

Kallo Inc.
Form 10-K
April 15, 2015

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
[X] 1934

For the fiscal year ended December 31, 2014

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) (Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:	Securities registered pursuant to section 12(g) of the Act:
None	Common Stock
(Title of Class)	(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [X] No []

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] 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 (§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 [X]

Edgar Filing: Kallo Inc. - Form 10-K

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer
Non-accelerated Filer (Do not check if a 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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of June 30, 2014: \$12,487,516

The registrant had 391,946,160 shares of common stock outstanding as of April 15, 2015.

Table of Contents

TABLE OF CONTENTS

	Page
<u>PART I</u>	
<u>Item 1.</u> Business.	3
<u>Item 1A.</u> Risk Factors.	6
<u>Item 1B.</u> Unresolved Staff Comments.	6
<u>Item 2.</u> Properties.	7
<u>Item 3.</u> Legal Proceedings.	7
<u>Item 4.</u> Mine Safety Disclosures.	7
<u>PART II</u>	
<u>Item 5.</u> Market for Our Common Equity, Related Stockholder Matters and Issuer Purchase of Equity Securities.	7
<u>Item 6.</u> Selected Financial Data.	8
<u>Item 7.</u> Management's Discussion and Analysis of Financial Condition and Results of Operation.	9
<u>Item 7A.</u> Quantitative and Qualitative Disclosures about Market Risk.	16
<u>Item 8.</u> Financial Statements and Supplementary Data.	16
<u>Item 9.</u> Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.	39
<u>Item 9A.</u> Controls and Procedures.	41
<u>Item 9B.</u> Other Information.	42
<u>PART III</u>	
<u>Item 10.</u> Directors, Executive Officers and Corporate Governance.	42
<u>Item 11.</u> Executive Compensation.	45
<u>Item 12.</u> Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.	47
<u>Item 13.</u> Certain Relationships and Related Transactions, and Director Independence.	48
<u>Item 14.</u> Principal Accountant Fees and Services.	48
<u>PART IV</u>	
<u>Item 15.</u> Exhibits and Financial Statement Schedules.	49
<u>Signatures</u>	52
<u>Exhibit Index</u>	53

Table of Contents

PART I

ITEM 1. BUSINESS.

We were incorporated in the state of Nevada on December 12, 2006 as Printing Components Inc. and then changed our name to Diamond Technologies Inc. and then to our current name of Kallo Inc. On December 11, 2009, we merged with Kallo Technologies Inc. (formerly known as Rophe Medical Technologies Inc.), an Ontario corporation and its shareholders (collectively "Rophe") wherein we acquired all of the issued and outstanding shares of common stock of Rophe in exchange for 3,000,000 common shares and \$1,200,000.

Upon acquiring Rophe, the focus of our business changed to developing medical information technology software.

Business Overview

We have two sets of products / Technologies.

1. A product group for Point-of-Care consisting of Electronic Medical Record System, Picture Archiving and Communication System and Medical Device Connectivity system.

Kallo Inc., does not own the products referred in this section with exception to certain components developed by Kallo Inc.,

A. Electronic Medical Record System (EMR) – Kallo has exclusive value added reseller rights for Mountain Medical Technologies EMR in Kallo's Brand name "EMCURX".

B. Picture Archiving and Communication System (PACS) – Kallo is the Value added reseller for Candelis in Canada and other healthcare projects globally for an integrated solution offering.

C. Medical Device Connectivity System (MDC) -- Kallo is in the process of negotiating an agreement with Capsule Technologies to be Value added reseller in Canada and other healthcare projects globally for an integrated solution offering.

2. Kallo's Copyrighted Technologies:

The following technologies are protected under Canadian and International copyrights and are authored by John Cecil and owned by Kallo Inc. Kallo Inc. has ownership rights of the products referred in this section, of which B, C, and D are under development

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

The following is a summary of the information:

Number	Date of Filing	Place of Filing	Duration
1072203	November 3, 2009	Canada	Life of the Author, the remainder of the calendar year in which the author dies, and a period of 50 years following the end of that calendar year
1072204	November 3, 2009	Canada	

Edgar Filing: Kallo Inc. - Form 10-K

1072205 November 3, 2009 Canada

Life of the Author, the remainder of the calendar year in which the author dies,

and a period of 50 years following the end of that calendar year

1072543 November 17, 2009 Canada

Life of the Author, the remainder of the calendar year in which the author dies,

and a period of 50 years following the end of that calendar year

Life of the Author, the remainder of the calendar year in which the author dies,

and a period of 50 years following the end of that calendar year

3

Table of Contents

Our Products in Development

Kallo's product portfolio includes three earlier stage products listed below, all of which highlight the broad applicability of our proprietary technologies to a diverse range of potential future products. We plan to evaluate partnership opportunities for further development and commercialization of these products.

The company has proprietary Copyrighted Technology "EMR Integration Engine" that demonstrate the future direction for integrated solutions as well as current efforts that illustrate interoperability within the continuum of

1. care. EMR Integration Engine is software, which connects all the other applications in or outside a hospital/clinic with the EMR system. This enables the doctor/nurse to seamlessly access information in other healthcare applications without moving from one computer to the next.

2. C&ID-IMS is an Internet-based solution for monitoring and managing Communicable and Infectious Disease information. Our target markets are Health Organizations and Ministries of Health, hospitals and Center for Disease Control (CDC) & the World Health Organization (WHO) members around the globe.

3. CCG is our clinical-care globalization technology. This product is an effective way to capitalize on the growing "medical tourism phenomenon" - patients going to low-cost countries for elective medical procedures -, a fast-growing worldwide, multibillion-dollar industry actively promoted by many countries. CCG can be used by both the destination and home country of a patient to maintain complete and accurate records of the treatment history, avoiding errors due to incomplete patient data and lessening the burden and expense of corrective action on the home country when medical tourists return home.

4. MC-Telehealth (Mobile Clinic with Telehealth system) is our mobile clinic long distance or Telehealth technology. Our product enables the remote transmission of standardized formats of data for laboratory information, diagnostic imaging, diagnosis and clinical notes.

Target Market

Our primary target market for the point of care products is the Canadian health-care system including walk-in clinics/physician offices, independent diagnostic centers, independent health facilities, laboratories, and hospitals. Both the United States and Canadian governments are moving towards requiring EMR records with the Canadian system at a more advanced stage of acceptance.

We are targeting other countries globally and actively pursuing business opportunities to provide professional services for eHealth. Point of Care products are a fundamental requirement as a means to have information in the digital form for eHealth.

Our target market for Mobile Clinics and MC-Telehealth systems is global and we have established several sales and marketing partnerships under "Business Associate" Agreements either representing Kallo independently or as an organization. We are currently negotiating Mobile Clinic business in over 20 countries.

Intellectual Property and Research and Development

We continue our efforts in research and development through collaborations with medical faculties in Canada and United States on an ongoing basis where our company stands to benefit from the technology ownership of the treatment or diagnostic systems developed for commercial use.

During 2014, we did incur expenses (both management and technical) relating to research and development with considerable efforts in continuing our research and development work on the Mobile Clinic and Telehealth system, which would be rolled out in the near term in different geographies based on the needs and funding availability.

Table of Contents

Competition

We compete with many entities that are engaged in the business of manufacturing and developing software designed to take medical information from many sources and depositing it into a single source as an electronic medical record for each patient. Many of our competitors have greater resources than we do and have long established by histories of successful operations. We are small provider and effectively are in the start-up phase of operations. As a result of we have little or no impact upon our competition.

Managements View of the Market Trend Impact:

Our management believes that the market trends in Canada, United States and globally are continuing to reflect increased adoption of point of care technologies such as EMR and PACS. This is very evident from the market information given below in the section "Market Trend and Positive Impact on Our Product".

The current trend in the market is highly favorable to our products and the timing of launch meets with the need and demand for the product in the market.

Market Trend and Positive Impact on Our Product

Our management believes that our EMR will offer customers a far richer integrated medical and clinical content delivered to the doctor at point of care, than any other system in terms of high-priority functionality. EMR is consistently rated among the leaders in all systems of its kind, offering us a significant quality advantage when competing for contracts. In addition, EMR's Clinical Information System is flexible enough that it can be installed in smaller hospitals that are far less attractive to our major competitors, and tailored to the specific needs and policies of that institution. The EMR also provides a multi-lingual platform, which may give us a competitive advantage in the international markets.

Currently, the points of care technologies are tied to meaningful use and regulators require monitoring of the outcome of technology implementation. Our products have the meaningful use reporting systems built-in and all outcome measurements are done internally as a built-in feature, whereas most of our competitors depend on third-party software to fulfill this functionality.

Market Trend and Negative Impact on Our Product

Due to the relatively lengthy sales cycle involved in the healthcare information technology industry, and the fact that we are significantly smaller and have less financial resources than our competitors, we face an initial disadvantage in the U.S. market. We will have to continue developing new, dynamic and flexible marketing strategies to remain competitive.

We are also actively developing strategic alliances with partners who offer specialized services within the healthcare industry, such as management consultants, systems integrators, major engineering firms and outsourcing companies.

Government Regulation and Legislation

EMR is required to obtain any governmental approvals to operate in the healthcare technology market. It is important that governments and healthcare authorities continue to recognize the importance of healthcare reform and the use of information systems, since there rests the impetus for change, hence a healthy, growing market.

In the Canadian context, our products would require a preferred vendor status registration based on different provincial regulations which is generally seen as just a routine product and technology registration/endorsement.

5

Table of Contents

Agreement with Kodiak Capital Group, LLC

On October 20, 2014, we entered into an Investment Agreement with Kodiak Capital Group, LLC ("Kodiak") whereby we could issue 50,000,000 shares in exchange for an option to sell up to \$2,000,000 worth of our shares at a price equal to eighty percent (80%) of the lowest daily preceding five days Volume Weighted Average Price at the time of exercise and expires six months from inception. On October 29, 2014, we filed a Form S-1 registration statement relating to the resale of up to 50,000,000 common shares issuable to Kodiak for investment banking services pursuant to an Investment Agreement dated October 20, 2014. The termination date will be December 31, 2015.

Employees

As of April 4, 2015, we have sixteen full time employees.

Warranties

We do not issue warranties in connection with our services. All of our third-party products are offered with a warranty provided by the supplier of that product.

Insurance

We do not maintain any insurance and do not intend to maintain insurance in the future. Because we do not have any insurance, if we are made a party of a products liability action, we may not have sufficient funds to defend the litigation. If that occurs a judgment could be rendered against us, which could cause us to cease operations.

Other

Currently we have very a strong EULA (End User License Agreements) signed with our customers both in the pilot phase as well as go-live phase with patients to protect the company and from all such product liabilities. Moreover our original equipment manufacturers do cover us in all such product liabilities.

Executive Offices

Our administrative office is located at 675 Cochrane Drive, Suite 630, Markham, Ontario, Canada, L3R 0B8, our telephone number is (416) 246-9997. We sublease this space from Bilfinger RE Asset Management Inc., pursuant to a written sublease expiring on January 31, 2017. Our monthly lease payment is approximately \$22,000. Our registered agent for services of process is the Corporation Trust Company of Nevada, located at 6100 Neil Road, Suite 500, Reno, Nevada 89511. Our fiscal year end is December 31st.

