

Kallo Inc.  
Form 10-K/A  
June 28, 2013

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

FORM 10-K/A-1

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended December 31, 2012

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)

15 Allstate Parkway, Suite 600  
Markham, Ontario, Canada L3R 5B4  
(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:<br>None<br>(Title of Class) | Securities registered pursuant to section 12(g) of the Act:<br>Common Stock<br>(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

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  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  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

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(§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark 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 | <input type="checkbox"/> | Accelerated Filer         | <input type="checkbox"/>            |
| Non-accelerated Filer   | <input type="checkbox"/> | Smaller Reporting Company | <input checked="" type="checkbox"/> |

(Do not check if a 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, 2012: \$27,556,595

The registrant had 291,347,036 shares of common stock outstanding as of March 18, 2013.

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## REASON FOR AMENDMENT

The purpose we are amending our Form 10-K for the year ended December 31, 2012 to include the consent for the registration statement on Form S-8 filed June 27, 2011, File No. 333-175152 and correct the financial statements in response to comments received from the SEC.

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PART I

ITEM 1. BUSINESS.

We were incorporated in the state of Nevada on December 12, 2006 as Printing Components Inc. to engage in the business of selling printing equipment and related products. We subsequently changed our name to Diamond Technologies Inc. and then to our current name of Kallo Inc. On December 11, 2009, we entered into an agreement 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 restricted shares of our common stock and \$1,200,000. As a result of our acquisition of Rophe, we were no longer a “shell company” as that term is defined in Rule 405 of the Securities Act of 1933, as amended.

On December 18, 2009 we amended the foregoing agreement to provide that the “\$50,000 that was due by January 12, 2010 be extended to the 30th day of January, 2010” and to provide “that in the event of any default in the performance of this Agreement by either party, except for the payment of \$50,000 payable on or before the 30th day of January 2010, the Defaulting Party was allowed a period of thirty (30) days in which to remedy such default.”

On March 16, 2010 we again amended the foregoing agreement to provide that in lieu of us paying John Cecil, Grace Cecil, Samuel Baker, Carol Baker, and Vince Leitao the sum of \$50,000 on or before the 30th day of January 2010, we were obligated to pay to John Cecil \$35,000 by March 5th 2010 and pay to John Cecil \$15,000 by March 31st 2010 and In lieu of the payment to the Rophe of the sum of \$200,000 on March 31, 2010 and \$250,000 on April 30, 2010 we were obligated to issue to issue:

John Cecil – 1,400,000 common shares  
Grace Cecil – 1,400,000 common shares  
Samuel Baker – 100,000 common shares  
Carol Baker – 100,000 common shares  
and pay to John Cecil on March 31, 2010 the sum of \$50,000.

Upon acquiring Rophe, the focus of our business changed from selling printing equipment to manufacturing and 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.

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2. Kallo’s Copyrighted Technologies:

The following technologies are protected under Canadian and International copyrights are authored by John Cecil and owned by Kallo Inc. as referenced in the acquisition agreement between Kallo Inc. (formally known as Diamond Medical Technologies Inc.) and Rophe Medical Technologies 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          | 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 |
| 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 |

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.

- 1. 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 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.



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### Target Market

Our primary target market for the point of care products is the Canadian health-care system including Walk-In Clinics/Physicians Offices, Independent Diagnostic Centers, Impendent Health Facilities, Laboratories, and Hospitals. Both the US 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 where Kallo is 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 USA on an ongoing basis where Kallo stands to benefit from the Technology ownership of the treatment or diagnostic systems developed for commercial use.

During fiscal 2011, we did incur expenses towards cost of resources (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.

### 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:

Kallo Management believes that the market trend in Canada, USA and globally is continuing to reflect increased adoption of point of care technologies such as EMR and PACS. This is very evident from the market information given above in the section “Market Trend for EMR and PACS”.

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

Kallo 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.

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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.

### Agreement with Kodiak Capital Group, LLC

On September 26, 2012, we entered into a investment agreement with Kodiak Capital Group, LLC (“Kodiak”) whereby we issued 2,000,000 shares of its common stock in exchange for a put option to sell up to \$2,000,000 worth of shares of our common stock 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 24, 2012, we filed a Form S-1 registration statement relating to the resale of up to 50,000,000 shares of common stock issuable to Kodiak pursuant to the foregoing investment agreement.

### Employees

As of January 31, 2013, we have seven (7) full time employees and two (2) part-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.

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Offices

Our administrative office is located at 15 Allstate Parkway, Suite 600, Markham, Ontario, Canada, L3R 5B4, our telephone number is (416) 246-9997. We lease this space from RCN Management Limited Partnership Company, pursuant to a written lease with a term of 18 months. Our monthly rent is approximately \$6,000.

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.

Currently we are responding to comments from the SEC relating to our Form S-1 registration statement.

ITEM 2. PROPERTIES.

Our properties consist mainly of leased office facilities. The executive offices of Kallo Inc. are located at 15 Allstate Parkway, Suite 600, Markham, Ontario, Canada, L3R 5B4, our telephone number is (416) 246-9997.

ITEM 3. LEGAL PROCEEDINGS.

As of March 14, 2012, we settled our dispute with Leonard Steinmetz, our former treasurer, principal financial officer, principal accounting officer, and a member of the board of directors. We agreed to resolve all of our differences by paying Mr. Steinmetz \$130,000 in installments as follows: \$25,000, beginning eight days from the receipt from the Occupational and Safety Administration (“OSHA”) of its notice approving the withdrawal of Mr. Steinmetz’s OSHA complaint with prejudice; \$10,000 to be paid on or before the last business day of each of the ten months following month of receipt of said notice from OSHA; and, a final installment of \$5,000.00 or before the last business day of the eleventh month. In addition, we agreed, that within 21 days of receipt of said notice from OSHA, we are to issue 500,000 restricted shares of our common stock to Mr. Steinmetz. On May 2, 2012, the Occupational and Safety Administration approved Leonard Steinmetz’s withdrawal of his complaint against us.

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 \$161,673.67 plus unspecified “special” damage. Management is of the opinion that Watt has charged Kallo for services that Watt did not perform, and that Watt has duplicated charges for work that it performed and intends to defend itself vigorously in the suit. Management has recognized an accrual for the amount of the claim. An estimate could not be made of the unspecified “special” damage and hence no accrual was made thereof.

On December 20, 2012, Mansfield Communications Inc. (Mansfield) entered into a legal action against Kallo concerning monies allegedly owed by Kallo to Mansfield for media consultancy and communication services provided by Mansfield to Kallo (Mansfield Communications Inc., Plaintiff vs. Kallo Inc., Defendant filed a Statement of Claim in the Ontario Superior Court of Justice, Case No. CV-12-47061). Mansfield is seeking damages in the amount of Canadian \$191,246.11 plus unspecified “special” damage. On January 30, 2013, Kallo filed a Statement of Defense. Management is of the opinion that Mansfield has charged Kallo for services that Mansfield did not perform, and that Mansfield has duplicated charges for work that it performed and intends to defend itself vigorously in the suit. At this time, management cannot assess the final outcome of the claim. Management has recognized an accrual for an amount of \$161,991. An estimate could not be made of the unspecified “special” damage and hence no accrual

was made thereof.

ITEM 4. MINE SAFETY DISCLOSURES.

None.

