short term loan payable and accounts payable	83,344	3,424
Non cash consulting fees	240,125	-
Change in fair value on derivative liabilities	(28,167)	-
Deferred lease inducement	(10,270)	-
Amortization of debt discount	405,528	-
Unrealized foreign exchange loss	27,087	-
Changes in operating assets and liabilities:		
Decrease (increase) in other receivables	1,000	3,500
(Increase) decrease in prepaid expenses	44,929	(121,352)
Increase (decrease) in accounts payable and accrued liabilities	(160,313)	(164,333)
NET CASH USED IN OPERATING ACTIVITIES	(2,112,076)	(1,102,781)
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of equipment	(210,426)	-
NET CASH USED IN INVESTING ACTIVITY	(210,426)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock	1,763,230	1,112,470
Proceeds from convertible promissory notes	456,628	-
Repayment of loans payable	(53,540)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	2,166,318	1,112,470
Effect of exchange rate changes on cash	2,868	-
NET (DECREASE) INCREASE IN CASH	(153,316)	9,689
CASH - BEGINNING OF PERIOD	250,339	27,448
CASH - END OF PERIOD	\$97,023	\$37,137
SUPPLEMENTAL CASH FLOW INFORMATION		
Income tax paid	\$-	\$-
Interest paid	\$-	\$-
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Conversion of loans payable into common shares	\$-	\$23,776

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Conversion of promissory notes into common shares	\$62,748	\$-
Initial debt discount on convertible promissory notes	\$461,580	\$-
Accounts payable for equipment	\$308,984	\$-
Stock issued for settlement of accounts payable	\$171,362	\$-

See accompanying notes to the unaudited consolidated financial statements

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KALLO INC.

Notes to Consolidated Financial Statements

June 30, 2015

(Amounts expressed in US dollars)

(Unaudited)

NOTE 1 – BUSINESS AND GOING CONCERN

Organization

Kallo Inc. ("Kallo" or the "Company") develops software designed to taking medical information from many sources, and then depositing it into a single source as an electronic medical record for each patient.

Going Concern

The accompanying unaudited consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The amounts of assets and liabilities in the consolidated financial statements do not purport to represent realizable or settlement values. The Company has incurred operating losses since inception and has an accumulated deficit of \$29,327,777 at June 30, 2015. The Company is expected to incur additional losses as it develops its products and marketing channels.

The Company has met its historical working capital requirements from the sale of common shares and short term loans. In order to not burden the Company, the officer/stockholder has agreed to provide funding to the Company to pay its annual audit fees, filing costs and legal fees as long as the board of directors deems it necessary. However, there can be no assurance that such financial support shall be ongoing or available on terms or conditions acceptable to the Company. This raises substantial doubt about the Company's ability to continue as a going concern. If management is unsuccessful in these efforts, discontinuance of operations is possible. These consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 2 – ACCOUNTING POLICIES AND OPERATIONS

Basis of Presentation

The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 8-03 of Regulation S-X related to smaller reporting companies. These unaudited consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements and notes, which are included as part of the Company's Form 10-K filed with the SEC for the year ended December 31, 2014.

Operating results for the periods presented are not necessarily indicative of the results that may be expected for the full year. Notes to the financial statements which substantially duplicate the disclosure contained in the audited consolidated financial statements for fiscal year ended December 31, 2014 as reported in the 10-K have been omitted. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair presentation, have been included in the accompanying unaudited consolidated financial statements.

Recently Adopted Accounting Pronouncements

We do not expect the adoption of recently issued accounting pronouncements to have a significant impact on our results of operations, financial position or cash flow.

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KALLO INC.

Notes to Consolidated Financial Statements

June 30, 2015

(Amounts expressed in US dollars)

(Unaudited)

NOTE 3 – COMMON STOCK

During the six months period ended June 30, 2015, the Company issued 37,654,440 shares for cash of \$1,591,048 and 117,308,500 shares valued at \$3,654,125 to directors, employees and other consultants for services rendered. The Company also converted convertible promissory notes of \$62,748 into 2,343,130 shares and eliminated \$27,617 of the derivative liabilities associated with the convertible notes. In addition, 1,557,840 shares were issued as settlement of accounts payable of \$88,018, resulting in a loss on extinguishment of \$83,344.

On September 26, 2012, the Company entered into an investment agreement with Kodiak Capital Group, LLC ("Kodiak") whereby the Company could issue shares in exchange for an option to sell up to \$2,000,000 worth of shares of the Company at a price equal to 80% of the lowest daily preceding five days Volume Weighted Average Price at the time of exercise and expires six months from inception. In connection therewith, the Company filed a Form S-1 registration statement with the Securities and Exchange Commission registering for sale up to 50,000,000 common shares. The previous arrangement with Kodiak expired in April 2014, but on July 15, 2014, the Company and Kodiak amended the investment agreement to extend the agreement through December 31, 2015. During the six months period ended June 30, 2015, the Company put \$172,182 and 6,250,000 shares were issued pursuant to the above Agreement.