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 1B. UNRESOLVED STAFF COMMENTS.

None.

Table of Contents

ITEM 2. PROPERTIES.

Our properties consist mainly of leased office facilities. The executive offices of Kallo Inc. are located at 675 Cochrane Drive, Suite 630, Markham, Ontario, Canada, L3R 0B8, our telephone number is (416) 246-9997.

ITEM 3. 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 is seeking damages in the amount of Canadian \$161,674 plus unspecified "special" damage. On November 18, 2014, Kallo signed a settlement agreement with Watt and agreed to pay Canadian \$101,250 which has been paid as of April 10, 2015.

ITEM 4. MINE SAFETY DISCLOSURES.

None.

PART II

ITEM MARKET FOR OUR COMMON STOCK, RELATED STOCKHOLDER MATTERS AND ISSUER
5. PURCHASES OF EQUITY SECURITIES.

Our shares are traded on the Bulletin Board operated by the Financial Industry Regulatory Authority under the symbol "KALO". A summary of trading by quarter for 2014 and 2013 is as follows:

Fiscal Year – 2014	High Bid	Low Bid
Fourth Quarter 10-1-14 to 12-31-14	\$0.25	\$0.025
Third Quarter 7-1-14 to 9-30-14	\$0.08	\$0.0401
Second Quarter 4-1-14 to 6-30-14	\$0.11	\$0.0301
First Quarter 1-1-14 to 3-31-14	\$0.45	\$0.03
Fiscal Year – 2013	High Bid	Low Bid
Fourth Quarter 10-1-13 to 12-31-13	\$0.06	\$0.02
Third Quarter 7-1-13 to 9-30-13	\$0.05	\$0.02
Second Quarter 4-1-13 to 6-30-13	\$0.04	\$0.01
First Quarter 1-1-13 to 3-31-13	\$0.04	\$0.01

Dividends

We have not declared any cash dividends, nor do we intend to do so. We are not subject to any legal restrictions respecting the payment of dividends, except that they may not be paid to render us insolvent. Dividend policy will be based on our cash resources and needs and it is anticipated that all available cash will be needed for our operations in the foreseeable future.

A stock dividend was declared on February 11, 2008, wherein two additional common shares were issued for each one common share issued and outstanding as at February 25, 2008. We have not declared any other dividends.

7

Table of Contents

Section 15(g) of the Securities Exchange Act of 1934

Our company's shares are covered by Section 15(g) of the Securities Exchange Act of 1934, as amended that imposes additional sales practice requirements on broker/dealers who sell such securities to persons other than established customers and accredited investors (generally institutions with assets in excess of \$5,000,000 or individuals with net worth in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 jointly with their spouses). For transactions covered by the Rule, the broker/dealer must make a special suitability determination for the purchase and have received the purchaser's written agreement to the transaction prior to the sale. Consequently, the Rule may affect the ability of broker/dealers to sell our securities and also may affect your ability to sell your shares in the secondary market.

Section 15(g) also imposes additional sales practice requirements on broker/dealers who sell penny securities. These rules require a one page summary of certain essential items. The items include the risk of investing in penny stocks in both public offerings and secondary marketing; terms important to in understanding of the function of the penny stock market, such as "bid" and "offer" quotes, a dealers "spread" and broker/dealer compensation; the broker/dealer compensation, the broker/dealers duties to its customers, including the disclosures required by any other penny stock disclosure rules; the customers rights and remedies in causes of fraud in penny stock transactions; and, the NASD's toll free telephone number and the central number of the North American Administrators Association, for information on the disciplinary history of broker/dealers and their associated persons.

Securities authorized for issuance under equity compensation plans

We currently have two equity compensation plans: the 2012 Non-Qualified Incentive Stock Option Plan and the 2011 Non-Qualified Incentive Stock Option Plan.

The 2012 Non-Qualified Incentive Stock Option Plan provides for the issuance of shares of our Common Stock for services rendered to us. The board of directors is vested with the power to determine the terms and conditions of the options. The Plan includes 50,000,000 shares of common stock.

The 2011 Non-Qualified Incentive Stock Option Plan provides for the issuance of shares of our Common Stock for services rendered to us. The board of directors is vested with the power to determine the terms and conditions of the shares. The Plan included 10,000,000 shares of common stock. On April 10, 2015, 7,233,334 shares have been issued under this 2011 Non-Qualified Stock Option Plan; and, 2,766,666 shares of common stock remain available under this plan.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities in column (a)) (c)
Equity compensation plans approved by security holders	None	None	None
Equity compensation plans not approved by securities holders	0	\$0.0	52,766,666
Total	0	\$0.0	52,766,666

ITEM 6. SELECTED FINANCIAL DATA.

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

8

Table of Contents

ITEM MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF
7. 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 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 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 year ended December 31, 2014, Kallo has "Put" and received \$481,583 under the equity line of credit from Kodiak. There is no assurance that Kodiak Capital Group LLC will supply us with any 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.

Analysis of our business acquisition and operations cost indicate a reasonable requirement of USD \$2,000,000 or less. 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 receive approximately \$2,000,000. Management believes that the Company can be generating revenue in the next 3-6 months, and therefore will not require additional funding.

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.

Table of Contents

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.

Subsequent to the year ended December 31, 2014, 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.

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.

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.

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 - (5 years)
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.

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.

10

Table of Contents

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

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.

11

Table of Contents

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 the Electronic Medical Records system, Mobile Clinics, and Clinical Command Centers. Our efforts are focused in commercializing these technologies and generating revenue. The current capital requirement caters only to the resources, infrastructure, and business development expenses for these technologies. Management analysis of our business acquisition and operations cost indicate a reasonable requirement of USD \$2,000,000 or less for the next 12-18 months of operations. 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 December 31, 2014. 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.

Table of Contents

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, Vietnam, North West Territories and Northern Ontario in Canada, USA and the Middle East. We have not been contacted 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 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.

13

Table of Contents

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.

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

December 31, 2014 compared to December 31, 2013

Revenues

We did not generate any revenues during the year ended December 31, 2014 or 2013. We are in the process of installing the software for our first installation of EMR for Specialists and will complete the installation in 2015. We also expect to generate revenues in 2015.

Expenses

During the year ended December 31, 2014 we incurred total expenses of \$4,209,038, including \$1,626,018 in salaries and compensation, \$53,813 in depreciation, \$732,863 in professional fees, \$246,127 in selling and marketing expenses, \$45,878 in interest and financing costs, \$95,293 loss in change in fair value on derivative liabilities, \$136,354 provision for costs of installation of our first EMR for Specialists over and above the expected revenue to be generated, \$865,000 in impairment loss on copyrights and \$407,692 as other expenses. Our professional fees consist of legal, consulting, accounting and auditing fees.

During the year ended December 31, 2013 we incurred total expenses of \$1,603,283.

The increase in our expenses for the year ended December 31, 2014 was primarily due to an increase in salaries and compensation of \$1,020,400, including stock-based compensation of \$722,930 issued to management and employees, an increase in professional fees of \$367,086, an increase in loss on change in fair value on derivative liabilities/convertible promissory notes of \$129,392, an increase in other expenses of \$235,031, impairment loss of \$865,000 on copyrights and a decrease in selling and marketing expenses of \$113,532. The increases are generally due to moving to a bigger executive office and start of hiring of more full time employees as the Company embarks on the strategic planning and development of a roadmap in anticipation of the Ghana project materializing in 2015. The increase in professional fees is mainly due to the cost of changing auditors on June 3, 2014 and having the audit work on the December 31, 2013 financial statements performed twice by two different firms as a result.

Net Loss

During the year ended December 31, 2014 we incurred a net loss of \$4,209,038 compared to a net loss of \$1,603,283 in 2013.

Table of Contents

Liquidity and capital resources

As at December 31, 2014, we had current assets of \$408,882, current liabilities of \$1,431,897, and a working capital deficiency of \$1,023,015. As of December 31, 2014, our total assets were \$556,343 in cash, other receivables, deferred project costs, prepaid expenses, deposit – long term, equipment and our total liabilities were \$1,431,897 comprised of \$924,494 in accounts payable and accrued liabilities, loans payable of \$94,667, deferred revenue of \$24,990, derivative liabilities of \$336,390, deferred lease inducement of \$35,181 and convertible promissory notes of \$16,175.

Cash used in operating activities amounted to \$2,726,435 during fiscal 2014, 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 of \$39,591 consisted of purchase of equipment.

Cash provided by financing activities during the year amounted to \$2,995,015 and represented mainly proceeds from sales of common stock of \$2,753,918 and proceeds from convertible promissory notes of \$241,097.

Summary of critical accounting policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") and in accordance with the instructions to Form 10-K related to smaller reporting companies as promulgated by the Securities and Exchange Commission.

Intangible Assets - Copyrights

Copyrights are stated at cost. According to the Canadian Intellectual Property laws in Canada, the life of a copyright is the author's life, the remainder of the calendar year in which the author dies, and a period of 50 years following the end of that calendar year. As a result, the useful life of the copyrights are determined to be indefinite are not amortized but subject to testing for impairment. The Company reviews the value of the copyrights on an annual basis to determine if the value has been impaired. Based on its evaluations, it was determined that the copyrights were impaired as at December 31, 2014.

Impairment of Long-lived Assets

Long-lived assets comprise of equipment and copyrights. The Company accounts for impairment of long-lived assets in accordance with the guidance established in ASC 360, Accounting for the Impairment or Disposal of Long-Lived Assets, which requires the Company to evaluate a long-lived asset for recoverability when there is an event or circumstance that indicates the carrying value of the asset may not be recoverable. The Company follows the guidance of ASU 2012-02 and first assesses qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test. An impairment loss is recognized when the carrying amount of a long-lived asset or asset group is not recoverable (when carrying amount exceeds the gross, undiscounted cash flows from use and disposition) and is measured as the excess of the carrying amount over the asset's (or asset group's) fair value. Management evaluated whether there are any adverse qualitative factors in respect to copyrights and equipment indicating that they might be impaired, reviewed its long-lived intangible assets and has determined that an impairment exists that relate to these assets through December 31, 2014, as described above.

Table of Contents

Stock-Based Compensation

The Company accounts for share-based compensation in accordance with ASC 718, Stock Compensation. Under the provisions of ASC 718, share-based compensation cost is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense for services rendered and over the employee's requisite service period (generally the vesting period of the equity grant).

Stock Issued in Exchange for Services

The valuation of the Company's common stock issued to non-employees in exchange for services is valued at an estimated fair market value as determined by Management of the Company based upon trading prices of the Company's common stock on the dates of the stock transactions. The corresponding expense of the services rendered is recognized over the employee's requisite service period (generally the vesting period of the equity grant).