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## 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 2012 and 2011 is as follows:

| Fiscal Year<br>2012 |                                    | High Bid | Low Bid |
|---------------------|------------------------------------|----------|---------|
|                     | Fourth Quarter 10-1-12 to 12-31-12 | \$0.06   | \$0.01  |
|                     | Third Quarter 7-1-12 to 9-30-12    | \$0.20   | \$0.01  |
|                     | Second Quarter 4-1-12 to 6-30-12   | \$1.00   | \$0.25  |
|                     | First Quarter 1-1-12 to 3-31-12    | \$0.24   | \$0.05  |

| Fiscal Year<br>2011 |                                    | High Bid | Low Bid |
|---------------------|------------------------------------|----------|---------|
|                     | Fourth Quarter 10-1-11 to 12-31-11 | \$0.11   | \$0.02  |
|                     | Third Quarter 7-1-11 to 9-30-11    | \$0.10   | \$0.05  |
|                     | Second Quarter 4-1-11 to 6-30-11   | \$0.22   | \$0.10  |
|                     | First Quarter 1-1-11 to 3-31-11    | \$0.22   | \$0.05  |

## 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.

## 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 FINRA'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.



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## 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 stock options 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 stock options 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 included 10,000,000 shares of common stock. At September 7, 2012, options to acquire 7,233,334 shares have been granted; 7,233,334 options have been exercised; and, 2,766,666 options to acquire 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<br>(a) | Weighted-average exercise price of outstanding options, warrants and rights<br>(b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities in column (a))<br>(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.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF 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.

Our auditors have included a going concern emphasis of matter paragraph as part of the audit of our year-end consolidated financial statements. We have not generated revenues from our operations during the last three years. The only revenues generated by us was in 2007, when we were engaged in the business of selling printing equipment and related products. 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.

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For the last 4 fiscal years, starting January 2010, Kallo management and board of directors have raised funds through a personal and professional network of angel 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. There is no assurance that Kodiak Capital Group LLC will supply us with any 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. Based upon the current price of our common stock, we believe that if Kodiak purchases all 50,000,000 shares of common stock, we will only receive \$720,000. The reasonable funding requirement of US\$2,000,000 is estimated to fund our operations and capital requirements over the next 12 months. Management believes that the Company can be generating revenue in the next 6-12 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 at large for a total project cost for National implementation and Maintenance support for five years of US\$158,500,000.

1. 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 the following conditions have been satisfied:
  - a) Approval of the Credit Agreement by the Cabinet and Parliament of Republic of Ghana and the relevant KALLO INC. for the implementation of the projects;
  - b) Approval by the Ministry of Health of the detailed proposal for Mobile Care project submitted by Kallo Inc., dated 19 November 2012 which includes detailed technical specifications for the mobile clinics, training and maintenance support services.
  - c) The training program will include a certification process for Kallo Inc., affiliated Canadian and United States Of America Medical Teaching University and Applied Science Colleges.
    - d) Successful completion of "Value for Money" audit of the Contractor's proposal and negotiations;
    - e) Approval of the contract by the Public Procurement Authority of Ghana.
2. That the National rollout overview and supply and training schedules will be mutually agreed, upon the acceptance of the indicative terms and condition of the loan by the Ministry of Finance and Economic Planning of the Republic of Ghana;
3. That Party B's financial proposals attached herein to be used by the Ministry of Finance and Economic Planning for consideration and value for money assessment;
  - a) That Party B's technical proposals shall be considered by a team of experts for assessment and negotiation

4. Any disputes between the parties shall be resolved through negotiation and mediation by the appropriate authorities

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5. That within 30 days after the signing of the MOU, Party A shall notify Party B by a written document his requirements and specifications which shall include and not be limited to the following information:

- a) Feasibility study report
- b) National geographic locations and demographic deployment schedules for Mobile Clinics and Clinical Command Centers
  - c) Different functional requirements of Mobile clinics for both rural and urban locations
  - d) Number of Mobile Clinics and Clinical Command Centers in each region
- e) Current standards for medical equipment in hospital in Ghana, for example: the standard of radiation control of X-ray machine
- f) Standards for electric appliances used in mobile clinics and for environmental protection, for example: power outlet and interface of electric appliances, busing standards for the protection for X -ray machine
- g) Standards for waste-water treatment, medical waste treatment, operating-room and supply room of the Mobile Clinic
  - h) Human resources deployment in district level hospital for mobile clinic
  - i) Standards for contagious diseases isolation and sterilization in Ghana
  - j) Principal of accessory and spare-parts supply
  - k) Principle of medical consumables and medical equipment consumables

As at March 13, 2013, the following items have been satisfied:

- a) Approval by the Ministry of Health of the detailed proposal for Mobile Care project submitted by Kallo Inc., dated 19 November 2012 which includes detailed technical specifications for the mobile clinics, training and maintenance support services.
- b) The training program will include a certification process for Kallo Inc., affiliated Canadian and United States Of America Medical Teaching University and Applied Science Colleges.
  - c) Feasibility study report
- d) National geographic locations and demographic deployment schedules for Mobile Clinics and Clinical Command Centers
  - e) Different functional requirements of Mobile clinics for both rural and urban locations
  - f) Number of Mobile Clinics and Clinical Command Centers in each region
- g) Current standards for medical equipment in hospital in Ghana, for example: the standard of radiation control of X-ray machine
- h) Standards for electric appliances used in mobile clinics and for environmental protection, for example: power outlet and interface of electric appliances, busing standards for the protection for X -ray machine
- i) Standards for waste-water treatment, medical waste treatment, operating-room and supply room of the Mobile Clinic
  - j) Human resources deployment in district level hospital for mobile clinic
  - k) Standards for contagious diseases isolation and sterilization in Ghana
  - l) Principal of accessory and spare-parts supply
  - m) Principle of medical consumables and medical equipment consumables

Plan of Operation at March 31, 2013

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 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 5-6 months for production and delivery of the first 2 mobile clinics in Ghana from the time of confirmed purchase order along with payments through Bank.

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In this period of 5-6 months from the date of purchase order confirmation to Kallo Inc. the following shall be completed for go live of the Mobile Clinics.

1. Establish geographical coverage for Mobile Clinics based on hospitals to population ratio in specific rural areas of 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

Kallo 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 Ghana in a timely manner, selling our existing products as well as developing and possibly selling new products.

### Costs Associated with the Plan of Operations

Currently under the Plan of Operations, we have expenses towards 7 full time resources, including engineers, applications specialist, and project and operations managers. We have completed the product development phase for Electronic Medical Records system, Mobile Clinics, and Clinical Command Centers. Our efforts are focused in commercializing these technologies and generating revenue. 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 other Kallo 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 advance payment of \$24,990 has been received as of December 31, 2012. Revenue from this installation will be \$30,000 with an anticipated gross profit of \$20,000. Clinical user and administrative training will be completed in July 2013 to ensure seamless transition to a paperless digital medical clinic. Work on this order has commenced and installation will be completed in the third quarter 2013.

Our milestones during the next twelve months are:

1 - Developing our sales organization and marketing the third party products along with our software that bring 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.

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

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

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

### KALLO MOBILE CARE

We have successfully launched one of our copyrighted technologies "MOBILE CARE" - Mobile Clinics in November 2011, and have since then received several enquiries for this product from countries in Africa, 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 (12) months. Kallo's 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.



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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.

We are considered to be in the development stage, as defined under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 915-205. We have been in the development stage since our inception. We have had no substantial recurring source of revenue; we have incurred operating losses since inception and at December 31, 2012 had a working capital deficiency of \$1,018,696.

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

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

Limited operating history; need for additional capital

There is no 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 new 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

Revenues

a)We did not generate any revenues during the year ended December 31, 2012 or 2011. From our inception on December 12, 2006 through December 31, 2012 we generated \$15,887 in revenues. We generated the revenues in 2007 when we were engaged in the business of selling printing equipment and related products. The revenues were generated in fiscal year 2007. Since then we have not generated any revenues. We are in the process of completing the user training for our first installation of EMR for Specialists and will start generating revenues in early 2013.

Expenses

During the year ended December 31, 2012 we incurred total expenses of \$7,003,791, including \$5,392,199 in salaries and compensation, \$88,569 in depreciation, \$615,747 in professional fees, \$419,702 in selling and marketing expenses and \$487,574 as other expenses. Our professional fees consist of legal, consulting, accounting and auditing

fees.