On November 6, 2014, the Company entered into a consulting agreement with a third party for the introduction to sources of financing and capital and for the conduct of a market management campaign. Under the agreement, the Company has agreed to pay monthly fees from January 2015 to November 2015 totaling \$75,000 and issue one million common shares in 2015. The estimated fair value of the common shares to be issued, based upon its trading prices, is recognized over the vesting period and an amount of \$39,694 was recognized and included in the shares issued to directors, employees and other consultants for services rendered during the six months ended June 30, 2015, as mentioned above.

NOTE 4 – RELATED PARTY TRANSACTIONS

During the six months period ended June 30, 2015, 6,470,914 shares were issued to a director of the Company for cash of \$323,546 and were included in the 37,654,440 shares issued for cash during the period (See Note 3). In addition, 112,500,000 shares were issued to directors of the Company as stock-based compensation and were valued, using the market closing price on the date of the grant, at \$3,375,000.

Included in accounts payable and accrued liabilities is an amount of \$23,575 due to a director and officer of the Company and in prepaid expenses is an amount of \$20,130 advanced to the same director and officer as at June 30, 2015.

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KALLO INC.

Notes to Consolidated Financial Statements

June 30, 2015

(Amounts expressed in US dollars)

(Unaudited)

NOTE 5 – CONVERTIBLE PROMISSORY NOTES

The convertible promissory notes are unsecured and bear interest at between 8% and 12% per annum with all principal and accrued interest due and payable between one and two years from the dates of execution of the Notes. The Notes are due and were issued as disclosed in the following table. The Holders of the Notes can, in lieu of payment of the principal and interest, elect to convert such amount into common shares of the Company at the conversion prices per share disclosed in the following table.

Face amount	Interest rate	Due date	Conversion price per share
Promissory note of \$125,000	8%	December 1, 2015	75% of average of the previous two lowest trading days over the last 15 trading days
Promissory note of \$40,000	8%	December 11, 2015	75% of average of the previous two lowest trading days over the last 15 trading days
Promissory note of \$100,000	10%	December 21, 2015	65% of lowest trading day over the last 15 trading days
Promissory note of \$100,000	12%	July 8, 2015	55% of the lowest trading price over the last 20 trading days
Promissory note of \$50,000	8%	October 5, 2015	60% of the lowest trading price over the last 15 trading days
Promissory note of \$87,500	8%	January 15, 2016	70% of average of two lowest closing bid price over the last 15 trading days
Promissory note of \$66,667	12%	February 3, 2016	60% of the lowest trading price over the last 25 trading days
Promissory note of \$55,000	10%	February 12, 2016	63% of the lowest trading price over the last 25 trading days
Promissory note of \$38,889	8%	December 18, 2016	65% of the lowest trading price over the last 20 trading days
Promissory note of \$50,000	12%	February 3, 2017	65% of the lowest trading price over the last 25 trading days
Promissory note of \$55,555	8%	June 9, 2017	65% of the lowest trading price over the last 20 trading days

During the six months period ended June 30, 2015, at the commitment dates, the initial fair values of the embedded conversion feature for the new convertible promissory notes were estimated at \$842,215 and recorded as derivative liabilities, resulting in a Day 1 loss of \$380,635. On June 30, 2015, all the derivative liabilities were valued at \$742,186 which resulted in a further gain in fair value of \$28,167 for the period ended June 30, 2015. The original issue discount for the new convertible promissory notes was \$46,983 and \$461,580 was allocated to the embedded derivative liabilities. The debt discounts are amortized over the terms of the respective Notes. The fair value of the embedded conversion feature is estimated at the end of each quarterly reporting period using the Multinomial lattice model, which uses a probability weighted discounted cash flow model. The model requires assumptions related to the interest rate, stock price and conversion price that would be in effect in different scenarios, for which cash flow projections and probabilities are made. A discounted weighted average cash flow over the various scenarios was completed, and compared to the discounted cash flow of the note without the embedded features, to arrive at the

derivative liability.

The following table illustrates the fair value adjustments that were recorded related to the derivative liabilities associated with the convertible promissory notes:

Fair value as at January 1, 2015	\$336,390
New promissory notes	461,580
Elimination associated with conversion of promissory notes	(27,617)
Change in fair value (gain)	(28,167)
Fair value as at June 30, 2015	\$742,186

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KALLO INC.