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

INDEX

	PAGE
<u>Report of Independent Registered Public Accounting Firm for December 31, 2014 and 2013</u>	17
<u>Consolidated Balance Sheets</u>	18
<u>Consolidated Statements of Operations</u>	19
<u>Consolidated Statements of Changes in Stockholders' Deficiency</u>	20
<u>Consolidated Statements of Cash Flows</u>	21
<u>Notes to Consolidated Financial Statements</u>	22 - 38

Index to Financials

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders of
Kallo Inc.
Markham, Ontario, Canada

We have audited the accompanying consolidated balance sheets of Kallo Inc. and its subsidiary (collectively the "Company") as of December 31, 2014 and 2013 and the related consolidated statements of operations, changes in stockholders' deficiency, and cash flows for each of the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kallo Inc. and its subsidiary as of December 31, 2014 and 2013 and the results of their operations and their cash flows for each of the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has suffered recurring losses since inception and had an accumulated deficit of \$23,178,084 at December 31, 2014 that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to this matter are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

MALONEBAILEY, LLP

Houston, Texas
April 15, 2015

Index to Financials

KALLO INC.

Consolidated Balance Sheets

As at December 31, 2014 and 2013

(Amounts expressed in US dollars)

ASSETS	2014	2013
Current Assets:		
Cash	\$250,339	\$27,448
Other receivables	11,531	12,276
Deferred project costs	24,990	-
Prepaid expenses	122,022	25,396
Total Current Assets	408,882	65,120
Deposit – long term	49,220	-
Copyrights	-	865,000
Equipment, net	98,241	47,973
TOTAL ASSETS	\$556,343	\$978,093
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current Liabilities:		
Accounts payable and accrued liabilities	\$924,494	\$1,082,587
Accrued officers' salaries	-	20,000
Loans payable	56,112	61,203
Derivative liabilities	336,390	-
Convertible promissory notes, net of discount of \$248,825	16,175	-
Short term loans payable	38,555	74,791
Short term loans payable – related parties	-	1,450
Deferred lease inducement	35,181	-
Deposit for shares to be issued	-	9,560
Deferred revenue	24,990	24,990
Total Current Liabilities	1,431,897	1,274,581
TOTAL LIABILITIES	1,431,897	1,274,581
Commitments and Contingencies		
Stockholders' Deficiency:		
Preferred stock, \$0.00001 par value, 100,000,000 shares authorized, 95,000,000 Series A preferred shares issued or outstanding	950	-
Common stock, \$0.00001 par value, 500,000,000 shares authorized, 382,156,160 and 319,106,020 shares issued and outstanding, respectively	3,822	3,191
Additional paid-in capital	22,297,758	18,669,367
Accumulated deficit	(23,178,084)	(18,969,046)
Total Stockholders' Deficiency	(875,554)	(296,488)

TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	\$556,343	\$978,093
--	-----------	-----------

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

18

Index to Financials

KALLO INC.

Consolidated Statements of Operations

(Amounts expressed in US dollars)

	For the Year Ended December 31, 2014	For the Year Ended December 31, 2013
Expenses		
General and administration	\$2,816,976	\$1,374,871
Selling and marketing	246,127	359,659
Project costs	136,354	-
Foreign exchange gain	(53,827)	(28,188)
Depreciation	53,813	29,568
Interest and financing costs	45,878	18,140
Change in fair value on derivative liabilities	95,293	-
Change in fair value on convertible promissory notes	-	(34,099)
Impairment of copyrights	865,000	-
Loss on extinguishment of short term loan payable	3,424	-
Gain on extinguishment of convertible promissory notes	-	(116,668)
	4,209,038	1,603,283
Net Loss	\$(4,209,038)	\$(1,603,283)
Loss per share - Basic and diluted net	\$(0.01)	\$(0.01)
Weighted average number of shares outstanding - Basic and diluted	348,742,260	302,240,028

For the year ended December 31 2013, there were 1,580,000 warrants outstanding, which could potentially dilute basic earnings per share in the future, but which were not included in diluted loss per share as their effect was anti-dilutive.

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

Index to Financials

KALLO INC.

Consolidated Statements of Changes in Stockholders' Deficiency
(Amounts expressed in US dollars)

	Preferred Stock \$.00001 par value		Common Stock \$.00001 par value		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Deficiency
	Shares	Amount	Shares	Amount			
Balance December 31, 2012	-	\$ -	291,347,036	\$ 2,913	\$ 17,286,695	\$(17,365,763)	\$(76,155)
Issuance of common shares	-	-	26,402,460	264	1,319,860	-	1,320,124
Shares issued for consulting fees	-	-	200,000	2	4,998	-	5,000
Settlement of short term loans payable by common shares	-	-	1,156,524	12	46,249	-	46,261
Gain on extinguishment of loan payable to related party	-	-	-	-	11,565	-	11,565
Net Loss	-	-	-	-	-	(1,603,283)	(1,603,283)
Balance December 31, 2013	-	-	319,106,020	3,191	18,669,367	(18,969,046)	(296,488)
Issuance of common shares – Kodiak put	-	-	8,472,223	85	481,498	-	481,583
Shares issued to directors, employees and others for services	95,000,000	950	7,560,000	76	721,904	-	722,930
Settlement of short term loans payable by common shares	-	-	680,000	7	27,193	-	27,200
Issuance of common shares for cash	-	-	45,637,917	456	2,281,439	-	2,281,895
Shares issued and issuable for consulting fees	-	-	700,000	7	116,357	-	116,364
Net Loss	-	-	-	-	-	(4,209,038)	(4,209,038)
Balance December 31, 2014	95,000,000	\$ 950	382,156,160	\$ 3,822	\$ 22,297,758	\$(23,178,084)	\$(875,554)

The accompanying notes are an integral part of these consolidated financial statements
20

Index to Financials

KALLO INC.

Consolidated Statements of Cash Flows

(Amounts expressed in US dollars)

	For the Year Ended December 31, 2014	For the Year Ended December 31, 2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(4,209,038)	\$(1,603,283)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation	53,813	29,568
Stock-based compensation	722,930	5,000
Impairment of copyrights	865,000	-
Debt forgiveness	(31,514)	-
Loss on extinguishment of short term loan payable	3,424	-
Amortization of debt discount	16,175	-
Deferred lease inducement	35,181	-
Change in fair value on derivative liabilities	95,293	-
Change in fair value on convertible promissory notes	-	(34,099)
Gain on extinguishment of convertible promissory notes	-	(116,668)
Unrealized foreign exchange gains	(41,927)	-
Stock-based compensation - consultants	116,364	-
Changes in operating assets and liabilities:		
Decrease (Increase) in other receivables	745	(8,300)
Decrease (Increase) in deferred project cost	(24,990)	-
Decrease (Increase) in prepaid expenses and deposits	(145,846)	112,421
Increase (Decrease) in accounts payable and accrued liabilities	(182,045)	24,403
NET CASH USED IN OPERATING ACTIVITIES	(2,726,435)	(1,590,958)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(39,591)	-
CASH USED IN INVESTING ACTIVITIES	(39,591)	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Stockholder advances	-	19,840
Proceeds from issuance of common stock	2,753,918	1,290,124
Proceeds for shares to be issued	-	9,560
Repayment of obligations under capital leases	-	(47,841)
(Repayment of) Proceeds from convertible promissory notes	241,097	(20,000)
Proceeds from loans payable	-	48,278
CASH PROVIDED BY FINANCING ACTIVITIES	2,995,015	1,299,961
Effect of exchange rate changes on cash	(6,098)	-
NET (DECREASE) INCREASE IN CASH	222,891	(290,997)
CASH		

Edgar Filing: Kallo Inc. - Form 10-K

Beginning of period	27,448	318,445
End of period	\$250,339	\$27,448

SUPPLEMENTAL CASH FLOW INFORMATION:

Income tax paid	\$-	\$-
Interest paid	\$27,477	\$18,090

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES

Conversion of loans payable into common shares	\$27,200	\$57,826
Purchase of equipment in accounts payable	\$64,490	\$-
Initial debt discount on convertible promissory notes	\$241,096	\$-
Common stock issued to third party for payment of debt	\$-	\$30,000
Maturity of capital lease obligations, included in accounts payable	\$-	\$108,268

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

21

Index to Financials

KALLO INC.

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

(Amounts expressed in US dollars)

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 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 \$23,178,084 at December 31, 2014. 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. The 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 consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") and in accordance with the instructions to Form 10-K related to smaller reporting companies as promulgated by the Securities and Exchange Commission.

Basis of Consolidation

The consolidated financial statements include the accounts of Kallo and its wholly-owned subsidiary, Rophe Medical Technologies Inc. Significant inter-company transactions and balances have been eliminated on consolidation.

Cash

Cash includes cash on hand and highly liquid investments with a maturity of three months or less at acquisition.

Index to Financials

KALLO INC.

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

(Amounts expressed in US dollars)

NOTE 2 - ACCOUNTING POLICIES AND OPERATIONS (continued)

Earnings Per Share

The Company computes basic net loss per share in accordance with ASC 260, Earnings Per Share, by dividing the net loss for the period by the weighted average number of common shares outstanding during the year. Diluted loss per share is computed by dividing the net loss for the year by the weighted average number of common and potentially dilutive common shares outstanding during the year, adjusted by any effects of warrants and options outstanding, if dilutive, that may add to the number of common shares during the year.

Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Key estimates include the fair value of common stock issued for services received by the Company, valuation of financial instruments, useful life of equipment, impairment of long lived assets, measurement of non-monetary transactions and provision for penalties and interest on estimated payroll tax liabilities.

Equipment

Equipment comprise computer equipment, software, office furniture and equipment and leasehold improvement and are stated at cost less accumulated depreciation. The cost of the equipment is depreciated using the straight-line method over the estimated useful life of the related assets of between 1 - 5 years.

Software Development Costs

Software development costs are accounted for in accordance with ASC 985-20, Costs of Software to be Sold, Leased or Marketed. Software development costs incurred internally in creating computer software products are expensed until technological feasibility has been established upon completion of a detailed program design. Based on the Company's product development process, technological feasibility is established upon completion of a working model. The determination of technological feasibility and the ongoing assessment of the recoverability of these costs require considerable judgment by management with respect to certain external factors including anticipated future gross product revenues, estimated economic life and changes in hardware and software technology.

Thereafter, all software development costs incurred through the software's general release date are capitalized and subsequently reported at the lower of amortized cost or net realizable value. Capitalized costs are amortized based on current and expected future revenue for each software solution with minimum annual amortization equal to the straight-line amortization over the estimated economic life of the solution. No costs have been capitalized to date as the Company has not completed a working model as of yet.

Deposit – long term

Deposit – long term represents prepayments of rent due at the end of our new office lease.

Index to Financials

KALLO INC.

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

(Amounts expressed in US dollars)

NOTE 2 – ACCOUNTING POLICIES AND OPERATIONS (continued)

Intangible Assets - Copyrights

Copyrights are stated at cost. According to the Canadian Intellectual Property laws in Canada, the life of a copyright is the author's life, the remainder of the calendar year in which the author dies, and a period of 50 years following the end of that calendar year. As a result, the useful life of the copyrights are determined to be indefinite are not amortized but subject to testing for impairment. The Company reviews the value of the copyrights on an annual basis to determine if the value has been impaired. Based on its evaluations, it was determined that the copyrights were impaired as at December 31, 2014.