During the year ended December 31, 2011 we incurred total expenses of \$5,337,700.

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The increase in our expenses for the year ended December 31, 2012 was primarily due to an increase in salaries and compensation of \$2,403,849 offset by a decrease in research and development costs of \$162,815 and a decrease in professional fees of \$686,981.

### Net Loss

During the year ended December 31, 2012 we did not generate any revenues and we incurred a net loss of \$7,003,791 compared to a net loss of \$5,337,700 in 2011.

From our inception on December 12, 2006 to December 31, 2012 we incurred a net loss of \$17,365,763, \$15,053,789 of which was general and administration, \$824,292 of which was software development costs, \$938,559 of which was selling and marketing and \$549,123 of which was other expenses.

### Results of Operations

From Inception on December 12, 2006 to December 31, 2012

During the year 2007, we incorporated the company, hired the attorney and the auditor and began to negotiate contracts and sell printing related products.

During the year 2008 we continued sourcing products. We did not sell any products or services.

During the year 2009, we did not sell any products or services. We acquired all of the issued and outstanding shares of common stock of Rophe Medical Technologies, Inc.

During the year 2010, we relocated the Company's executive office to Markham, Ontario, changed the Company's name to Kallo Inc., cancelled various employment contracts with previous officers and obtained forgiveness of debt from several directors and officers for compensation and debt owing to them. Our loss since inception is \$9,892,676.

Since inception, we sold 5,000,000 pre-dividend shares of common stock to our officers and directors for \$50; issued 490,500 pre-dividend shares of common stock at \$0.25 per share for a total of \$122,625; and issued 83,334 pre-dividend shares of common stock at \$0.60 per share for a total of \$50,000. Those shares were subsequently increased to reflect a 3 for 1 stock dividend declared on February 11, 2008

In 2009, we sold 150,000 shares of common stock to our President for \$15,000. We issued 6,000,000 shares of common stock to Rophe Medical Technologies Inc. and incurred debt of \$100,000 for 300 common shares of Rophe.

In the first quarter of 2010, we sold 1,133,664 shares of common stock at \$0.15 per share for a total of \$170,050.

Between July 1, 2010 and October 25, 2010, the Company sold 1,580,000 units of the Company's common stock and common share warrant at \$0.25 per unit for gross proceeds of \$395,000. Each unit comprised of one common share and one common share warrant. Each common share warrant is exercisable for a period of one year expiring on December 31, 2011 at a price of \$0.50 per share.

On August 18, 2010, we issued 13,500,000 common stock of the Company valued at \$3,375,000 for cash proceeds of \$1,350 from the directors and officers of the Company and stock based compensation of \$3,373,650.

In 2011, we sold 13,604,132 shares of common stock for a total of \$718,694 and issued 883,334 shares of common stock to creditors in satisfaction of \$49,434 in outstanding payables. We also issued 58,500,000 common stock of the Company valued at \$3,125,000 for cash proceeds of \$5,850 from the directors and officers of the Company and stock based compensation of \$3,119,150.

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On October 24, 2011, we issued 1,000,000 common stock of the Company valued at \$70,000 to a consultant for the provision of services relating to the marketing of the Company's business and products to the public.

During the quarter ended March 31, 2012, the Company issued 5,000,000 shares of its common stock valued at \$350,000 to consultants for the provision of various services to the Company.

During the year ended December 31, 2012, the Company's issued 52,589,910 shares of its common stock in consideration of \$2,629,497, of which \$394,474 was received as at December 31, 2011.

On June 1, 2012, the Company issued 500,000 restricted shares of its common stock to a past officer as compensation of \$60,000 for past services rendered.

On July 20, 2012, the Company issued 350,000 restricted shares of common stock to a creditor in consideration of satisfaction for services rendered for a fair value of \$35,427.

During the year ended December 31, 2012, the Company sold 117,833,494 restricted shares of its common stock at \$0.0001 to various officers, employees and parties related to them in consideration of satisfaction of \$11,564 in outstanding payables and as compensation for future services in the amount of \$4,734,814.

On September 26, 2012, the Company entered into a investment agreement with Kodiak Capital Group, LLC ("Kodiak") whereby the company issued 2,000,000 shares of its common stock 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.

From Inception on December 12, 2006 to December 31, 2011

During the year 2007, we incorporated the company, hired the attorney and the auditor and began to negotiate contracts and sell printing related products.

During the year 2008 we continued sourcing products. We did not sell any products or services.

During the year 2009, we did not sell any products or services. We acquired all of the issued and outstanding shares of common stock of Rophe Medical Technologies, Inc.

During the year 2010, we relocated the Company's executive office to Markham, Ontario, changed the Company's name to Kallo Inc., cancelled various employment contracts with previous officers and obtained forgiveness of debt from several directors and officers for compensation and debt owing to them. Our loss since inception is \$17,365,763.

Since inception, we sold 5,000,000 pre-dividend shares of common stock to our officers and directors for \$50; issued 490,500 pre-dividend shares of common stock at \$0.25 per share for a total of \$122,625; and issued 83,334 pre-dividend shares of common stock at \$0.60 per share for a total of \$50,000. Those shares were subsequently increased to reflect a 3 for 1 stock dividend declared on February 11, 2008

In 2009, we sold 150,000 shares of common stock to our President for \$15,000. We issued 6,000,000 shares of common stock to Rophe Medical Technologies Inc. and incurred debt of \$100,000 for 300 common shares of Rophe.

In the first quarter of 2010, we sold 1,133,664 shares of common stock at \$0.15 per share for a total of \$170,050.





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Between July 1, 2010 and October 25, 2010, the Company sold 1,580,000 units of the Company's common stock and common share warrant at \$0.25 per unit for gross proceeds of \$395,000. Each unit comprised of one common share and one common share warrant. Each common share warrant is exercisable for a period of one year expiring on December 31, 2011 at a price of \$0.50 per share.

On August 18, 2010, we issued 13,500,000 common stock of the Company valued at \$3,375,000 for cash proceeds of \$1,350 from the directors and officers of the Company and stock based compensation of \$3,373,650.

In 2011, we sold 13,604,132 shares of common stock for a total of \$718,694 and issued 883,334 shares of common stock to creditors in satisfaction of \$49,434 in outstanding payables. We also issued 58,500,000 common stock of the Company valued at \$3,125,000 for cash proceeds of \$5,850 from the directors and officers of the Company and stock based compensation of \$3,119,150.

On October 24, 2011, we issued 1,000,000 common stock of the Company valued at \$70,000 to a consultant for the provision of services relating to the marketing of the Company's business and products to the public.

December 31, 2011 compared to December 31, 2010

### Revenues

We did not generate any revenues during the year ended December 31, 2011 or 2010.

### Expenses

During the year ended December 31, 2011 we incurred total expenses of \$5,337,700, including \$2,988,350 in salaries and compensation, \$162,815 in research and development costs, \$85,296 in depreciation, \$1,302,728 in professional fees, \$426,017 in selling and marketing expenses and \$372,494 as other expenses. Our professional fees consist of legal, consulting, accounting and auditing fees.

During the year ended December 31, 2010 we incurred total expenses of \$3,662,252.

The increase in our expenses for the year ended December 31, 2011 was primarily due to an increase in salaries and compensation of \$441,321, an increase in selling and marketing expenses of \$367,533 and an increase in professional fees of \$982,774, offset by a decrease in research and development costs of \$498,662.

### Net Loss

During the year ended December 31, 2011 we did not generate any revenues and we incurred a net loss of \$5,337,700 compared to a net loss of \$3,662,252 in 2010.

From our inception on December 12, 2006 to December 31, 2011 we incurred a net loss of \$10,361,972, \$8,788,243 of which was general and administration, \$824,292 of which was software development costs, \$518,857 of which was selling and marketing and \$230,580 of which was other expenses.