Notes to Consolidated Financial Statements

June 30, 2015

(Amounts expressed in US dollars)

(Unaudited)

NOTE 5 – CONVERTIBLE PROMISSORY NOTES (continued)

A summary of the promissory notes is as follows:

Balance as at January 1, 2015	\$16,175
New convertible promissory notes	503,611
Original issue discount	(46,983)
Derivative liabilities	(461,580)
Converted into shares	(35,131)
Amortization of debt discount	405,528
Balance as at June 30, 2015	\$381,620

Convertible promissory notes are accounted for at fair value by level within the fair value hierarchy at June 30, 2015 and December 31, 2014 as follows:

June 30, 2015

	Level 1	Level 2	Level 3	Total
Liabilities:				
Derivative liabilities	\$ -	\$ -	\$742,186	\$742,186

December 31, 2014

	Level 1	Level 2	Level 3	Total
Liabilities:				
Derivative liabilities	\$ -	\$ -	\$336,390	\$336,390

NOTE 6 – SHORT TERM LOANS PAYABLE

	June 30, 2015	December 31, 2014
Promissory note bearing interest at 10% per annum, due April 15, 2015	\$23,015	\$25,020
Non-interest bearing short term funding from third parties	13,535	13,535
	\$36,550	\$38,555

On October 15, 2013, the Company issued a promissory note agreeing to pay the principal amount of Canadian \$25,000 plus interest at the rate of 10% per annum on January 15, 2014. Kallo did not pay on the due date and the holder agreed to extend the due date by seven additional periods of three months up to October 15, 2015. The amount

outstanding as at June 30, 2015 was \$23,015, including interest.

As at June 30, 2015, the balance of \$13,535 represented short term funding provided by third parties which are non-interest bearing, unsecured and have no fixed repayment date.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Operating lease

The Company has a sublease agreement to lease office facilities under an operating lease for a term of two and a half years. The Company's future base and additional rental payment obligations under the lease commitments are as follows:

Year ending December 31, 2015	\$121,931
Year ending December 31, 2016	223,539
	\$345,470

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KALLO INC.

Notes to Consolidated Financial Statements

June 30, 2015

(Amounts expressed in US dollars)

(Unaudited)

NOTE 7 – COMMITMENTS AND CONTINGENCIES (continued)

Sales commission agreement

On November 20, 2012, Kallo signed a memorandum of understanding with the Ministry of Health of the Republic of Ghana for the supply and implementation of a National Mobile Care program with Mobile Clinics and Clinical Command Centers integrated with the existing healthcare system and improve the healthcare delivery services to the rural and remote population of Ghana at large for a total project cost for National implementation and Maintenance support for five years of US\$158,500,000 (the "Ghana Project"). The Ministry of Health of the Republic of Ghana and Kallo Inc. have agreed that a contract for the implementation of the Mobile Care projects will be signed when a number of financing and other conditions have been satisfied.

In respect of the Ghana Project, the Company has agreed with two third parties to pay sales commissions equal to \$8,717,625 and 4.5% (subject to a maximum of \$7,162,375) of the contract price respectively for facilitating and securing the Contract with the Ministry of Health of the Republic of Ghana, payable within 7 to 14 business days of receipt of payment for the Project by Kallo in proportion to the payments received by Kallo.

On January 23, 2014, Kallo Inc. announced the signing of a US\$200,000,925 Supply Contract with the Ministry of Health and Public Hygiene of the Republic of Guinea (the "Guinea Project"). The Ministry of Health of the Republic of Guinea ("MOH") has no financial commitment or obligation in the supply contract with Kallo Inc. until a loan agreement is signed between MOH and a financial institution / Bank for the project.

Under the Supply Contract, Kallo will implement customized healthcare delivery solutions for the Republic of Guinea. The components of the solutions include, MobileCare, RuralCare, Hospital Information Systems, Telehealth Systems, Pharmacy Information, disaster management, air and surface patient transportation systems and clinical training.

In respect of the Guinea Project, the Company has agreed with two third parties in Guinea to pay sales commissions for facilitating and securing the Contract with the Ministry of Health of the Republic of Guinea as follows:

\$20,000,000, payable as to an advance of \$300,000 immediately after the loan agreement for the Kallo MobileCare -and RuralCare program is signed by the Minister of Finance of the Republic of Guinea and the remainder within 7 to 14 business days of receipt of payment for the Project by Kallo in proportion to the payments received by Kallo.

\$4,000,000, payable within 7 to 14 business days of receipt of payment for the Project by Kallo in proportion to the -payments received by Kallo. In addition, a performance incentive payment of \$1,000,000 will be payable to three persons related to the third party in accordance to the same terms of payment described herein.

On March 8, 2014, the Company has agreed with a third party to pay sales commissions equal to \$25,000,000 for facilitating and securing the Contract with the Government of the Republic of Sierra Leone, payable within 7 to 14 business days of receipt of payment for the Project by Kallo in proportion to the payments received by Kallo.

Agreements with suppliers

The Company has entered into agreements with a number of service providers for licensing of software and other professional services to be rendered. The total amount committed is \$2,926,527.

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KALLO INC.

Notes to Consolidated Financial Statements

June 30, 2015

(Amounts expressed in US dollars)

(Unaudited)

NOTE 8 – SUBSEQUENT EVENTS

Share issuance

From July 1, 2015 through August 14, 2015, the Company has signed subscription agreements for the issuance of 28,762,681 shares for a total cash consideration of \$862,880.

Convertible promissory notes

After June 30, 2015, the Company issued several convertible promissory notes for a total amount of \$135,000, of which a net amount of \$123,448 has been received as at August 14, 2015. In addition, promissory notes for a total amount of \$162,469 were converted into 19,196,383 common shares.