Impairment of Long-lived Assets

Long-lived assets comprise of equipment and copyrights. The Company accounts for impairment of long-lived assets in accordance with the guidance established in ASC 360, Accounting for the Impairment or Disposal of Long-Lived Assets, which requires the Company to evaluate a long-lived asset for recoverability when there is an event or circumstance that indicates the carrying value of the asset may not be recoverable. The Company follows the guidance of ASU 2012-02 and first assesses qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test. An impairment loss is recognized when the carrying amount of a long-lived asset or asset group is not recoverable (when carrying amount exceeds the gross, undiscounted cash flows from use and disposition) and is measured as the excess of the carrying amount over the asset's (or asset group's) fair value. Management evaluated whether there are any adverse qualitative factors in respect to copyrights and equipment indicating that they might be impaired. Since there were indicators of impairment, Management reviewed its long-lived intangible assets and has determined that the copyrights were impaired as at December 31, 2014.

Research and Development

The Company accounts for research and development costs in accordance with ASC 730-10, Research and Development. Accordingly, all research and development costs are charged to expense as incurred as software development costs.

Foreign Currency Translation

The Company's functional and reporting currency is the United States dollar. Transactions may occur in Canadian dollars which are accounted for under ASC 830, Foreign Currency Matters. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate prevailing at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange in effect at the date of the transaction. Average monthly rates are used to translate revenues and expenses. Gains and losses arising on translation or settlement of foreign currency denominated transactions or balances are included in the Statements of Operations. The Company has not, to the date of these consolidated financial statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

Index to Financials

KALLO INC.

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

(Amounts expressed in US dollars)

NOTE 2 – ACCOUNTING POLICIES AND OPERATIONS (continued)

Income Taxes

The Company accounts for income taxes under FASB ASC 740, Income Taxes. Deferred income tax assets and liabilities are determined based upon differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets 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 the statements of operations in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance to the extent management concludes it is more likely than not that the assets will not be realized.

The Company recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which a change in judgement occurs, as a result of information that arises or when a tax position is effectively settled. Interest and penalties related to income tax matters are recognized in general and administrative expense. As at December 31, 2014, the Company's tax returns for the tax years ended December 31, 2011, 2012 and 2013 were open for examination.

The Company had no material adjustments to its liabilities for unrecognized income tax benefits according to the provisions of FASB ASC 740.

Fair Value of Financial Instruments

The Company used a three-level hierarchy that prioritizes the inputs used in valuation techniques for determining fair value of investments and liabilities. The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets and liabilities recorded in the accompanying consolidated balance sheets are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the company has the ability to access at the measurement date (examples include active exchange-traded equity securities, listed derivatives and most United States Government and agency securities).

Index to Financials

KALLO INC.

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

(Amounts expressed in US dollars)

NOTE 2 – ACCOUNTING POLICIES AND OPERATIONS (continued)

Fair Value of Financial Instruments (continued)

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets where trading occurs infrequently or whose values are based on quoted prices of instruments with similar attributes in active markets. Level 2 inputs include the following:

- Quoted prices for identical or similar assets or liabilities in non-active markets (examples include corporate and municipal bonds which trade infrequently);
- Inputs other than quoted prices that are observable for substantially the full term of the asset or liability (examples include interest rate and currency swaps); and
- Inputs that are derived principally from or corroborated by observable market data for substantially the full term of the asset or liability (examples include certain securities and derivatives).

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

An asset or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Availability of observable inputs can vary and is affected by a variety of factors. The Company uses judgment in determining fair value of assets and liabilities and Level 3 assets and liabilities involve greater judgment than Level 1 and Level 2 assets or liabilities.

The following is a summary of our financial instruments that are accounted for at fair value by level within the fair value hierarchy at December 31, 2014 and 2013:

December 31, 2014

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

Stock-Based Compensation

The Company accounts for share-based compensation in accordance with ASC 718, Stock Compensation. Under the provisions of ASC 718, share-based compensation cost is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense for services rendered and over the employee's requisite service period (generally the vesting period of the equity grant).

Index to Financials

KALLO INC.

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

(Amounts expressed in US dollars)

NOTE 2 - ACCOUNTING POLICIES AND OPERATIONS (continued)

Contingencies

The Company accrues estimates for resolution of any legal and other contingencies when losses are probable and estimable, in accordance with ASC 450, Contingencies. Legal defense costs are accrued as incurred. See Note 12.

Stock Issued in Exchange for Services

The valuation of the Company's common stock issued to non-employees in exchange for services is valued at an estimated fair market value as determined by Management of the Company based upon trading prices of the Company's common stock on the dates of the stock transactions. The corresponding expense of the services rendered is recognized over the employee's requisite service period (generally the vesting period of the equity grant).

Common Stock Purchase Warrants

The Company accounts for common stock purchase warrants at fair value in accordance with ASC 815-40 "DERIVATIVES AND HEDGING." The Black-Scholes option pricing valuation method is used to determine fair value of these warrants consistent with ASC 718, "COMPENSATION - STOCK COMPENSATION." Use of this method requires that the Company make assumptions regarding stock volatility, dividend yields, expected term of the warrants and risk-free interest rates.

Convertible promissory note

The Company accounts for conversion options embedded in convertible notes in accordance with ASC 815. ASC 815 generally requires companies to bifurcate conversion options embedded in convertible notes from their host instruments and to account for them as free standing derivative financial instruments if they do not meet the criteria for classification in stockholders' equity.

The Company has evaluated the terms and conditions of the convertible note under the guidance of ASC 815. The conversion feature did not meet the definition of "indexed to a company's own stock" provided for in ASC 815. Therefore, the conversion feature requires bifurcation and liability classification. The Company recorded the beneficial conversion feature as a derivative liability and debt discount and is amortized over the life of the convertible note. The debt discount is recorded against the related convertible note outstanding. The amortization is recorded as interest expense. The derivative liabilities are re-valued at the end of each reporting period using the Black-Scholes method, with changes in the fair value of the derivative liability recorded as charges or credits to income, in the period in which the changes occur.

Non-monetary transactions

The Company applies ASC 845, "Accounting for Non-Monetary Transactions", to account for services received through non-cash transactions based on the fair values of the services involved, where such values can be determined.

If fair value of the services received cannot be determined, then the fair value of the shares given as consideration is used.

Index to Financials

KALLO INC.

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

(Amounts expressed in US dollars)

NOTE 2 - ACCOUNTING POLICIES AND OPERATIONS (continued)

Revenue recognition

Revenue is recognized when all of the following criteria are met: persuasive evidence of an arrangement exists; delivery or performance has occurred; the sales price is fixed or determinable; and collection is reasonably assured.

Professional service revenue primarily consists of the fees the Company earns related to installation and consulting services. The Company recognizes revenue from professional services upon delivery or completion of performance.

Training services are recognized upon delivery of the training.

Deferred revenue

Deferred revenue represents amounts invoiced to customers for which the related revenue has not been recognized because one or more of the revenue recognition criteria have not been met. The current portion of the deferred revenue represents the amount that is expected to be recognized as revenue within one year of the consolidated balance sheet date.

Lease accounting

The Company evaluates each lease for classification as either a capital lease or an operating lease. If substantially all of the benefits and risks of ownership have been transferred to the Company as lessee, the Company records the lease as a capital lease at its inception. The Company performs this evaluation at the inception of the lease and when a modification is made to a lease. If the lease agreement calls for a scheduled rent increase during the lease term, the Company recognizes the lease expense on a straight-line basis over the lease term.

The Company determines the straight-line rent expense impact of an operating lease upon inception of the lease.

Advertising costs

The Company expenses advertising costs as incurred. The total costs the Company recognized related to advertising were approximately \$27,868 and \$65,484, during the years ended December 31, 2014 and 2013, respectively.

Recently Adopted Accounting Pronouncements

The Company has limited operations and is considered to be in the development stage. During the quarter ended March 31, 2014, the Company has elected to early adopt Accounting Standards Update No. 2014-10, Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements. The adoption of this ASU allows the Company to remove the inception to date information and all references to development stage.

Other than noted above, 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.

Index to Financials

KALLO INC.

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

(Amounts expressed in US dollars)

NOTE 3 – CAPITAL STOCK

Common Stock

On September 26, 2012, the Company entered into a 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 eighty percent (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 year ended December 31, 2014, the Company put \$481,583 and 8,472,223 shares were issued pursuant to the above Agreement.

On June 27, 2011, Kallo registered 10,000,000 shares under a 2011 Non-Qualified Stock Option Plan to be offered and sold to accounts of eligible persons of the Company under the Plan at a proposed maximum offering price per share of \$0.15. This 2011 Plan is for persons employed or associated with the Company, including without limitation any employee, director, general partner, officer, attorney, accountant, consultant or advisor, is intended to advance the best interests of the Company by providing additional incentive to those persons who have a substantial responsibility for its management, affairs, and growth by increasing their proprietary interest in the success of the Company, thereby encouraging them to maintain their relationships with the Company. As at December 31, 2014, 7,233,334 shares have been issued under this 2011 Non-Qualified Stock Option Plan.

On September 6, 2012, Kallo registered 50,000,000 shares under a 2012 Non-Qualified Stock Option Plan to be offered and sold to accounts of eligible persons of the Company under the Plan at a proposed maximum offering price per share of \$0.04. This 2012 Plan is for persons employed or associated with the Company, including without limitation any employee, director, general partner, officer, attorney, accountant, consultant or advisor, is intended to advance the best interests of the Company by providing additional incentive to those persons who have a substantial responsibility for its management, affairs, and growth by increasing their proprietary interest in the success of the Company, thereby encouraging them to maintain their relationships with the Company. As at December 31, 2014, no shares have been issued under this 2012 Non-Qualified Stock Option Plan.

During 2014, the holder of a promissory note converted the principal and interest outstanding of \$23,776 into 680,000 shares. The fair value of the stock issued was \$27,200 and therefore the Company experienced a loss on extinguishment of \$3,424. The Company also issued 7,560,000 shares valued at \$434,150 to various employees and directors as compensation for services rendered and 700,000 shares valued at \$116,364 to consultants for services rendered. During the year ended December 31, 2014, the Company issued 45,637,917 shares for cash of \$2,281,895 (\$9,560 was collected prior to December 31, 2013).

Index to Financials

KALLO INC.

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

(Amounts expressed in US dollars)

NOTE 3 – CAPITAL STOCK (continued)

During 2013, the Company issued 26,402,460 shares in consideration of \$1,320,124 (\$30,000 of proceeds were paid by investors directly to lenders of the Company), 200,000 shares valued at \$5,000 to a consultant as compensation and 1,156,524 shares as repayment for short term loans to a related party valued at \$57,826. The fair value of the stock issued is \$46,261. Therefore the company experienced a gain on extinguishment. Since this involved a related party, the gain is treated a capital contribution.

During 2013, the Company received cash of \$9,560 for shares to be issued. The related shares were not yet issued as at December 31, 2013.

Preferred Stock

During 2014, the Company has designated 95,000,000 of its preferred stock as Series A Preferred Stock, each of which has 100 votes. The Company, will not, without the affirmative vote or written consent of the holders of at least a majority of the outstanding Series A Preferred Stock (i) authorize or create any additional series of stock ranking prior to or on a parity with the Series A Preferred Stock as to dividends, voting rights, or the distribution of assets upon liquidation; or (ii) change any of the rights, privileges or preferences of the Series A Preferred Stock.