### Liquidity and capital resources

As at December 31, 2012, we had current assets of \$538,458, current liabilities of \$1,557,154, and a working capital deficiency of \$1,018,696. As of December 31, 2012, our total assets were \$1,480,999 in cash, copyrights, equipment

and our total liabilities were \$1,557,154 comprised of \$993,277 in accrued liabilities, \$55,000 in accrued officer salaries, Rophe Medical Technologies Inc. acquisition costs payable of \$525, loans payable of \$174,327, convertible promissory notes of \$200,767, deferred revenue of \$24,990 and obligations under capital leases of \$108,268.

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Cash used in operating activities amounted to \$1,925,257 during fiscal 2012, primarily as a result of the net loss adjusted for non-cash items and various changes in operating assets and liabilities.

There was no cash used in investing activities during the year.

Cash provided by financing activities during the year amounted to \$2,227,881 and represented mainly proceeds from sales of common stock of \$2,235,004, proceeds from convertible promissory notes of \$50,000, proceeds from loans payable of \$12,165, net of capital lease payments of \$69,288.

In 2012, the Company's issued 52,589,910 shares of its common stock in consideration of \$2,629,496, of which \$394,474 was received as at December 31, 2011.

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.

KALLO INC.  
(formerly Diamond Technologies, Inc.)  
(A DEVELOPMENT STAGE COMPANY)

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders of  
Kallo Inc.  
(A Development Stage Company)

We have audited the accompanying consolidated balance sheets of Kallo Inc. (a development stage company) as of December 31, 2012 and 2011 and the related consolidated statements of operations and comprehensive loss, changes in stockholders' equity (deficiency), and cash flows for the years then ended and for the period from December 12, 2006 (inception) to December 31, 2012. 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. The consolidated financial statements as of December 31, 2010, and for the period from December 12, 2006 (inception) to December 31, 2010, were audited by other auditors whose reports expressed unqualified opinions on those consolidated financial statements. Our opinion on the consolidated statements of operations and comprehensive loss, changes in stockholders' equity (deficiency), and cash flows for the period from December 12, 2006 (inception) to December 31, 2012 insofar as it relates to the amounts for prior periods through December 31, 2010, is based solely on the reports of the other auditors.

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 and the report of other auditors, provides a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2012 and the results of its operations and its cash flows for the year then ended and for the period from December 12, 2006 (inception) to December 31, 2012, in conformity with generally accepted accounting principles in the United States of America.

As discussed in Note 15 to the consolidated statements the 2010 consolidated financial statements have been restated to correct an error in accounting for extinguishment of debt with related parties during the year ended December 31, 2010.

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 \$17,365,763 at December 31, 2012 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.

Toronto, Ontario, Canada  
March 26, 2013

SCHWARTZ LEVITSKY FELDMAN LLP  
Chartered Accountants  
Licensed Public Accountants

Index to Financials

KALLO INC.  
(formerly Diamond Technologies, Inc.)  
(A Development Stage Company)  
Consolidated Balance Sheets

|   | December 31,        |                               |
|---|---------------------|-------------------------------|
|   | 2012                | 2011<br>(Restated-Note<br>15) |
| <b>ASSETS</b>   |                     |                               |
| Current Assets:   |                     |                               |
| Cash  | \$ 318,445          | \$ 15,821                     |
| Other receivables   | 87,196              | 37,571                        |
| Prepaid expenses  | 132,817             | 78,768                        |
| Total Current Assets  | 538,458             | 132,160                       |
| Copyrights (Note 8)   | 865,000             | 865,000                       |
| Equipment, net (Note 6)   | 77,541              | 166,110                       |
| <b>TOTAL ASSETS</b>   | <b>\$ 1,480,999</b> | <b>\$ 1,163,270</b>           |
| <b>LIABILITIES AND STOCKHOLDERS' DEFICIENCY</b>   |                     |                               |
| Current Liabilities:  |                     |                               |
| Accrued liabilities   | \$ 993,277          | \$ 1,253,283                  |
| Accrued officers' salaries  | 55,000              | 175,000                       |
| Acquisition cost payable (Note 8)   | 525                 | 56,502                        |
| Current portion of obligations under capital leases (Note 7)  | 108,268             | 94,377                        |
| Loans payable (Note 9)  | 109,044             | -                             |
| Convertible promissory notes (Note 10)  | 200,767             | -                             |
| Short term loans payable (Note 11)  | 65,283              | -                             |
| Deferred revenue  | 24,990              | -                             |
| Total Current Liabilities   | 1,557,154           | 1,579,162                     |
| Obligations Under Capital Leases (Note 7)   | -                   | 83,179                        |
| Deposit for shares to be issued (Note 3)  | -                   | 394,474                       |
| <b>TOTAL LIABILITIES</b>  | <b>1,557,154</b>    | <b>2,056,815</b>              |
| Commitments and Contingencies (Notes 8 and 13)  |                     |                               |
| Going Concern (Note 1)  |                     |                               |
| Subsequent Events (Note 14)   |                     |                               |
| Stockholders' Deficiency (Note 3)   |                     |                               |
| Preferred stock, \$0.00001 par value, 100,000,000 shares authorized,<br>none issued and outstanding   | -                   | -                             |
| Common stock, \$0.00001 par value, 500,000,000 (2011 – 500,000,000)<br>shares authorized, 291,347,036 and 113,072,632 shares issued and<br>outstanding at December 31, 2012 and 2011, respectively. | 2,913               | 1,131                         |
| Additional paid-in capital  | 17,286,695          | 9,467,296                     |
| Deficit accumulated during the development stage  | (17,365,763)        | (10,361,972)                  |

|  |    |           |    |           |
|--|----|-----------|----|-----------|
| Total Stockholders' Deficiency                 |    | (76,155)  |    | (893,545) |
| TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY | \$ | 1,480,999 | \$ | 1,163,270 |

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

Index to Financials

KALLO INC.  
(formerly Diamond Technologies, Inc.)  
(A Development Stage Company)  
Consolidated Statements of Operations and Comprehensive Loss

|  | For the Year<br>Ended<br>December 31,<br>2012 | For the Year<br>Ended<br>to December<br>31,<br>2011 | For the Period<br>December 12,<br>2006<br>(inception)<br>to December<br>31,<br>2012<br>(Restated –<br>Note 15) |
|--|---|---|--|
| Revenue  | \$ -  | \$ -  | \$ 15,887  |
| Cost of Revenue  | -   | -   | 12,840   |
| Gross Profit   | -   | -   | 3,047  |
| Expenses   |   |   |  |
| General and administration   | 6,265,546                                     | 4,555,257   | 15,053,789   |
| Selling and marketing  | 419,702                                       | 426,017   | 938,559  |
| Software development costs   | -   | 162,815   | 824,292  |
| Foreign exchange loss  | 14,376  | (32,446)  | (10,308)   |
| Depreciation   | 88,569  | 85,296  | 195,880  |
| Interest and financing costs   | 64,831  | 140,761   | 209,301  |
| Change in fair value on convertible promissory notes                 | 150,767                                       | -   | 150,767  |
| Loss on disposal of equipment  | -   | -   | 6,530  |
|  | 7,003,791                                     | 5,337,700   | 17,368,810   |
| Net Loss and comprehensive loss                                      | \$ (7,003,791)                                | \$ (5,337,700)                                      | \$ (17,365,763)  |
| Loss per share - Basic and diluted net                               | \$ (0.040)                                    | \$ (0.087)  |  |
| Weighted average number of shares<br>outstanding - Basic and diluted | 176,907,227                                   | 61,446,207  |  |