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ITEM MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF
2. OPERATIONS.

This section of the report includes a number of forward-looking statements that reflect our current views with respect to future events and financial performance. Forward-looking statements are often identified by words like: believe, expect, estimate, anticipate, intend, project and similar expressions, or words which, by their nature, refer to future events. You should not place undue certainty on these forward-looking statements, which apply only as of the date of this report. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results or our predictions. All funds are reflected in United States dollars unless otherwise indicated.

There is substantial doubt that we can continue as an on-going business for the next twelve months unless we obtain additional capital to pay out our bills. This is because we have generated minimal amount of revenues from our operations during the last six years. We have been able to remain in business as a result of investments, in debt or equity securities, by our officers and directors and by other unrelated parties. We expect to incur operating losses in the foreseeable future and our ability to continue as a going concern is dependent upon our ability to raise additional money through investments by others and achieve profitable operations. There is no assurance that we will be able to raise additional money or that additional money or that additional financing will be available to us on satisfactory terms or that we will be able to achieve profitable operations. The consolidated financial statements were prepared under the assumption that the Company will continue as a going concern, however, there can be no assurance that such financial support shall be ongoing or available on terms or conditions acceptable to the Company. This raises substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

For the last four fiscal years, starting January 2010, our management and board of directors have raised funds through a personal and professional network of investors. This has enabled product and business development, continued operations, and generation of customer interest. In order to continue operations, management has contemplated several options to raise capital and sustain operations in the next 12 months. One of these options is an equity line of credit from Kodiak Capital Group LLC. Management's opinion is that this line of credit from Kodiak Capital Group LLC will enable continued operations for the next 12 months. During the six months period ended June 30, 2015, Kallo has put and received \$172,182 under the equity line of credit from Kodiak. There is no assurance that Kodiak Capital Group LLC will supply us with additional money. In the event we do not receive any funds from Kodiak, we will continue to borrow money from or sell restricted shares of our common stock to our officers and directors in order to maintain operations. Our officers and directors are under no legal duty to provide us with additional financing nor have our officers and directors committed to provide us with additional financing.

We have entered into an agreement with Kodiak Capital Group, LLC., a Delaware limited liability company ("Kodiak") whereby we have the right to "put" to Kodiak up to \$2,000,000 in our shares of common stock. In connection therewith, we have filed a Form S-1 registration statement with the Securities and Exchange Commission registering for sale up to 50,000,000 shares of our common stock. Our previous arrangement with Kodiak expired in April 2014, but, on July 15, 2014, the Company and Kodiak Capital Group, LLC amended the investment agreement to extend the agreement through December 31, 2015. Based upon the current price of our common stock, we believe that if Kodiak purchases all 50,000,000 shares of common stock, we will only receive approximately \$2,000,000. Management believes that the Company can be generating revenue in the next 3 – 6 months, and any additional funding can be met by issuing convertible promissory notes or shares in a private placement.

On November 20, 2012, we signed a memorandum of understanding with the Ministry of Health of the Republic of Ghana for the supply and implementation of a National Mobile Care program with Mobile Clinics and Clinical Command Centers integrated with the existing healthcare system and improve the healthcare delivery services to the

rural and remote population of Ghana.

On November 5, 2014, the Minister of Health of Ghana, Hon. Dr. Kwaku Agyeman Mensah in an official letter to Kallo Inc. conveyed a confirmed acceptance and prioritization of Kallo MobileCare; Kallo RuralCare and Kallo DialysisCare programs for Ghana.

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During the first quarter of 2015, the office of the Minister of Finance – Ghana has been presented an offer to finance healthcare projects in Ghana valued at Euros 850 million. 250 million euros is to be utilized for a nation-wide malaria vector larviciding program, and the balance 600 million euros is for the Nation wide deployment of Kallo MobileCare, RuralCare and DialysisCare programs from Kallo Inc. The office of the Minister of Finance – Ghana is reviewing the offer.

On January 23, 2014, we announced the signing of a US\$200,000,925 (Two Hundred million nine hundred and twenty-five US dollars) Supply Contract with the Ministry of Health and Public Hygiene of the Republic Of Guinea.

Under the Supply Contract, Kallo will implement customized healthcare delivery solutions for the Republic of Guinea. The components of the solutions include, MobileCare, RuralCare, Hospital Information Systems, Telehealth Systems, Pharmacy Information, disaster management, air and surface patient transportation systems and clinical training.

On April 14, 2015, the Minister of Health and Public Hygiene, in a letter confirmed the selection of Kallo Inc., as supplier pursuant to the MobilCare Supply Contract, to design and build specialized hospitals in the regions of Conakry, Kindia, Labe, Kankan and Nzerekore, and asked Kallo to mobilize its technical teams for site visits to engage in preliminary studies for the construction of these hospitals.