The Company issued 95,000,000 Series A Preferred shares to several directors as compensation for services rendered during 2014. The shares of Series A Preferred stock are not convertible, carry voting rights of 100 votes per Preferred share and the fair value of the Preferred shares were deemed to be \$288,780 based on the voting rights of the Preferred shares relative to the fair value of the Company at the date of the issuance.

NOTE 4 – WARRANTS

Warrant activity during 2014 and 2013 is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2012	1,580,000	\$ 0.50
Granted	-	-
Balance, December 31, 2013	1,580,000	\$ 0.50
Granted	-	-
Expired	(1,580,000)	-
Balance, December 31, 2014	-	\$ -

Each warrant was exercisable for a period of one year from the effective date of a registration statement filed with the SEC. Such registration statement was declared effective on October 9, 2013 and the warrants expired unexercised in 2014.

The value of the stock purchase warrants granted in 2010 was valued at \$117,620 using the following assumptions and estimates in the Black-Scholes model: Expected life of 1.2 years, volatility of 100%, dividend yield of 0% and risk-free interest rate of 1.40%.

30

Index to Financials

KALLO INC.

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

(Amounts expressed in US dollars)

NOTE 5 – RELATED PARTY TRANSACTIONS

During 2014, 6,000,000 common shares (2013 - NIL) 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 \$350,000. Also during 2014, 95,000,000 Series A Preferred Stock were issued to directors of the Company as stock-based compensation and were valued at \$288,780 based on the voting rights of the Preferred shares relative to the fair value of the Company at the date of the issuance. In addition, 6,304,633 shares (2013 – NIL) were issued to a director of the Company for cash of \$315,232.

During 2014, \$20,000 previously accrued for officers' salaries were written off and included in general and administration expenses.

During 2013, 1,156,524 shares were issued to a director of the Company for an amount of \$46,261 as repayment of short term loans payable. The debt outstanding was \$57,826, therefore the Company experienced a gain on debt extinguishment of 11,565. Since the gain involved a related party, it was treated as capital contribution.

Included in short term loans payable is an amount due to a shareholder and director of the Company for the amount of \$NIL (2013 - \$1,450).

Included in accounts payable and accrued liabilities is an amount of \$15,714 (2013 - \$68,574) due to directors and officers of the Company as at December 31, 2014.

NOTE 6 – EQUIPMENT

	2014	2013
Computer equipment under capital lease	\$223,683	\$223,683
Nexus computer equipment under capital lease	42,023	42,023
Computer equipment	39,338	-
Computer software	9,577	-
Office furniture and equipment	24,796	-
Leasehold improvement	30,370	-
Total Equipment	369,787	265,706
Less accumulated depreciation	(271,546)	(217,733)
Equipment – net	\$98,241	\$53,813

Depreciation expense during 2014 and 2013 were \$53,813 and \$29,568 respectively.

During 2013, the Company increased its estimate of the useful lives of certain computer equipment to better reflect the period it plans to use the equipment before replacing them. This change had the effect of decreasing the net loss for

2013 by \$47,973.

31

Index to Financials

KALLO INC.

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

(Amounts expressed in US dollars)

NOTE 7 – COPYRIGHTS

On December 11, 2009, the Company acquired 100% of Rophe Medical Technologies Inc. ("Rophe") for cash consideration of \$1,200,000 and 3,000,000 of the Company's common shares valued at \$0.122 per share for total purchase price of \$1,565,000.

Subsequently, the Rophe Acquisition payment terms were amended and 3,000,000 additional shares of restricted common stock were issued in 2009 as payment for \$400,000 with the remaining cash consideration as follows: \$35,000 by March 5, 2010, \$65,000 by March 31, 2010, \$233,333 on launch of Project 1; \$233,333 on launch of Project 2; and, \$233,334 on launch of Project 3. All three projects are included in the integrated solution in the MobileCare and RuralCare projects being proposed under the Ghana Project and Guinea Project mentioned in Note 12 and hence the total amount of \$700,000 will be due and payable upon closing of either the Ghana Project or Guinea Project. As at December 31, 2014, there is a payable in the amount of \$525 (2013 - \$525) which is included in accounts payable and accrued liabilities. The 3,000,000 shares were considered issued as at the closing date of the acquisition and valued based on discounted market price per share at the date of acquisition and the total of 6,000,000 shares issued for the Rophe acquisition are restricted.

The total recorded acquisition price of \$865,000 was allocated to the copyrights obtained in the acquisition as they were the only significant assets of Rophe, which did not have any operations. The copyrights relate to the following technologies: "EMR Integration Engine" to provide integrated solutions for interoperability within the continuum of care, "C&ID-IMS", an Internet-based solution for monitoring and managing Communicable and Infectious Disease information, "CCG", a clinical-care globalization technology and "MC-Telehealth", a mobile clinic long distance with Telehealth technology. The Company has not recorded the remaining contingent payment of \$700,000 due to the uncertainty of the launch of Projects 1, 2 and 3. According to the Canadian Intellectual Property laws, the life of a copyright is the author's life plus fifty years. As a result, the useful life of the copyrights are determined to be indefinite are not amortized but subject to testing for impairment. The Company continues to develop these technologies for use in a diverse range of potential products and expect to make use of them in future Projects. The Company reviews the value of the copyrights on an annual basis to determine if the value has been impaired. Based on Management's estimation of future profits and as the Company has not generated any revenues from these copyrights yet, it was determined that the copyrights were impaired as at December 31, 2014.

NOTE 8 – LOAN PAYABLE

As at December 31, 2014, a loan payable of \$56,112 (2013 - \$61,203) to an unrelated party bears interest at 6% per annum, is unsecured and is payable in monthly installments of principal and interest in the amount of Canadian \$7,233. Future scheduled repayments of principal are as follows:

Within one year \$56,112
\$56,112

Index to Financials

KALLO INC.

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

(Amounts expressed in US dollars)

NOTE 9 – CONVERTIBLE PROMISSORY NOTES

The convertible promissory notes are unsecured and bear interest at between 8% and 10% per annum with all principal and accrued interest due and payable one year from the dates of execution of the Notes. The Notes are due as follows: \$125,000 on December 1, 2015, \$40,000 on December 11, 2015 and \$100,000 on December 21, 2015 and were issued at \$118,732, \$37,982 and \$84,382 respectively with effective interest rates of 324%, 324% and 315% respectively. The Holders of the \$125,000 and \$40,000 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 price per share equal to 25% discount to the average of the previous two lowest trading days over the last 15 trading days prior to the Conversion Date. The Holder of the \$100,000 Note can, in lieu of payment of the principal and interest, elect to convert such amount into common shares of the Company at the conversion price per share equal to 35% discount to the lowest trading day over the last 15 trading days prior to the Conversion Date.

At the commitment dates, the initial fair values of the embedded conversion feature were estimated at \$386,187 and recorded as derivative liabilities, resulting in a Day 1 loss of \$145,090. On December 31, 2014 the derivative liabilities were valued at \$336,390 which resulted in gain in a further gain in fair value of \$49,797 for the year ended December 31, 2014. The original issue discount was \$23,904 and \$241,096 was allocated to the warrant derivative. The total debt discounts of \$265,000 are amortized over the terms of the respective Notes and were \$248,825 at December 31, 2014 resulting in net finance charge of \$16,175 for the year ended December 31, 2014 included in the consolidated statement of operations. The fair value of the embedded conversion feature is estimated at the end of each quarterly reporting period using the Black Scholes model.

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

Conversion feature of new promissory notes	\$386,187
Change in fair value (gain)	(49,797)
Fair value as at December 31, 2014	\$336,390

A summary of the promissory notes is as follows:

New convertible promissory notes	\$265,000
Original issue discount	(23,904)
Warrant derivative	(241,096)
Amortization of debt discount	16,175
Balance as at December 31, 2014	\$16,175

In the previous year, the convertible promissory notes were unsecured and bore interest at 3.25% per annum with all principal and accrued interest due and payable one year from the dates of execution of the Notes. The Notes were due as follows: \$20,000 on April 23, 2013, \$10,000 on July 5, 2013, \$20,000 on August 22, 2013. The Holders could, in lieu of payment of the principal and interest, elect to convert such amount into common shares of the Company at the conversion price per share equal to 30% discount to the average of the previous three lowest trading days over the last 10 trading days prior to the Conversion Date. All shares converted on or after six months from the dates of execution

of the notes would have been issued as free-trading, unrestricted shares. The Company could prepay these Notes at anytime without penalty and without the prior consent of the Holders.

Index to Financials

KALLO INC.

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

(Amounts expressed in US dollars)

NOTE 9 – CONVERTIBLE PROMISSORY NOTES (continued)

During the year ended December 31, 2013, the Company repaid \$50,000 of the above promissory notes resulting in a gain on extinguishment of convertible promissory note of \$116,668. As noted in Note 3, \$30,000 was paid by an investor directly to the lender and is accordingly reflected in the Supplemental Schedule Of Non-Cash Investing And Financing Activities on the Consolidated Statement of Cash Flows.

Fair value as at December 31, 2012	\$200,767
Repayment of convertible promissory note	(50,000)
Gain on extinguishment of convertible promissory note	(116,668)
Change in fair value (gain)	(34,099)
Fair value as at December 31, 2013	\$-

NOTE 10 – SHORT TERM LOANS PAYABLE

	2014	2013
Promissory note bearing interest at 10% per annum, due January 10, 2014	\$-	\$25,664
Promissory note bearing interest at 10% per annum, due April 15, 2015	25,020	25,528
Non-interest bearing advances from director	-	1,450
Non-interest bearing short term funding from third parties	13,535	23,599
	\$38,555	\$76,241

On October 10, 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 10, 2014. Kallo did not pay on the due date and on January 16, 2014, the holder agreed to convert the principal and interest outstanding into 680,000 common stock of the Company. The amount outstanding as at December 31, 2013 was \$25,664, including interest.

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 five additional periods of three months up to April 15, 2015. The amount outstanding as at December 31, 2014 was \$25,020 (2013 - \$25,528), including interest.

As at December 31, 2013, the balance of \$1,450 represented an advance from a director which was non-interest bearing, unsecured and had no fixed repayment date. This advance was written off during 2014.

As at December 31, 2014, the balance of \$13,535 (2013 - \$23,599) represented short term funding provided by third parties which are non-interest bearing, unsecured and have no fixed repayment date. The decrease in the balance is as a result of write off of loans of \$10,064.

Index to Financials

KALLO INC.

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

(Amounts expressed in US dollars)

NOTE 11 – INCOME TAXES

The Company had no income taxes payable at December 31, 2014 and 2013.

The reconciliation of income tax provision computed at statutory rates to the reported income tax provision is as follows:

	2014	2013
Net loss for the year	\$(4,209,038)	\$(1,603,283)
Effective statutory rate	34	% 34
Expected tax recovery	\$(1,431,073)	\$(545,116)
Net effects of non deductible and allowable items	29,697	(51,197)
Change in valuation allowance	1,401,376	596,313
	\$-	\$-

Deferred income taxes reflect the net income tax effect of temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and amounts used for income taxes. The Company's deferred income tax assets and liabilities consist of the following:

	2014	2013
Net operating loss carry forward	\$3,710,244	\$2,538,950
Equipment	9,335	(220,747)
Valuation allowance	(3,719,579)	(2,318,203)
Deferred tax assets, net of valuation allowance	\$-	\$-

Net operating loss carry forwards totaled approximately \$10,912,000 at December 31, 2014. The net operating loss carry forwards will begin to expire in the year 2021 if not utilized. After consideration of all the evidence, management has recorded a valuation allowance at December 31, 2014 due to uncertainty of realizing the deferred tax assets. Utilization of the Company's net operating loss carry forwards may be limited based on changes in ownership as defined in Internal Revenue Code Section 382.