For the years ended December 31 2012 and 2011, 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.  
(formerly Diamond Technologies, Inc.)  
(A Development Stage Company)  
Consolidated Statements of Changes in Stockholders' Equity (Deficiency)  
For the period from December 12, 2006 (inception) through December 31, 2012

|                                       | Preferred Stock<br>\$.00001 par value |        | Common Stock<br>\$.00001 par value |        | Additional<br>Paid-In<br>Capital | Deficit<br>Accumulated<br>During the<br>Development<br>Stage | Total<br>Stockholders'<br>Equity<br>(Deficit) |
|---------------------------------------|---------------------------------------|--------|------------------------------------|--------|----------------------------------|--|---|
|                                       | Shares                                | Amount | Shares                             | Amount |                                  |  |   |
| Balance December 12, 2006 (Inception) | -                                     | \$ -   | -                                  | \$ -   | \$ -                             | \$ -   | -   |
| Issuance of common shares             | -                                     | -      | 5,000,000                          | 150    | (100)                            | -  | 50  |
| Net loss                              | -                                     | -      | -                                  | -      | -                                | (18,500)   | (18,500)                                      |
| Balance December 31, 2006             | -                                     | -      | 5,000,000                          | 150    | (100)                            | (18,500)   | (18,450)                                      |
| Issuance of common shares             | -                                     | -      | 573,834                            | 17     | 172,608                          | -  | 172,625                                       |
| Net loss                              | -                                     | -      | -                                  | -      | -                                | (232,602)  | (232,602)                                     |
| Balance December 31, 2007 (Audited)   | -                                     | -      | 5,573,834                          | 167    | 172,508                          | (251,102)  | (78,427)                                      |
| Three-for-one stock split             | -                                     | -      | 11,147,668                         | -      | -                                | -  | -   |
| Net loss                              | -                                     | -      | -                                  | -      | -                                | (65,770)   | (65,770)                                      |
| Balance December 31, 2008 (Audited)   | -                                     | -      | 16,721,502                         | 167    | 172,508                          | (316,872)  | (144,197)                                     |
| Shares issued for Rophe Acquisition   | -                                     | -      | 6,000,000                          | 60     | 765,240                          | -  | 765,300                                       |
| Issuance of common shares             | -                                     | -      | 150,000                            | 2      | 14,998                           | -  | 15,000  |
| Stock based compensation              | -                                     | -      | -                                  | -      | 7,500                            | -  | 7,500   |
| Net Loss                              | -                                     | -      | -                                  | -      | -                                | (440,374)  | (440,374)                                     |
| Balance December 31, 2009 (Audited)   | -                                     | -      | 22,871,502                         | 229    | 960,246                          | (757,246)  | 203,229                                       |
| Issuance of common shares             | -                                     | -      | 1,133,664                          | 12     | 170,038                          | -  | 170,050                                       |
| Issuance of common shares             | -                                     | -      | 1,580,000                          | 16     | 277,364                          | -  | 277,380                                       |

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|  |   |    |             |       |           |             |             |    |              |    |           |
|--|---|----|-------------|-------|-----------|-------------|-------------|----|--------------|----|-----------|
| Issuance of common share warrants                          | - | -  | -           | -     | 117,620   | -           | 117,620     |    |              |    |           |
| Shares issued to officers and directors                    | - | -  | 13,500,000  | 135   | 3,374,865 | -           | 3,375,000   |    |              |    |           |
| Net Loss   | - | -  | -           | -     | -         | (3,662,252) | (3,662,252) |    |              |    |           |
| Balance December 31, 2010 (Audited) (As previously stated) | - | \$ | -           | \$    | 392       | \$          | 4,900,133   | \$ | (4,419,498)  | \$ | 481,027   |
| Correction of error (Note 15)                              | - | -  | -           | -     | 604,774   | (604,774)   | -           |    |              |    |           |
| Balance December 31, 2010 (Audited) (As restated)          | - | \$ | -           | \$    | 392       | \$          | 5,504,907   | \$ | (5,024,272)  | \$ | 481,027   |
| Issuance of common shares                                  | - | -  | 13,604,132  | 136   | 718,558   | -           | 718,694     |    |              |    |           |
| Shares issued to officers, directors, employees and others | - | -  | 58,500,000  | 585   | 3,124,415 | -           | 3,125,000   |    |              |    |           |
| Shares issued for repayment of consulting fees             | - | -  | 1,000,000   | 10    | 69,990    | -           | 70,000      |    |              |    |           |
| Settlement of accounts payable by common shares            | - | -  | 883,334     | 8     | 49,426    | -           | 49,434      |    |              |    |           |
| Net Loss   | - | -  | -           | -     | -         | (5,337,700) | (5,337,700) |    |              |    |           |
| Balance December 31, 2011 (Audited) (As restated)          | - | \$ | -           | \$    | 1,131     | \$          | 9,467,296   | \$ | (10,361,972) | \$ | (893,545) |
| Issuance of common shares                                  | - | -  | 52,589,910  | 526   | 2,628,971 | -           | 2,629,497   |    |              |    |           |
| Shares issued to employees and others for services         | - | -  | 117,834,494 | 1,178 | 4,745,238 | -           | 4,746,416   |    |              |    |           |
| Shares issued for repayment of consulting fees             | - | -  | 5,000,000   | 50    | 349,950   | -           | 350,000     |    |              |    |           |
| Settlement of accounts payable by common shares            | - | -  | 350,000     | 3     | 35,424    | -           | 35,427      |    |              |    |           |
| Settlement of compensation to past officer                 | - | -  | 500,000     | 5     | 59,995    | -           | 60,000      |    |              |    |           |
| Commitment shares held in trust by Kodiak (Note 3)         | - | -  | 2,000,000   | 20    | 99,980    | -           | 100,000     |    |              |    |           |
|  | - | -  | -           | -     | (100,159) | -           | (100,159)   |    |              |    |           |

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|                                     |   |    |   |             |    |             |                |                             |
|-------------------------------------|---|----|---|-------------|----|-------------|----------------|-----------------------------|
| Receivable on stock<br>subscription |   |    |   |             |    |             |                |                             |
| Net Loss                            | - | -  | - | -           | -  | (7,003,791) | (7,003,791)    |                             |
| Balance December<br>31, 2012        |   |    |   |             |    |             |                |                             |
| (Audited)                           | - | \$ | - | 291,347,036 | \$ | 2,913       | \$(17,286,695) | \$ (17,365,763) \$ (76,155) |

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

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KALLO INC.  
(formerly Diamond Technologies, Inc.)  
(A Development Stage Company)  
Consolidated Statements of Cash Flows

|  | For the Year<br>Ended<br>December 31,<br>2012 | For the Year<br>Ended<br>December 31,<br>2011 | For the Period<br>December 12,<br>2006<br>(inception)<br>to December<br>31,<br>2012<br>(Restated –<br>Note 15) |
|--|---|---|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                               |   |   |  |
| Net loss   | \$ (7,003,791)                                | \$ (5,337,700)                                | \$ (17,401,262)  |
| Adjustments to reconcile net loss to net cash used in operating activities |   |   |  |
| Depreciation   | 88,569  | 85,296  | 195,880  |
| Stock-based compensation   | 4,729,531                                     | 3,119,150                                     | 11,265,331   |
| Write-off of deferred financing costs                                      | -   | 66,064  | 66,064   |
| Extinguishment loss on revision of terms of loan conversion into shares    | -   | 37,404  | 37,404   |
| Loss on disposal of equipment  | -   | -   | 6,530  |
| Non-cash interest accrued  | 5,390   | 3,336   | 8,726  |
| Non-cash derivative loss   | 203,868                                       | -   | 203,868  |
| Change in fair value on convertible promissory notes                       | (53,101)                                      | -   | (53,101)   |
| Non-cash expenses  | 415,181                                       | 13,233  | 428,414  |
| Changes in operating assets and liabilities:                               |   |   |  |
| Increase in other receivables  | (49,625)                                      | (37,571)                                      | (87,196)   |
| Increase in prepaid expenses   | (54,049)                                      | (13,101)                                      | (76,050)   |
| Increase in accrued liabilities  | (232,220)                                     | 1,080,656                                     | 1,625,140  |
| Increase in deferred revenue   | 24,990  | -   | 24,990   |
| <b>NET CASH USED IN OPERATING ACTIVITIES</b>                               | <b>(1,925,257)</b>                            | <b>(983,233)</b>                              | <b>(3,755,262)</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                               |   |   |  |
| Cash acquired in Rophe acquisition   | -   | -   | 300  |
| Purchase of equipment  | -   | -   | (14,418)   |
| <b>CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES</b>                     | <b>-</b>                                      | <b>-</b>                                      | <b>(14,118)</b>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                               |   |   |  |
| Stockholder advances (repayments)  | -   | -   | 41,957   |
| Proceeds from issuance of common stock                                     | 2,235,004                                     | 654,574                                       | 3,751,744  |
| Proceeds for shares to be issued   | -   | 394,474                                       | 394,474  |
| Deferred financing costs   | -   | -   | (26,064)   |
| Repayment of obligations under capital leases                              | (69,288)                                      | (109,163)                                     | (178,451)  |
| Proceeds from convertible promissory notes                                 | 50,000  | -   | 50,000   |
| Proceeds from loans payable  | 12,165  | -   | 54,165   |