The Government of Guinea has been looking into securing funding for the Kallo MobileCare Project for US\$ 200,000,925 and a financial institution has come to the stage of agreeing on the terms requested by the Government of Guinea based on their acceptable economic framework for such projects. We expect the final documentation between the financial institution and the Government of Guinea to be completed shortly, which would trigger the release of Kallo's down payment for the project initiation and production.

In anticipation of the start of the MobileCare Supply Contract, Kallo has started building a command control centre and other infrastructure at its Head Office as well as hiring people who will be working on different aspects of the Contract.

MobileCare™ supply contract includes:

1. Mobile clinics - (10)
2. Clinical Command Centre - (1)
3. Administration Centre - (1)
4. Utility vehicles - (2)
5. User training - (5 years)
6. Professional and clinical training - (5 years)
7. Hardware and software maintenance - (5years)
8. Operations & management support - (5 years)
9. Maintenance and continued educational support - (5 years)
10. Supply chain management of medical equipment, consumables and spare parts - (5 years)
11. Advanced and integrated software systems, including telehealth - (1 full system)
12. Fixed Medical Hospital - (1)
13. Ambulances - (20)
14. Medical Helicopter - (1)

Plan of Operation

The following plan of operation contains forward-looking statements, which involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth elsewhere in this document.

Kallo mobile Care implementation plan for Guinea and Ghana is based on the timelines of the Mobiles Clinic's delivery and training provided by Kallo.

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Based on the delivery plan of Kallo Inc., there is a lead-time of six months for production and delivery of the first two mobile clinics in Guinea and Ghana from the time of confirmed purchase order along with payments through bank.

In this period of six months from the date of purchase order confirmation to us the following will be completed to go live of the Mobile Clinics.

1. Establish geographical coverage for Mobile Clinics based on hospitals to population ratio in specific rural areas of Guinea and Ghana
2. Establish the specialists support from teaching hospitals
3. Establish leadership for operational and administrative support
4. Establish governance councils for operations, education and training

Our mobile care program with mobile clinics, clinical and administrative command centers deployed in an integrated model with the current healthcare delivery services will produce demonstrable impact in the community in terms of improved healthcare delivery within 12 months of implementation that would contribute to the flagship achievement by the current government to its merit.

Our plan and focus during the next twelve months include implementing Kallo Mobile Care program in Guinea and Ghana in a timely manner, selling our existing products as well as developing and possibly selling new products.

New Business Developments in Ghana

On November 5, 2014, the Minister of Health of Ghana, Hon. Dr. Kwaku Agyeman Mensah in an official letter to Kallo Inc. conveyed a confirmed acceptance and prioritization of Kallo MobileCare; Kallo RuralCare and Kallo DialysisCare programs for Ghana. "The proposed program will allow for advanced primary care and the effective screening of suspected infectious disease cases at various geographic locations throughout Ghana, thereby reducing the spread of infection, bringing any outbreak under control to position Ghana for Medical Tourism." Said Hon. Dr. Kwaku Agyeman Mensah.

On January 27, 2015, the office of the Minister of Finance – Ghana has been presented an offer to finance healthcare projects in Ghana valued at Euros 850 million. 250 million euros is to be utilized for a nation-wide malaria vector larviciding program, and the balance 600 million euros is for the Nation wide deployment of Kallo MobileCare, RuralCare and DialysisCare programs from Kallo Inc.

The total value of this approved project is US\$174,350,000 as confirmed by the Minister of Health in the approval letter.

The Ministry has identified project sites for this project as follows:

	Polyclinic Urban- Urban	Polyclinic Rural- Rural	Total	CHIPS	CPD
Greater Accra	3	1	4	0	
Ashanti Region	2	1	3	0	
Central Region	2	1	3	2	
Northern Region	2	2	4	2	
Upper East Region	1	2	3	2	
Upper West Region	0	0	0	1	
Western Region	2	3	5	0	

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Volta Region	1	1	2	2
Eastern Region	1	1	2	0
Brong-Ahafo Region	1	0	1	1
	15	12	27	10

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Our plan and focus during the next twelve months include both, selling our existing product as well as developing and possibly selling new products. Since changing to our current business, we have generated minimal revenues.

Costs Associated with the Plan of Operations

Currently under the plan of operations, we have expenses towards sixteen full time resources, including engineers, applications specialist, and project and operations managers. We have completed the product development phase for Electronic Medical Records system, Mobile Clinics, and Clinical Command Centers. Our efforts are focused in commercializing these technologies and generating revenue. Kallo management anticipates that this infusion of capital will generate revenue from sales of the above-mentioned technologies. This will in turn sustain the company and enable further development of our other owned copyrighted technologies.

Our Sales and Marketing Strategy for existing developed products

KALLO EMCURx (EMR)

As of the date of this report, we have achieved an EMR milestone for Specialists, by securing an accepted and signed installation order. Our specialist EMR product, EMCURx, is customized to satisfy the needs of specialists, regardless of their specialty. The software is being installed and an advance payment of \$24,990 has been received as of June 30, 2015. Revenue from this installation will be about \$30,000 and we expect to complete installation in 2015. Clinical user and administrative training will be completed afterwards to ensure seamless transition to a paperless digital medical clinic.