Index to Financials

KALLO INC.

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

(Amounts expressed in US dollars)

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Commitments

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:

2015	\$262,563
2016	240,683
	\$503,246

Total rent expense for the above lease was as follows:

2014	\$122,432
------	-----------

Software development

On December 10, 2010, the Company entered into a North American Authorized Agency Agreement (the "Agreement") with Advanced Software Technologies, Inc., located in the Grand Cayman Islands ("AST"). Under the Agreement, the Company was appointed sales agent for AST and will be paid fees by AST for selling AST products. The Company has agreed to pay AST a total of \$213,000 for modification of the AST products to comply with the requirements of the Canadian Electronic Health Record market, of which \$NIL (2013 - \$NIL) was paid in 2014. The remaining balance of \$63,543, included in accounts payable and accrued liabilities, is still unpaid due to dispute between Kallo and AST.

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").

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.

36

Index to Financials

KALLO INC.

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

(Amounts expressed in US dollars)

NOTE 12 – COMMITMENTS AND CONTINGENCIES (continued)

Sales commission agreement (continued)

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:

equal to \$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.

equal to \$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.

Executive Infrastructure Architect Services

The Company entered into a Statement of Work for Services Agreement (the "Agreement") with IBM Canada Limited ("IBM"). Under the Agreement, IBM will provide access to resources to perform services selected by the Company. The Company has agreed to pay IBM on a time and material basis with a total estimated charges of \$876,233, of which \$127,643 was invoiced in 2014.

Consulting

The Company entered into a consulting agreement with a third party for the introduction to sources of financing and capital and 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.

Contingencies

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 is seeking damages in the amount of Canadian \$161,674 plus unspecified "special" damage. On November 18, 2014, Kallo signed a settlement agreement with Watt and agreed to pay Canadian \$101,250, of which \$70,000 was paid and \$31,250 (US\$26,938) was accrued as at December 31, 2014.

Contingent liability

The Company has calculated the estimated amount of withholding taxes on stock-based compensation based on valuation obtained from a third party. Should the amount payable be different from the estimated amount, the

difference will be recorded in the period of payment. At this point, the Company cannot make an estimate of the potential loss that may arise from any liability for withholding taxes.

Index to Financials

KALLO INC.

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

(Amounts expressed in US dollars)

NOTE 13 – SUBSEQUENT EVENTS

Share issuance

In the first quarter of 2015, the Company has signed subscription agreements for the issuance of 6,040,000 shares in consideration of \$302,000 cash and the Company put \$54,600 and 1,250,000 shares were issued pursuant to the Kodiak agreement discussed in Note 3. In addition, the Company issued 2,500,000 shares as compensation for consulting services. As of April 15, 2015, the Company had received an additional \$110,000 as a deposit for a future share purchase.

Convertible promissory notes

After December 31, 2014, the Company issued several convertible promissory notes for a total amount of up to \$1,157,500, of which \$406,628 has been received as at April 15, 2015.

Table of Contents

ITEM CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND
9. FINANCIAL DISCLOSURE.

On June 3, 2014, we terminated Schwartz Levitsky Feldman LLP, 2300 Yonge Street, Suite 1500, Toronto, Ontario, Canada M4P 1E4 as our independent registered accounting firm. The decision to dismiss Schwartz Levitsky Feldman LLP as our independent registered public accounting firm was approved by our board of directors on June 3, 2014. Except as noted in the paragraph immediately below, the reports of Schwartz Levitsky Feldman LLP on the financial statements for the years ended December 31, 2012 and 2011 did not contain an adverse opinion or disclaimer of opinion, and such reports were not qualified or modified as to uncertainty, audit scope, or accounting principle. Schwartz Levitsky Feldman LLP did not issue any report on any financial statements for the period January 1, 2013 to the present.

The reports of Schwartz Levitsky Feldman LLP on our financial statements as of and for the years ended December 31, 2012 and 2011 contained an explanatory paragraph which noted that there was substantial doubt as to our ability to continue as a going concern as we had suffered negative working capital, had experienced negative cash flows from continuing operating activities and also due to uncertainty with respect to our ability to meet short-term cash requirements.

During the years ended December 31, 2012 and 2011 and for the period January 1, 2013 through March 31, 2014 and through June 3, 2014, we have not had any disagreements with Schwartz Levitsky Feldman LLP on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to Schwartz Levitsky Feldman LLP's satisfaction, would have caused it to make reference to the subject matter of the disagreements in its reports on our consolidated financial statements for such years or in connection with its reports in any subsequent interim period through the date of dismissal with the exception of the following:

Schwartz Levitsky Feldman LLP failed to timely audit our financial statements for the period ended December 31, 2013. The auditor requested an opinion to the affect that there were no violations of the Foreign Corrupt Practices Act. We complied and had our securities attorney issue an opinion that there were no violations of the Foreign Corrupt Practices Act. Then, after receiving the requested opinion, the auditor decided that it would require a second opinion from an "independent" attorney. Again, we complied having retained a law firm in New York City, which specialized in the Foreign Corrupt Practices Act. Again, the opinion reflected there was no violation of the Foreign Corrupt Practices Act. After that, the auditor wanted the opinion from the New York City firm to contain additional language, which the independent lawyer felt that Schwartz Levitsky Feldman LLP was trying to influence the attorney's independent opinion. The auditor could not give us a definitive date or specific conditions which would result in the issuance of its audit opinion of the December 31, 2013 financial statements. Under the circumstances we had no choice but to obtain the services of a new auditor. After retaining MaloneBailey LLP, MaloneBailey LLP was able to render an unqualified audit opinion. We have authorized Schwartz Levitsky Feldman LLP to respond fully to the inquiries of MaloneBailey LLP concerning the disagreement. Schwartz Levitsky Feldman LLP alleged that it did not receive an unqualified opinion by independent legal counsel to confirm that there were no violations of the Foreign Corrupt Practices Act (See Exhibit 16.1 to Amendment No. 1 to Form 8-K filed with the SEC on June 13, 2014). However, Schwartz Levitsky Feldman LLP failed to disclose that in fact it received two opinions from two law firms that there were no violations, as they did not consider these to be independent and unqualified. Further, Schwartz Levitsky Feldman LLP did not conduct any independent investigation, as they were repeatedly informed by the Company that the Company's independent legal counsel in New York was conducting such an investigation.

Thereafter, MaloneBailey issued an unqualified audit opinion after having access to the same information that Schwartz Levitsky Feldman had access to and audited our financial statements for the year ended December 31, 2013 and reviewed our Form 10-Q for the period ended March 31, 2014. With respect to the audit of the period from

December 12, 2006 (inception) through December 31, 2013, we obtained a waiver from the Division of Corporate Finance, Chief Accountant's Office. The amounts from December 12, 2006 to December 31, 2013 are labelled "unaudited".

39

Table of Contents

During the years ended December 31, 2012 and 2011 and through June 3, 2014, there were no reportable events, as defined in Item 304(a)(1)(v) of Regulation S-K.

On August 8, 2014, we delivered a copy of this amended report to Schwartz Levitsky Feldman LLP. On August 12, 2014, Schwartz Levitsky Feldman LLP responded thereto. Their response is filed herewith as Exhibit 16.1 to our amended Form 8-K filed with the SEC on August 13, 2014. The foregoing response advised the SEC that Schwartz Levitsky Feldman LLP sought an unqualified opinion from the foregoing New York law firm which was not supplied and in addition they were repeatedly informed by the Company that the Company's independent New York law firm was conducting an independent investigation in this matter which report was also not provided, and as a result Schwartz Levitsky Feldman LLP was unable to alleviate their concerns of a potential violation of the Foreign Corrupt Practices Act and therefore were unable to release their audit opinion for the year ended December 31, 2013.

On June 3, 2014, we engaged MaloneBailey LLP, 9801 Westheimer Road, Houston, Texas 77042, an independent registered public accounting firm, as our principal independent accountant with the approval of our board of directors. MaloneBailey LLP was previously our independent accountant from October 21, 2009 to February 28, 2011.

During the two most recent fiscal years and through the date of engagement, we have not consulted with MaloneBailey LLP regarding either:

1. The application of accounting principles to any specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our financial statements, and neither a written report was provided to us nor oral advice was provided that MaloneBailey, LLP concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issue; or

2. Any matter that was either subject of disagreement or event, as defined in Item 304(a)(1)(iv)(A) of Regulation S-K and the related instruction to Item 304 of Regulation S-K, or a reportable event, as that term is explained in Item 304(a)(1)(iv)(A) of Regulation S-K.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

We maintain "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"), that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. We conducted an evaluation (the "Evaluation"), under the supervision and with the participation of our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of our disclosure controls and procedures ("Disclosure Controls") as of the end of the period covered by this report pursuant to Rule 13a-15 of the Exchange Act. Based on this Evaluation, our CEO and CFO concluded that our Disclosure Controls were not effective as of the end of the period covered by this report due to lack of segregation of duties in financial reporting and presence of adjusting journal entries during the audit.

Management's Report on Internal Control Over Financial Reporting.

Management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Exchange Act Rule 13a -15(f). The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

40

Table of Contents

Because of the inherent limitations due to, for example, the potential for human error or circumvention of controls, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this evaluation, management concluded that the Company's internal control over financial reporting was not effective as of December 31, 2014. Material weakness identified included:

*Lack of segregation of duties

* Presence of adjusting journal entries identified by the auditors during the audit of the company's financial statements for the year ended December 31, 2014.

We have not taken any steps to remedy the foregoing material weaknesses.

Changes in Internal Controls

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE.

Officers and Directors

Each of our directors serves until his or her successor is elected and qualified. Each of our officers is elected by the board of directors to a term of one (1) year and serves until his or her successor is duly elected and qualified, or until he or she is removed from office. The board of directors has no nominating, auditing or compensation committees. It does have an audit committee comprised of the board of directors.