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|  |            |           |            |
|--|------------|-----------|------------|
| CASH PROVIDED BY FINANCING ACTIVITIES                                      | 2,227,881  | 939,885   | 4,087,825  |
| NET (DECREASE) INCREASE IN CASH  | 302,624    | (43,348)  | 318,445    |
| CASH   |            |           |            |
| Beginning of period  | 15,821     | 59,169    | -          |
| End of period  | \$ 318,445 | \$ 15,821 | \$ 318,445 |
| SUPPLEMENTAL CASH FLOW INFORMATION:  |            |           |            |
| Income tax paid  | \$ -       | \$ -      |            |
| Interest paid  | \$ 45,150  | \$ 51,957 |            |
| SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING<br>AND<br>FINANCING ACTIVITIES |            |           |            |
| Accounts payable as partial consideration for Rophe acquisition            | \$ -       | \$ -      | 100,000    |
| Common stock issued as partial consideration for Rophe acquisition         | \$ -       | \$ -      | 765,300    |
| Acquisition of equipment under capital lease obligations                   | \$ -       | \$ 40,747 | 265,706    |
| Conversion of loans payable into common shares                             | \$ -       | \$ 42,000 | 680,207    |
| Settlement of accounts payable by common shares                            | \$ 35,427  | \$ 49,434 | 84,861     |
| Commitment shares held in trust by Kodiak                                  | \$ 100,000 | \$ -      | 100,000    |

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

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KALLO INC.  
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Notes to Consolidated Financial Statements

NOTE 1 - ORGANIZATION AND GOING CONCERN

Organization

Kallo Inc. (the “Company” or “Kallo”), formerly Diamond Technologies, Inc., a development stage company, was incorporated in Nevada on December 12, 2006. The Company originally offered media, inks, printing, and graphic design services to the large format digital printing industry. The Company’s fiscal year ends on December 31st. On December 31, 2009, Kallo entered into an agreement with Rophe Medical Technologies Inc. and its shareholders (collectively “Rophe”) wherein Kallo acquired all of the issued and outstanding shares of common stock of Rophe. As a result of the Rophe transaction, Kallo changed its business focus from selling printing equipment to manufacturing and developing 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.

On January 14, 2011, Kallo Inc. was incorporated in Nevada and merged into Diamond Technologies Inc., at which point the Company changed its name to Kallo Inc.

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. The AST technology is being incorporated into the Company’s medical information software currently in development. Delays in announcing EMR specifications 5.0 by Ontario and Canadian regulatory bodies has caused a delay in the marketing plans for launching AST products in the Canadian market despite our EMR having been announced as the official EMR of the paediatric section – Ontario Medical Association.

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 \$17,365,763 at December 31, 2012. The Company will continue to incur losses as it develops its products and marketing channels during 2013.

The Company has met its historical working capital requirements from the sale of common shares and loans from an officer/stockholder. 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. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. After the year end, the Company raised \$230,000. (Note 14)





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KALLO INC.  
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Notes to Consolidated Financial Statements

NOTE 2 - ACCOUNTING POLICIES AND OPERATIONS

Basis of Presentation

The consolidated financial statements were prepared using accounting principles generally accepted in the United States of America ("US GAAP") as applicable to a development stage enterprise under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 915-205.

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.

Loss 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, impairment of long term intangible assets and equipment, measurement of non-monetary transactions and provision for penalties and interest on estimated payroll tax liabilities.

Equipment

Equipment comprises computer equipment and is stated at cost less accumulated depreciation. The cost of computer equipment is depreciated using the straight-line method over the estimated useful life of the related assets of 3 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.

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NOTE 2 – ACCOUNTING POLICIES AND OPERATIONS (continued)

Software Development Costs (continued)

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.

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, there was no impairment of copyrights as at December 31, 2012 and 2011.

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 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 no impairment exists that relate to these assets through December 31, 2012.

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.



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

Foreign Currency Translation

The Company's functional and reporting currency is the United States dollar. Occasional 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.

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).



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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 fair value of cash, other receivables and accrued liabilities approximate their carrying amounts due to their short term nature. Cash is classified as Level 2 and other receivables and accrued liabilities classified as Level 3.

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).

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. See Note 13.

Deferred Financing Costs

Deferred financing costs are capitalized and amortized, utilizing the effective interest method, as a component of interest expense over the terms of the respective financing arrangements. These deferred costs are included in other assets, net in our accompanying Consolidated Balance Sheets.



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Notes to Consolidated Financial Statements

NOTE 2 - ACCOUNTING POLICIES AND OPERATIONS (continued)

Stock Issued in Exchange for Services

The valuation of the Company's common stock issued 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 period that the services are performed.

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

Convertible promissory note is accounted for under FASB Codification ASC 815-15-25-4 (formerly SFAS 155). In accordance with the standard, the Company performs a fair value re-measurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation. The fair value has been defined as the common stock equivalent value, enhanced by the fair value of the default put plus the present value of the coupon. See Note 10.

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.

Advertising costs

The Company expenses advertising costs as incurred. The total costs the Company recognized related to advertising were approximately \$251,844 and \$396,858, during the years ended December 31, 2012 and 2011, respectively.

Recently Adopted Accounting Pronouncements

In May 2011, the FASB issued ASU 2011-04, "Fair Value Measurement (Topic 820), Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS". The amendment results in a consistent definition of fair value and ensures the fair value measurement and disclosure requirements are similar between GAAP and International Financial Reporting Standards ("IFRS"). This amendment changes certain fair value

measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements. This amendment will be effective for the Company on January 1, 2012. We adopted the amendments on January 1, 2012 on a prospective basis. The adoption of ASU No. 2011-04 had no material effect on our financial statements.

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NOTE 2 – ACCOUNTING POLICIES AND OPERATIONS (continued)

Recently Adopted Accounting Pronouncements (continued)

In June 2011, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2011-05, Presentation of Comprehensive Income, which revises the manner in which entities present comprehensive income in their financial statements. The ASU removes the presentation options in Accounting Standard Codification Topic 220 and requires entities to report components of comprehensive income in either 1) a continuous statement of comprehensive income or 2) two separate but consecutive statements. In December 2011, FASB issued Accounting Standards Update (“ASU”) No. 2011-12, “Comprehensive Income” which effectively defers the changes in ASU No. 2011-05, “Presentation of Comprehensive Income” that relate to the presentation of reclassification adjustments out of accumulated other comprehensive income to the first quarter of 2012 for the Company. We adopted the amendments on January 1, 2012 and presented a single continuous statement of comprehensive loss.