Our milestones during the next twelve months are:

1 – Developing our sales organization and marketing the third party products along with our software that brings the data from these products into an EMR system in the major metropolitan areas of Canada. We expect the cost to be \$300,000 and 12 months to complete this milestone.

2 – Simultaneously with the build-up of our sales organization, we will build a product support team that will provide installation, training and customer support. We expect the cost to be \$500,000 and 12 months to complete this milestone.

3 – Expanding our market from the larger metropolitan areas to the smaller rural and more distant medical facilities. We expect the cost to be \$250,000 and 12 months to complete this Milestone.

4 – Developing our Mobile Care business globally. We expect the cost to be \$ 700,000 and 12 months to complete the Milestone.

Within Canada, we will focus on having a direct sales force to market and sell EMR to walk-in clinics/doctor's offices, independent diagnostic centers /independent health facilities and hospitals. The revenue generation from EMR consists of product sales, implementation, integration, training, on-going maintenance, and professional services.

Outside Canada, we may establish commercial partnerships for all of our product candidates in order to accelerate development and marketing in those countries and further broaden our products' commercial potential.

KALLO MOBILE CARE

We have successfully launched one of our copyrighted technologies "MOBILE CARE" - mobile clinics in November 2011, and have since then received several enquiries for this product from countries in Africa, Southeast Asia, North West Territories and Northern Ontario in Canada, USA, and the Middle East. We have not been contacted by Sudan, Syria, or Iran. If we were contacted by Sudan, Syria, or Iran, we would not do business with them or with any entity located within their geographical boundaries since they are designated by the U.S. Department of State as sponsors of terrorism and are subject to U.S. economic sanctions and export controls. Based on the levels of interest from the local Ministries of Health, we have selected companies with business and technical strengths as our local

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representatives for sales and support in the region. MOBILE CARE is a state of the art clinical setup in a vehicle equipped with the latest technology in healthcare. More than just a facility, MOBILE CARE can instantly connect the onboard physician with specialists for on-demand consultation via satellite through its Telehealth system. This is truly a holistic approach to delivering healthcare to the remotely located. For many rural communities, the nearest hospital, doctor or nurse may be hundreds of kilometers away. In many cases, this gap can be bridged using Telehealth technology that allows patients, nurses and doctors to talk as if they were in the same room. MOBILE CARE is not the same thing as EMR referred to herein.

We expect to see sales revenues from Kallo's Mobile Care business unit in the next twelve months. Our Mobile Clinic is equipped with necessary medical equipment as per regional healthcare requirements. We also install our copyrighted software and third party software as required. Revenue is generated by charging for medical equipment, software licenses, installation implementation and training. This generates an ongoing revenue stream for service, maintenance, spare-parts, and consumables.

Our Development and Commercialization Strategy for new products

We intend to initiate sales of our products in our target commercial areas. Our target commercial areas are hospitals, clinics and doctors' offices. We expect to focus on marketing our current offering as well as completing product development for our product candidates in order to increase our possibilities for current and future revenue generation.

Our forward-looking plan envisions applying our copyrighted design and technology to develop three additional products, to bring to market integrated computer systems that address today's critical health management needs in epidemic control, medical information flow across borders and provision of health care in rural and remote areas.

In addition to our EMR, which is ready for production, we have prioritized the following products for completion of development and are listing them in order of priority.

A.M.C. Telehealth – Mobile Clinic Telehealth System – Developed and launched in November 2011.

B.EMR Integration Engine – Electronic Medical Record Integration Engine - Under development.

C.C&ID-IMS – Communicable and Infectious Disease Information Management System - Under Development

D.CCG Technology – Clinical-Care Globalization technology – Under Development

We do not at this time have a definitive timetable as to when we will complete these intense development efforts.

The development and marketing of new medical software technology is capital intensive. We have funded operations to date either through the sale of our common stock or through advances made by our key shareholders.

We have utilized funds obtained to date for organizational purposes and to commence certain financial transactions. We require additional funding to complete these transactions (including the acquisition of a service-based, valued-business enterprise and related expenses), expand our marketing and sales efforts and increase the Company's revenue base.

Limited operating history; need for additional capital

There is limited historical financial information about us upon which to base an evaluation of our performance. We cannot guarantee we will be successful in our business operations. Our business is subject to risks inherent in the establishment of a business enterprise, including limited capital resources and possible cost overruns due to price increases in services and products.

To become profitable and competitive, we have to sell our products and services.

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We have no assurance that future financing will be available to us on acceptable terms. If financing is not available on satisfactory terms, we may be unable to continue, develop, or expand our operations. Equity financing could result in additional dilution to existing shareholders.

Results of operations

Revenues

We did not generate any revenues during the six months ended June 30, 2015 or 2014. We are in the process of installing the software for our first installation of EMR for specialists and we will complete the installation in 2015.