The names, addresses, ages and positions of our present officers and directors are set forth below:

Name and Address	Age	Position(s)
John Cecil 675 Cochrane Drive, West Tower, Suite 630 Markham, ON L3R 0B8	51	Chairman of the Board of Directors, Chief Executive Officer and Chief Financial Officer
Vince Leitao 675 Cochrane Drive, West Tower, Suite 630	52	President, Chief Operating Officer and a Director

Markham, ON L3R 0B8

41

Table of Contents

Lloyd A. Chiotti 66 Director
31 Sisman Avenue
Aurora, ON, L4G 6R9

Samuel R Baker 79 Secretary and a Director
89 Shawnee Circle
Toronto, ON, M2H 2X9

Background of officers and directors

John Cecil - Chairman of the Board of Directors and Chief Executive Office, Treasurer, Principal Financial Officer and Principal Accounting Officer

On October 20, 2010, John Cecil was appointed Chairman of the Board of Directors, Chief Executive Officer and a Director. And as of March 25, 2011, John Cecil was appointed the treasurer, principal financial officer and principal accounting officer of Kallo Inc. Since December 31, 2009, John Cecil was on our board of directors. Since December 2003 John Cecil has been the president of Rophe Medical Technologies Inc., in Toronto, Canada. He is responsible for its research and development and the design and copyright of the company's technology. From May 2008 to April 2009 Mr. Cecil was the Senior Healthcare Solutions Architect at SUN Microsystems Canada Inc., in Toronto, Canada, a publicly traded company listed on the NASDAQ under the symbol JAVA. He was responsible for Innovative product positioning by workshops / white board sessions with stakeholders of the customer to increase business value and support sales in revenue growth and design innovative technology solutions. From April 2007 to May 2008, Mr. Cecil was the Healthcare Director at Satyam Computer Service Ltd., in Toronto, Canada, a publicly traded company listed on the NYSE under the symbol "SAY". He managed healthcare consulting practices and services.

Vince Leitao - President, Principal Executive Officer, Chief Operating Officer, and a Director

On October 27, 2009, Vince Leitao was appointed as President, Chief Operating Officer and a Director. Since October 27, 2009, Vince Leitao was President, principal executive officer and a director. Since September 2006, Mr. Leitao has been president of Goapharma Canada, Inc., located in Markham, Ontario, Canada, which he founded. Goapharma Canada Inc. is engaged in the business of producing and marketing specialty dermatology products for psoriasis and eczema. Prior to 2006, Mr. Leitao was vice president of sales for Genpharm/Gennium Pharma divisions of E. Merck, Damsdart. From January 2001 to April 2004, Mr. Leitao was a director – sales for Genpharm and from April 1999 to December 2000, he served as a sales representative with Genpharm.

Samuel Baker - Secretary and a Director

On November 17, 2010, Samuel Baker was appointed Secretary and a member of our Board of Directors. Since October 1997 Mr. Baker has been the Senior Lawyer at Baker Law Firm in Toronto, Canada. Since September 2008, Mr. Baker has been the director of Arehada Mining Limited. Arehada Mining Limited operates a lead/zinc mine in Inner Mongolia, China. It is a public company traded on the Toronto Stock Exchange, ticker symbol AHD.

Lloyd Chiotti - Director

On September 22, 2011, Lloyd Chiotti was appointed to our board of directors. Lloyd Chiotti has held several senior management positions including Director of Information Services and a number of Regional General Manager roles within Operations with Enbridge Gas Distribution (formerly The Consumers Gas Company) for over 30 years. In addition to these responsibilities, he played a leadership role in helping the organization prepare for a new regulatory framework (moving from "Cost of Service" regulation to "Incentive" regulation). Most recently he was appointed to

the newly formed position of Director, Distribution Asset Management, responsible for overseeing the development of Enbridge Gas Distribution's Strategic Asset Plan. He is actively involved in the natural gas industry. He is currently the Chair of the Asset Management Task Force of the Canadian Gas Association and he is a member of the Distribution Working Committee of the International Gas Union.

42

Table of Contents

Conflicts of Interest

There is no conflict that we foresee as our officers and directors devote full time to the business and the operations of the company except for Samuel R. Baker and Lloyd Chiotti who are not full time in the organization.

Involvement in Certain Legal Proceedings

During the past ten years, Messrs. Leitao, Cecil, Baker, and Chiotti have not been the subject of the following events:

A petition under the Federal bankruptcy laws or any state insolvency law was filed by or against, or a receiver, fiscal agent or similar officer was appointed by a court for the business or property of such person, or any partnership in which he was a general partner at or within two years before the time of such filing, or any corporation or business association of which he was an executive officer at or within two years before the time of such filing;

2. Convicted in a criminal proceeding or is a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses);

The subject of any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from, or otherwise limiting, the following activities;

Acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, any other person regulated by the Commodity Futures Trading Commission, or an associated person of any of the foregoing, or as an investment adviser, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company, or engaging in or continuing any conduct or practice in connection with such activity;

ii) Engaging in any type of business practice; or

iii) Engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of Federal or State securities laws or Federal commodities laws;

The subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any Federal or State authority barring, suspending or otherwise limiting for more than 60 days the right of such person to engage in any activity described in paragraph 3.i in the preceding paragraph or to be associated with persons engaged in any such activity;

Was found by a court of competent jurisdiction in a civil action or by the Commission to have violated any Federal or State securities law, and the judgment in such civil action or finding by the Commission has not been subsequently reversed, suspended, or vacated;

Was found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any Federal commodities law, and the judgment in such civil action or finding by the Commodity Futures Trading Commission has not been subsequently reversed, suspended or vacated;

Was the subject of, or a party to, any Federal or State judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of:

i) Any Federal or State securities or commodities law or regulation; or

- ii) Any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order, or
 - iii) Any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
- 43
-

Table of Contents

Was the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act (15 U.S.C. 78c(a)(26)), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29)), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Audit Committee and Charter

We have a separately designated audit committee of the board. Our board of directors performs the audit committee functions. None of our directors are deemed independent. Three of our directors also hold positions as our officers. Our audit committee is responsible for: (1) selection and oversight of our independent accountant; (2) establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls and auditing matters; (3) establishing procedures for the confidential, anonymous submission by our employees of concerns regarding accounting and auditing matters; (4) engaging outside advisors; and, (5) funding for the outside auditors and any outside advisors engagement by the audit committee. A copy of our audit committee charter is filed as an exhibit to our 2007 Form 10-K.

Audit Committee Financial Expert

We do not have an external audit committee financial expert.

Code of Ethics

We have adopted a corporate code of ethics. We believe our code of ethics is reasonably designed to deter wrongdoing and promote honest and ethical conduct; provide full, fair, accurate, timely and understandable disclosure in public reports; comply with applicable laws; ensure prompt internal reporting of code violations; and provide accountability for adherence to the code. A copy of the code of ethics is filed as Exhibit 14.2 to our Form S-1 filed with the Securities and Exchange Commission on August 25, 2014.

Disclosure Committee and Committee Charter

We have a disclosure committee and disclosure committee charter. Our disclosure committee is comprised of all of our officers and directors. The purpose of the committee is to provide assistance to the Chief Executive Officer and the Chief Financial Officer in fulfilling their responsibilities regarding the identification and disclosure of material information about us, and the accuracy, completeness and timeliness of our financial reports. A copy of the disclosure committee charter is filed as Exhibit 99.2 to our 2007 Form 10-K.

Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors, officers and persons who beneficially owned more than ten percent of our common stock to file reports of ownership and changes in ownership of common stock. Based solely upon a review of Forms 3, 4 and 5 furnished to us during the fiscal year 2014, all officers, directors, and persons who beneficially own more than ten percent of our common stock filed all reports required by Section 16(a) of the Securities Exchange Act of 1934, as amended.

ITEM 11. EXECUTIVE COMPENSATION.

The following table sets forth the compensation paid by us during the last two fiscal years for our officers. This information includes the dollar value of base salaries, bonus awards and number of stock options granted, and certain other compensation, if any. The compensation discussed addresses all compensation awarded to, earned by, or paid to our named executive officers.

Table of Contents

Summary Compensation Table

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Name and Principal Position [1]	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)[1]	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value & Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Totals (\$)
John Cecil Chairman & CEO	2014	160,941	0	412,785	0	0	0	43,154	616,880
	2013	172,567	0	0	0	0	0	0	172,567
Vince Leitao President	2014	160,941	0	60,796	0	0	0	0	221,737
	2013	172,567	0	0	0	0	0	0	172,567
Samuel Baker Secretary	2014	0	0	150,000	0	0	0	0	150,000
	2013	0	0	0	0	0	0	0	0

During the year ended December 31, 2014, 6,000,000 common shares and 95,000,000 Series A Preferred shares [1] were issued to directors and officers and their family for a total amount of \$638,780, of which \$NIL was contributed as cash by them and \$638,780 was granted to them as stock-based compensation.

The number of shares issued as compensation to each named executive officer and their family for the year ended December 31, 2014 was as follows:

- John Cecil - 5,000,000 common shares and 70,000,000 Series A preferred shares issued as compensation valued at \$412,785
- Vince Leitao – 20,000,000 Series A preferred shares issued as compensation valued at \$60,796
- Samuel Baker - 1,000,000 common shares issued as compensation valued at \$150,000
- Lloyd Chiotti – 5,000,000 Series A preferred shares as compensation valued at \$15,199

The values reported represent the issue date fair value of the shares calculated as the difference between the quoted stock price per share of between \$0.04 and \$0.15 per share at the time of issue and the issuance price of \$0.0001 per share multiplied by the number of shares issued.

The following table sets forth information with respect to compensation paid by us to our directors during the last completed fiscal year December 31, 2014.

Director Compensation Table

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value & Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
John Cecil	0	0	0	0	0	0	0

Edgar Filing: Kallo Inc. - Form 10-K

Vince Leitao	0	0	0	0	0	0
Lloyd Chiotti	15,199	0	0	0	0	15,199
Samuel Baker	0	0	0	0	0	0

All compensation received by our officers and directors has been disclosed.

45

Table of Contents

Option/SAR Grants

There are no stock option, retirement, pension, or profit sharing plans for the benefit of our officers and directors other than our 2012 and 2012 Non-Qualified Incentive Stock Option Plans. No options have been granted to our officers and directors thereunder.

Long-Term Incentive Plan Awards

We do not have any long-term incentive plans that provide compensation intended to serve as incentive for performance.

Compensation of Directors

The members of our board of directors are not compensated for their services as directors. We no longer have employment contracts with our officers or directors.

Indemnification

Under our Bylaws, we may indemnify an officer or director who is made a party to any proceeding, including a lawsuit, because of his position, if he/she acted in good faith and in a manner he/she reasonably believed to be in our best interest. We may advance expenses incurred in defending a proceeding. To the extent that the officer or director is successful on the merits in a proceeding as to which he/she is to be indemnified, we must indemnify him/her against all expenses incurred, including attorney's fees. With respect to a derivative action, indemnity may be made only for expenses actually and reasonably incurred in defending the proceeding, and if the officer or director is judged liable, only by a court order. The indemnification is intended to be to the fullest extent permitted by the laws of the State of Nevada.

Regarding indemnification for liabilities arising under the Securities Act of 1933, which may be permitted to directors or officers under Nevada law, we are informed that, in the opinion of the Securities and Exchange Commission, indemnification is against public policy, as expressed in the Act and is, therefore, unenforceable.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The following table sets forth, as of the date of this report, the total number of shares owned beneficially by each of our directors, officers and key employees, individually and as a group, and the present owners of 5% or more of our total outstanding shares. The stockholder listed below has direct ownership of his/her shares and possesses sole voting and dispositive power with respect to the shares.