In September 2011, the FASB issued ASU No. 2011-08, Testing Goodwill for Impairment. The provisions of ASU No. 2011-08 permits an entity an option to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If an entity believes, as a result of its qualitative assessment, that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further impairment testing is required. The provisions of ASU No. 2011-08 are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted provided that the entity has not yet performed its annual impairment test for goodwill. We adopted the new provisions of ASU No. 2011-08 for the year ended December 31, 2012. The adoption of ASU No. 2011-08 had no material effect on our financial statements.

In July 2012, the FASB issued ASU 2012-02, “Testing Indefinite-Lived Intangible Assets for Impairment”, which provides companies with the option to first assess qualitative factors in determining whether the existence of events and circumstances indicates that it is more likely than not that an indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, an entity concludes that it is not more likely than not that an indefinite-lived intangible asset is impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test by comparing the fair value with the carrying value. Previously, companies were required to perform the quantitative impairment test at least annually. The new accounting guidance is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. The Company has early adopted this standard.

Recent Accounting Pronouncements

In December 2011, the FASB issued ASU 2011-11, “Balance Sheet (Topic 210), Disclosures about Offsetting Assets and Liabilities”. The guidance in this update requires the Company to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. The pronouncement is effective for fiscal years and interim periods beginning on or after January 1, 2013 with retrospective application for all comparative periods presented. The Company’s adoption of the new standard is

not expected to have a material effect on the Company's consolidated financial position or results of operations.

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NOTE 2 – ACCOUNTING POLICIES AND OPERATIONS (continued)

Recent Accounting Pronouncements (continued)

In February 2013, the FASB issued ASU 2013-02, “Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income” which requires entities to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, entities are required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under US GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under US GAAP to be reclassified in their entirety to net income, entities are required to cross-reference to other disclosures required under US GAAP that provide additional detail on these amounts. This ASU is effective prospectively for reporting periods beginning after December 15, 2012. The Company is currently evaluating the impact of adopting this guidance.

In October 2012, the FASB issued ASU No. 2012-04, Technical Corrections and Improvements. The ASU clarifies the Codification or corrects unintended application of guidance and includes amendments identifying when the use of fair value should be linked to the definition of fair value in Topic 820, Fair Value Measurement. This ASU 2012-04 results in common principles and requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. GAAP and International Financial Reporting Standards. The ASU is effective for fiscal periods beginning after December 15, 2012. The Company plans to adopt this guidance beginning January 1, 2013.

In March 2013, FASB issued ASU No. ASU 2013-05, Foreign Currency Matters (Topic 830) Parent’s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity. The amendments in ASU 2013-05 provide guidance on releasing Cumulative Translation Adjustments when a reporting entity (parent) ceases to have a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. In addition, these amendments provide guidance on the release of cta in partial sales of equity method investments and in step acquisitions. The amendments are effective on a prospective basis for fiscal years and interim reporting periods within those years, beginning after December 15, 2013. The amendments should be applied prospectively to derecognition events occurring after the effective date. Prior periods should not be adjusted. Early adoption is permitted. If an entity elects to early adopt the amendments, it should apply them as of the beginning of the entity’s fiscal year of adoption. The Company plans to adopt this guidance beginning January 1, 2014.

NOTE 3 – COMMON STOCK

Common Stock

2006 and 2007

On December 12, 2006, the Company issued 5,000,000 (15,000,000 shares post stock split) shares of common stock, par value \$0.00001 per share, to its initial stockholders in exchange for \$50 in cash. In 2007, the Company issued 490,501 (1,471,502 shares post stock split) shares of common stock at \$0.083333 per share for total proceeds of \$122,625 and 83,333 (250,000 shares post stock split) shares of common stock at \$0.20 per share for total proceeds of \$50,000.

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NOTE 3 – COMMON STOCK (continued)

Common Stock (continued)

2009

In December 2009, the Company issued 6,000,000 of the Company's common shares valued at \$765,300 as part of the consideration paid to acquire the outstanding shares of Rophe Medical Technologies Inc. (See Note 8).

On December 30, 2009, the Company issued 150,000 shares of its common stock at \$0.10 per share to its president for proceeds of \$15,000. Because the sale price was below the quoted stock price of \$0.15 per share at the time, the Company considered \$7,500 as compensation and recorded the amount as stock based compensation with a corresponding credit to additional paid-in-capital.

2010

During the year ended December 31, 2010, the Company issued 1,133,664 shares of its common stock at \$0.15 per share for cash proceeds of \$170,050.

On October 25, 2010, the Company issued 1,580,000 units at a price of \$0.25 each for total proceeds of \$395,000. Each unit consisted of one share of common stock and 1 stock purchase warrant exercisable on or before December 31, 2011 at the option of the holder, into one share of common stock at an exercise price of \$0.50 per share.

During the year ended December 31, 2010, 13,500,000 shares were issued to directors and officers of the Company for a total amount of \$3,375,000, of which \$1,350 was contributed as cash by the directors and officers and \$3,373,650 was granted to them as stock based compensation.

2011

On January 14, 2011, the Company issued 4,000,000 shares of its common stock at \$0.0001 per share to its CEO for proceeds of \$400. Because the sale price was below the quoted stock price of \$0.10 per share at the time, the Company considered \$399,600 as compensation and recorded the amount as stock based compensation with a corresponding credit to additional paid-in-capital.

On September 22, 2011, the Company issued 54,500,000 shares of its common stock at \$0.0001 per share for proceeds of \$5,450, including 38,500,000 shares to its officers. Because the sale price was below the quoted stock price of \$0.05 per share at the time, the Company considered \$2,719,550 as compensation and recorded the amount as stock based compensation with a corresponding credit to additional paid-in-capital.

During the year ended December 31, 2011, the Company issued 883,334 shares of its common stock to creditors in consideration of satisfaction of \$49,434 in outstanding payables.

On October 24, 2011, the Company issued 1,000,000 shares of its common stock valued at \$70,000 to a consultant for the provision of services relating to the marketing of the Company's business and products to the public.

During the year ended December 31, 2011, the Company issued 13,604,132 shares of its common stock for cash proceeds of \$718,694, which included the conversion of loans payable of \$25,000 and \$17,000 into common stock of the Company during the year ended December 31, 2011.

2012

During the year ended December 31, 2012, the Company's issued 52,589,910 shares of its common stock in consideration of \$2,629,497, of which \$394,474 was received as at December 31, 2011.



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NOTE 3 – COMMON STOCK (continued)

Common Stock (continued)

During the quarter ended March 31, 2012, the Company issued 5,000,000 shares of its common stock valued at \$350,000 to consultants for the provision of various services to the Company.

On June 1, 2012, the Company issued 500,000 restricted shares of its common stock to a past officer as compensation of \$60,000 for past services rendered.

On July 20, 2012, the Company issued 350,000 restricted shares of common stock to a creditor in consideration of satisfaction for services rendered for a fair value of \$35,427.

During the year ended December 31, 2012, the Company issued 117,834,494 restricted shares of its common stock at \$0.0001 to various officers, employees and parties related to them in consideration of satisfaction of \$11,564 in outstanding payables and as compensation for future services in the amount of \$4,734,814. Because the sale price was below the quoted stock price per share of between \$0.04 and \$0.05 per share at the time, the Company considered \$4,729,633 as compensation expense and \$5,181 as non-cash expense and recorded the amount as stock based compensation and miscellaneous expense respectively with a corresponding credit to additional paid-in-capital.

On September 26, 2012, the Company entered into a investment agreement with Kodiak Capital Group, LLC (“Kodiak”) whereby the company issued 2,000,000 shares of its common stock 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. The Company recorded a stock subscription receivable (included in equity) in the amount of \$100,000 which was determined to be the fair value of the option on September 26, 2012. On October 24, 2012, Kallo filed a prospectus relating to the resale of up to 50,000,000 shares of common stock issuable to Kodiak for investment banking services pursuant to an Investment Agreement dated September 26th, 2012. The fair value of the option was valued using the following assumptions and estimates in the binomial lattice valuation model: Expected life of 6 months, volatility of 230%, dividend yield of 0% and risk-free interest rate of 0.13%.