Expenses

During the three months ended June 30, 2015 we incurred total expenses of \$4,618,278, including \$3,844,241 in salaries and compensation, \$11,700 in depreciation, \$550,606 in professional fees, \$78,435 in selling and marketing expenses, \$248,334 in interest and financing costs and \$205,139 as other expenses, net of \$320,177 gain in change in fair value on derivative liabilities whereas during the three months ended June 30, 2014 we incurred total expenses of \$432,173, including \$158,697 in salaries and compensation, \$11,374 in depreciation, \$164,802 in professional fees, \$18,299 in selling and marketing expenses and \$79,001 in other expenses. Our professional fees consist of legal, consulting, accounting and auditing fees. The increase in our total expenses for the three months ended June 30, 2015 from the comparative period is mainly due to an increase in salaries and compensation of \$3,685,544, an increase in selling and marketing of \$60,136, an increase in professional fees of \$385,804 and an increase in other expenses of \$126,638. The increase in professional fees was mainly due to the outsourcing of certain strategic planning, project management planning and IT services for preparing the Company to deliver on its pending contracts. There is also a net decrease in expense of \$71,843 resulting from interest and financing costs as well as change in fair values relating to the promissory notes which were not present in the previous period.

The increase in salaries and compensation was mainly due to non-cash stock based compensation of \$3,414,000 in the second quarter of 2015 to employees and directors and the doubling of employees from June 30, 2014 to June 30, 2015 as Kallo expects the contracts with the Republic of Guinea to start sometime this year. Selling and marketing expenses increased due to more travel to Africa to finalize the contract with the Republic of Guinea. The increase in other expenses is mainly due to a loss on extinguishment of accounts payable of \$83,344.

During the six months ended June 30, 2015 we incurred total expenses of \$6,149,693, including \$4,284,975 in salaries and compensation, \$20,354 in depreciation, \$1,054,420 in professional fees, \$123,549 in selling and marketing expenses, \$421,943 in interest and financing costs and \$272,619 as other expenses, net of \$28,167 gain in change in fair value on convertible promissory notes whereas during the six months ended June 30, 2014 we incurred total expenses of \$1,077,167, including \$519,900 in salaries and compensation, \$22,747 in depreciation, \$285,514 in professional fees, \$142,435 in selling and marketing expenses and \$106,571 in other expenses. Our professional fees consist of legal, consulting, accounting and auditing fees. The increase of \$3,765,075 in salaries and compensation is due to an increase in non-cash stock based compensation of \$3,183,600 in 2015 to employees and directors and the doubling of employees from June 30, 2014 to June 30, 2015 as Kallo is ramping up for the anticipated start of the contract with the Republic of Guinea. The increase in professional fees of \$768,906 was mainly due to the outsourcing of certain strategic planning, project management planning and IT services to outside consultants. There is also an increase in interest and financing costs of \$411,428 and a gain in change in fair value of \$28,167 on the new convertible promissory notes which Kallo received in late 2014 and early 2015.

Net Loss

During the three months ended June 30, 2015 we did not generate any revenues and incurred a net loss of \$4,618,278 compared to a net loss of \$432,173 during the same period in 2014. The main reasons were the increases in salaries and compensation for the reasons discussed above.

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During the six months ended June 30, 2015 we did not generate any revenues and we incurred a net loss of \$6,149,693 compared to a net loss of \$1,077,167 during the same period in 2014. The main reasons were the unrealized loss on fair value changes and interest and financing costs related to convertible promissory notes and the increases in salaries and compensation and professional fees for the reasons discussed above.

Liquidity and capital resources

As at June 30, 2015, the Company had current assets of \$213,143 and current liabilities of \$2,147,898, indicating working capital deficiency of \$1,934,755. As of June 30, 2015, our total assets were \$791,664 in cash, other receivables, prepaid expenses, deferred project costs, equipment, long term deposit and our total liabilities were \$2,165,446 comprised of \$955,189 in accounts payable and accrued liabilities, \$742,186 in derivative liabilities, \$381,620 in convertible promissory notes, short term loans of \$36,550, deferred lease inducement of \$24,911 and deferred revenue of \$24,990.

Cash used in operating activities amounted to \$2,112,076 during the six months ended June 30, 2015, primarily as a result of the net loss adjusted for non-cash items and various changes in operating assets and liabilities.

Cash used in investing activities during the current six months period ended June 30, 2015 was \$210,426 and related to the acquisition of equipment related to the setting up of a clinical command control centre and other infrastructure at the Head Office in anticipation of the start of the Guinea contract.

Cash provided by financing activities during the six months ended June 30, 2015 amounted to \$2,166,318 and represented proceeds from issuance of common stock of \$1,763,230, proceeds from issuance of convertible promissory notes of \$456,628, net of repayment of loans payable of \$53,540.

The Company issued 37,654,440 shares of common stock for cash consideration of \$1,591,048 and obtained \$172,182 from the exercise of a put with Kodiak during the six months period ended June 30, 2015.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

ITEM 4. CONTROLS AND PROCEDURES.