Name and Address Beneficial Owner [1]	Number of Common Shares Owned	Percentage of Ownership	Number of Preferred Shares Owned	Percentage of Ownership
John Cecil [2] 675 Cochrane Drive, West Tower, Suite 630 Markham, ON L3R 0B8	91,612,857	23.97%	70,000,000	73.69%
Vince Leitao [3] 675 Cochrane Drive,	55,837,845	14.61%	20,000,000	21.05%

West Tower, Suite 630
Markham, ON L3R 0B8

46

Table of Contents

Lloyd Chiotti 31 Sisman Avenue Aurora, ON, L4G 6R9	28,575,977	7.48%	5,000,000	5.26%
Samuel Baker [4] 255 Duncan Mill Road, Unit 504 Toronto, ON, M3B 3H9	14,013,850	3.67%	-	-
All Officers and Directors as a Group (4 persons)	190,040,529	49.73%	95,000,000	100%

[1] The persons named above may be deemed to be a "parent" and "promoter" of our company, within the meaning of such terms under the Securities Act of 1933, as amended, by virtue of his/its direct and indirect stock holdings.

[2] Includes 17,600,000 shares of common stock owned by family members of John Cecil.

[3] Includes 15,000,000 shares of common stock owned by family members of Vince Leitao.

[4] Includes 410,000 shares of common stock owned by family members of Samuel Baker.

[5] Each preferred share is entitled to 100 votes.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

During the year ended December 31, 2013, 1,156,524 shares were issued to Lloyd Chiotti, a director of the Company, for a total amount of \$46,261, of which \$46,261 was for repayment of short term loans payable.

As at December 31, 2013, we owe our officers and directors \$68,574 in accounts payable and accrued liabilities and \$1,450 in a non-interest bearing advance to our Company.

During the year ended December 31, 2014, 5,000,000 common shares and 1,000,000 common shares were issued respectively to John Cecil, our Chief Executive Officer and Chairman of our Board of Directors and to Samuel Baker, our Secretary, as stock-based compensation and were valued at \$200,000 and \$150,000 respectively. Furthermore, 70,000,000 Series A Preferred shares, 20,000,000 Series A Preferred shares and 5,000,000 Series A Preferred shares were issued respectively to John Cecil, our Chief Executive Officer and Chairman of our Board of Directors, to Vince Leitao, our President and Chief Operating Officer and to Lloyd Chiotti, a Director, as stock-based compensation and were valued at \$212,785, \$60,796 and \$15,199 respectively and an additional 6,304,633 shares were issued to Mr. Chiotti for cash of \$315,232.

As at December 31, 2014, we owe our officers and directors \$15,714 in accounts payable and accrued liabilities.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

(1) Audit Fees

The aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountant for our audit of annual financial statements and review of financial statements included in our Form 10-Qs or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years was:

2014 \$50,000 MaloneBailey LLP
2013 \$66,638 MaloneBailey LLP

2013 \$98,135 Schwartz Levitsky Feldman LLP

47

Table of Contents

(2) Audit-Related Fees

The aggregate fees billed in each of the last two fiscal years for assurance and related services by the principal accountants that are reasonably related to the performance of the audit or review of our financial statements and are not reported in the preceding paragraph:

2014 \$0 MaloneBailey, LLP
2013 \$0 MaloneBailey LLP
2013 \$0 Schwartz Levitsky Feldman LLP

(3) Tax Fees

The aggregate fees billed in each of the last two fiscal years for professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning was:

2014 \$0 MaloneBailey, LLP
2013 \$0 MaloneBailey LLP
2013 \$0 Schwartz Levitsky Feldman LLP

(4) All Other Fees

The aggregate fees billed in each of the last two fiscal years for the products and services provided by the principal accountant, other than the services reported in paragraphs (1), (2), and (3) was:

2014 \$0 MaloneBailey LLP
2013 \$ 0 MaloneBailey LLP
2013 \$29,947 Schwartz Levitsky Feldman LLP

Our audit committee's pre-approval policies and procedures described in paragraph (c)(7)(i) of Rule 2-01 of (5) Regulation S-X were that the audit committee pre-approve all accounting related activities prior to the performance of any services by any accountant or auditor.

The percentage of hours expended on the principal accountant's engagement to audit our financial statements for (6) the most recent fiscal year that were attributed to work performed by persons other than the principal accountant's full time, permanent employees was 0%.

Table of Contents

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

Exhibit	Document Description	Incorporated by reference FormDate	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	Agreement with Rophe Medical Technologies Inc. dated December 11, 2009.	10-K 3/31/10	10.2
10.2	Amended Agreement with Rophe Medical Technologies Inc. dated December 18, 2009.	10-K 3/31/10	10.3
10.3	Amended Agreement with Rophe Medical Technologies Inc. dated March 16, 2010.	10-K 3/31/10	10.4
10.4	Investment Agreement with Kodiak Capital Group, LLC dated October 20, 2014.	S-1 10/30/14	10.6
10.5	Amended Agreement with Jarr Capital Corp.	8-K 2/22/11	10.1
10.6	Termination of Employment Agreement with John Cecil.	8-K 2/22/11	10.2
10.7	Termination of Employment Agreement with Vince Leitao.	8-K 2/22/11	10.3
10.8	Termination of Employment Agreement with Samuel Baker.	8-K 2/22/11	10.4
10.9	Services Agreement with Buchanan Associates Computer Consulting Ltd.	10-K 5/18/11	10.1
10.10	Equipment Lease Agreement with Buchanan Associates Computer Consulting Ltd.	10-K 5/18/11	10.2
10.11	Agreement with Mansfield Communications Inc.	10-K 5/18/11	10.3
10.12	Agreement with Watt International Inc.	10-K 5/18/11	10.4
10.13	Pilot EMR Agreement with Nexus Health Management Inc.	10-K 5/18/11	10.5
10.14	2011 Non-Qualified Stock Option Plan.	S-8 6/27/11	10.1

10.17 Multimedia Contractual Agreement with David Miller.

8-K 10/28/11 10.1

49

Table of Contents

10.18	Strategic Alliance Agreement with Petro Data Management Services Limited and Gateway Global Fabrication Ltd.	8-K	11/02/11	10.1	
10.19	Independent Contractor Agreement with Savers Drug Mart.	8-K	1/26/12	10.1	
10.20	2012 Non-Qualified Stock Option Plan.	S-8	9/06/12	10.1	
10.21	Memorandum of Offering with Ministry of Health of Republic of Ghana.	S-1/A-3	6/26/13	10.32	
10.22	Addendum to Investment Agreement with Kodiak.	S-1/A-4	7/31/13	10.33	
10.23	Second Addendum to Investment Agreement with Kodiak.	S-1	8/25/14	10.34	
10.24	Email from Kodiak.	S-1/A-1	9/24/14	10.35	
10.25	Email from Kodiak.	S-1/A-1	9/24/14	10.36	
14.1	Code of Ethics.	S-1	8/25/14	14.2	
16.1	Letter from Collins Barrow Toronto LLP.	8-K/A-1	12/15/12	16.3	
16.2	Letter from Schwartz Levitsky Feldman LLP.	8-K/A-3	8/13/14	16.1	
21.1	List of Subsidiary Companies.	10-K	3/31/10	21.1	
23.1	Consent of MaloneBailey LLP.				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	
99.3	FCPA Code.	S-1	8/25/14	99.3	
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.LAB	XBRL Taxonomy Extension – Labels.				X
101.PRE	XBRL Taxonomy Extension – Presentation.				X

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 15th day of April, 2015.

KALLO INC.

BY: JOHN CECIL

John Cecil

Principal Executive Officer, Principal Financial Officer, Principal Accounting Officer and Chairman of Board of Directors

BY: VINCE LEITAO

Vince Leitao

President, Chief Operating Officer and a member of the Board of Directors

Pursuant to the requirements of the Securities Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature	Title	Date
<u>JOHN CECIL</u> John Cecil	Principal Executive Officer, Principal Financial Officer, Principal Accounting Officer and Chairman of Board of Directors	April 15, 2015
<u>VINCE LEITAO</u> Vince Leitao	President, Chief Operating Officer and a member of the Board of Directors	April 15, 2015
<u>SAMUEL BAKER</u> Samuel Baker	Corporate Secretary and member of the Board of Directors	April 15, 2015
<u>LLOYD A. CHIOTTI</u> Lloyd A. Chiotti	Member of the Board of Directors	April 15, 2015

Table of Contents
EXHIBIT INDEX

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	Agreement with Rophe Medical Technologies Inc. dated December 11, 2009.	10-K 3/31/10	10.2
10.2	Amended Agreement with Rophe Medical Technologies Inc. dated December 18, 2009.	10-K 3/31/10	10.3
10.3	Amended Agreement with Rophe Medical Technologies Inc. dated March 16, 2010.	10-K 3/31/10	10.4
10.4	Investment Agreement with Kodiak Capital Group, LLC dated October 20, 2014.	S-1 10/30/14	10.6
10.5	Amended Agreement with Jarr Capital Corp.	8-K 2/22/11	10.1
10.6	Termination of Employment Agreement with John Cecil.	8-K 2/22/11	10.2
10.7	Termination of Employment Agreement with Vince Leitao.	8-K 2/22/11	10.3
10.8	Termination of Employment Agreement with Samuel Baker.	8-K 2/22/11	10.4
10.9	Services Agreement with Buchanan Associates Computer Consulting Ltd.	10-K 5/18/11	10.1
10.10	Equipment Lease Agreement with Buchanan Associates Computer Consulting Ltd.	10-K 5/18/11	10.2
10.11	Agreement with Mansfield Communications Inc.	10-K 5/18/11	10.3
10.12	Agreement with Watt International Inc.	10-K 5/18/11	10.4
10.13	Pilot EMR Agreement with Nexus Health Management Inc.	10-K 5/18/11	10.5
10.14	2011 Non-Qualified Stock Option Plan.	S-8 6/27/11	10.1
10.17	Multimedia Contractual Agreement with David Miller.	8-K 10/28/11	10.1

10.18 Strategic Alliance Agreement with Petro Data Management Services Limited and Gateway Global Fabrication Ltd. 8-K 11/02/11 10.1

52

Table of Contents

10.19	Independent Contractor Agreement with Savers Drug Mart.	8-K	1/26/12	10.1
10.20	2012 Non-Qualified Stock Option Plan.	S-8	9/06/12	10.1
10.21	Memorandum of Offering with Ministry of Health of Republic of Ghana.	S-1/A-3	6/26/13	10.32
10.22	Addendum to Investment Agreement with Kodiak.	S-1/A-4	7/31/13	10.33
10.23	Second Addendum to Investment Agreement with Kodiak.	S-1	8/25/14	10.34
10.24	Email from Kodiak.	S-1/A-1	9/24/14	10.35
10.25	Email from Kodiak.	S-1/A-1	9/24/14	10.36
14.1	Code of Ethics.	S-1	8/25/14	14.2
16.1	Letter from Collins Barrow Toronto LLP.	8-K/A-1	2/15/12	16.3
16.2	Letter from Schwartz Levitsky Feldman LLP.	8-K/A-38/13/14		16.1
21.1	List of Subsidiary Companies.	10-K	3/31/10	21.1
23.1	Consent of MaloneBailey LLP.			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
99.3	FCPA Code.	S-1	8/25/14	99.3
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.LAB	XBRL Taxonomy Extension – Labels.			X
101.PRE	XBRL Taxonomy Extension – Presentation.			X