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures as required by Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are not effective due to lack of segregation of duties in financial reporting and presence of adjusting journal entries during our last audit. There were no changes in our internal control over financial reporting during the quarter ended June 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

On July 29, 2011, Watt International Inc. ("Watt") commenced a third party claim against Kallo concerning monies that Kallo allegedly owed to Watt for branding and internet services provided by Watt to Kallo. Watt was seeking damages in the amount of Canadian \$161,674 plus unspecified "special" damage. On November 18, 2014, Kallo signed a settlement with Watt and agreed to pay Canadian \$101,250 which has been paid as of April 10, 2015.

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ITEM 1A. RISK FACTORS.

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information under this item.

ITEM 6. EXHIBITS.

The following documents are included herein:

Exhibit	Document Description	Incorporated by reference Form	Date	Filed Number herewith
2.1	Articles of Merger.	8-K	1/21/11	2.1
3.1	Articles of Incorporation.	SB-2	3/05/07	3.1
3.2	Bylaws.	SB-2	3/05/07	3.2
4.1	Specimen Stock Certificate.	SB-2	3/05/07	4.1
10.1	Option Agreement.	SB-2	3/05/07	10.1
10.2	Lease Agreement.	SB-2	3/05/07	10.1
10.3	Agreement with Rophe Medical Technologies Inc. dated December 11, 2009.	10-K	3/31/10	10.2
10.4	Amended Agreement with Rophe Medical Technologies Inc. dated December 18, 2009.	10-K	3/31/10	10.3
10.5	Amended Agreement with Rophe Medical Technologies Inc. dated March 16, 2010.	10-K	3/31/10	10.4
10.6	Investment Agreement with Kodiak Capital Group, LLC.	S-1	10/24/12	10.6
10.7	Consulting Agreement with Ten Associate LLC.	S-1	5/24/10	10.7
10.8	Employment Agreement with Leonard Steinmetz.	S-1	5/24/10	10.8
10.9	Employment Agreement with Samuel Baker.	S-1	5/24/10	10.9
10.10	Employment Agreement with John Cecil.	S-1	5/24/10	10.10
10.11	Employment Agreement with Mary Kricfalusi.	S-1	5/24/10	10.11
10.12	Employment Agreement with Vince Leitao.	S-1	5/24/10	10.12

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10.13	Amended Consulting Agreement with Ten Associate LLC dated October 5, 2010.	8-K	10/14/10	10.13
10.14	Agreement with Jarr Capital Corp.	8-K	11/17/10	10.1
10.15	Agreement with Mary Kricfalusi.	8-K	11/19/10	10.1
10.16	Agreement with Herb Adams.	8-K	11/19/10	10.2

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10.17	North American Authorized Agency Agreement with Advanced Software Technologies, Inc.	8-K	12/16/10	10.1	
10.18	Amended Agreement with Jarr Capital Corp.	8-K	2/22/11	10.1	
10.19	Termination of Employment Agreement with John Cecil.	8-K	2/22/11	10.2	
10.20	Termination of Employment Agreement with Vince Leitao.	8-K	2/22/11	10.3	
10.21	Termination of Employment Agreement with Samuel Baker.	8-K	2/22/11	10.4	
10.22	Services Agreement with Buchanan Associates Computer Consulting Ltd.	10-K	5/18/11	10.1	
10.23	Equipment Lease Agreement with Buchanan Associates Computer Consulting Ltd.	10-K	5/18/11	10.2	
10.24	Agreement with Mansfield Communications Inc.	10-K	5/18/11	10.3	
10.25	Agreement with Watt International Inc.	10-K	5/18/11	10.4	
10.26	Pilot EMR Agreement with Nexus Health Management Inc.	10-K	5/18/11	10.5	
14.1	Code of Ethics.	10-K	4/15/08	14.1	
16.1	Letter from Collins Barrow Toronto LLP.	8-K/A-1	12/15/12	16.1	
16.2	Letter from MaloneBailey, LLP.	8-K	3/02/11	16.2	
21.1	List of Subsidiary Companies.	10-K	3/31/10	21.1	
<u>31.1</u>	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
<u>32.1</u>	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
99.1	Audit Committee Charter.	10-K	4/15/08	99.1	
99.2	Disclosure Committee Charter.	10-K	4/15/08	99.2	
101.INS	XBRL Instance Document.				X
101.SCH	XBRL Taxonomy Extension – Schema.				X
101.CAL	XBRL Taxonomy Extension – Calculations.				X
101.DEF	XBRL Taxonomy Extension – Definitions.				X

101.LABXBRL Taxonomy Extension – Labels.	X
101.PRE XBRL Taxonomy Extension – Presentation.	X

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this 18th day of August, 2015.

KALLO INC.
(The "Registrant")

BY: JOHN CECIL
John Cecil
Principal Executive Officer, Principal Financial Officer, Principal Accounting Officer, and a Chairman of the Board of Directors

BY: VINCE LEITAO
Vince Leitao
President, Chief Operating Officer and a member of the Board of Directors

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