The Investment Agreement will terminate when any of the following events occur:

- Kodiak has purchased an aggregate of \$2,000,000 of Kallo common stock or six (6) months after the effective date;
- Kallo files or otherwise enters an order for relief in bankruptcy; or
- Kallo common stock ceases to be registered under the Securities Exchange Act of 1934 (the “Exchange Act”).

On June 27, 2011, Kallo registered 10,000,000 shares of its Common Stock, par value \$0.00001 per share, under a 2011 Non-Qualified Stock Option Plan (the “2011 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, 2012, 7,233,334 shares have been issued under this 2011 Non-Qualified Stock Option Plan, which is included in the 117,834,494 shares issued to employees and others for services mentioned above.

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NOTE 3 – COMMON STOCK (continued)

Common Stock (continued)

On September 6, 2012, Kallo registered 50,000,000 shares of its Common Stock, par value \$0.00001 per share, under a 2012 Non-Qualified Stock Option Plan (the “2012 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, 2012, no shares have been issued under this 2012 Non-Qualified Stock Option Plan.

On February 1, 2012, the Board of Directors of the Company agreed to issue 500,000 common shares to Mansfield Corporation Inc. as partial payment for services under the contract with Kallo. However, on January 11, 2013, as a result of the Statement of Claim filed by Mansfield against Kallo (Note 13), the Board of Directors of the Company decided to cancel the shares issued to Mansfield and return the 500,000 common shares to treasury.

Stock Split

On February 8, 2008 the Board of Directors approved a three-for-one stock split effective February 25, 2008. All references in the consolidated financial statements and related notes related to the number of shares and per share amounts of the common stock have been retroactively restated to reflect the impact of this stock split.

NOTE 4 – WARRANTS

Warrant activity for the years ended December 31, 2012 and 2011 are as follows:

|                            | Number of<br>Warrants | Weighted<br>Average<br>Exercise Price |
|----------------------------|-----------------------|---------------------------------------|
| Balance, December 31, 2010 | 1,580,000             | \$ 0.50                               |
| Granted                    | -                     | -                                     |
| Cancelled                  | -                     | -                                     |
| Exercised                  | -                     | -                                     |
| Balance, December 31, 2011 | 1,580,000             | \$ 0.50                               |
| Granted                    | -                     | -                                     |
| Balance, December 31, 2012 | 1,580,000             | \$ 0.50                               |

Each warrant is exercisable for a period of one year from the effective date of a registration statement filed with the SEC. Such registration statement was filed on October 24, 2012.

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%.

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## NOTE 5 – RELATED PARTY TRANSACTIONS

During the year ended December 31, 2012, 107,076,003 shares were issued to directors and officers of the Company and their family for a total amount of \$4,313,040, of which \$150,000 was contributed as cash by them and \$4,163,040 was granted to them as stock-based compensation.

Included in short term loans payable is an amount due to a shareholder and director of the Company for the amount of \$36,450 (2011 - \$NIL) (See Note 11) and \$9,856 (2011 - \$NIL) due to another director and officer of the Company (See Note 11) and in accrued liabilities – other is an amount of \$28,118 (2011 - \$NIL) due to directors and officers of the Company as at December 31, 2012. Other receivables include an amount of \$3,576 (2011 - \$NIL) due from a director and officer of the Company as at December 31, 2012.

During the year ended December 31, 2011, 48,500,000 shares were issued to directors and officers of the Company for a total amount of \$2,425,000, of which \$4,850 was contributed as cash by the directors and officers and \$2,420,150 was granted to them as stock-based compensation.

Transactions with related parties are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## NOTE 6 – EQUIPMENT

|  | December 31,<br>2012 | December 31,<br>2011 |
|--|----------------------|----------------------|
| Computer equipment under capital lease       | \$ 223,683           | \$ 223,683           |
| Nexus computer equipment under capital lease | 42,023               | 42,023               |
| Total Equipment                              | 265,706              | 265,706              |
| Less accumulated depreciation                | (188,165)            | (99,596)             |
| Equipment – net                              | \$ 77,541            | \$ 166,110           |

Depreciation expense for the years ended December 31, 2012, 2011 and period from December 12, 2006 (date of inception) to December 31, 2012 were \$88,569, \$85,296 and \$195,880 respectively.



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## NOTE 7 – OBLIGATIONS UNDER CAPITAL LEASES

|  | December 31,<br>2012 | December 31,<br>2011 |
|--|----------------------|----------------------|
| Obligation under capital lease to acquire specific equipment in monthly payments of \$1,326 including interest at 10% per annum, expiring in November 2013 | \$ 21,688            | \$ 21,197            |
| Obligation under capital lease to acquire specific equipment in monthly payments of \$7,212 including interest at 10% per annum, expiring in October 2013  | 86,580               | 156,359              |
|  | 108,268              | 177,556              |
| Less: current portion  | (108,268)            | (94,377)             |
|  | \$ -                 | \$ 83,179            |

Minimum lease payments on capital lease obligations are as follows:

|                        |            |
|------------------------|------------|
| 2013                   | \$ 108,540 |
|                        | 108,540    |
| Less: imputed interest | (272)      |
|                        | \$ 108,268 |

## NOTE 8 – ROPHE ACQUISITION

On December 11, 2009, an agreement was entered into by the Company to acquire 100% of the issued and outstanding shares 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 (the “Rophe Acquisition”). The \$1,200,000 was initially payable as follows: \$50,000 within 30 days of the date of the agreement; \$200,000 on March 31, 2010; \$250,000 on April 30, 2010; \$233,333 on launch of Project 1; \$233,333 on launch of Project 2; and, \$233,334 on launch of Project 3. This transaction was closed on December 31, 2009.

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. As at December 31, 2012, there is a payable in the amount of \$56,502. 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 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 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 the remaining life of the copyrights and Management's estimation of future profits, there was no impairment of copyrights as at December 31, 2012 and 2011.



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## NOTE 9 – LOAN PAYABLE

As at December 31, 2012, a loan payable of \$109,044 to an arm's length party bears interest at 6% per annum, is unsecured and is payable in monthly installments of principal and interest in the amount of Canadian \$7,232.50. Future scheduled repayments of principal are as follows:

|                 |    |         |
|-----------------|----|---------|
| Within one year | \$ | 109,044 |
|                 | \$ | 109,044 |

## NOTE 10 – CONVERTIBLE PROMISSORY NOTES

The convertible promissory notes are unsecured and bear 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 are due as follows: \$20,000 on April 23, 2013, \$10,000 on July 5, 2013, \$20,000 on August 22, 2013. The Holders may, 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 shall be issued as free-trading, unrestricted shares. The Company may prepay these Notes at anytime without penalty and without the prior consent of the Holders.

At the commitment date, the Company elected to initially and subsequently measure in its entirety the convertible promissory notes at fair value by comparing the effective conversion price to the fair value of the Company's stock. The Company recognized an initial fair value loss of \$203,868 related to the debts on inception dates and recognized a gain of \$53,101 related to change in fair values on the debts since their inception dates to December 31, 2012. The number of common shares indexed to the financial instruments used in the above calculation were 2,472,089 and 10,000,000 as at inception date and December 31, 2012 respectively.

|  |    |          |
|--|----|----------|
| Cash received from convertible promissory notes              | \$ | 50,000   |
| Fair value loss on inception date                            |    | 203,868  |
| Fair value of convertible promissory notes on inception date |    | 253,868  |
| Change in fair value   |    | (53,101) |
| Fair value as at December 31, 2012                           | \$ | 200,767  |

## NOTE 11 – SHORT TERM LOANS PAYABLE

On July 9, 2012, the Company issued a promissory note to a director agreeing to pay the principal amount of \$30,000 plus interest at the rate of 6% per annum on July 31, 2012. Kallo did not pay on the due date and the director advanced a further \$5,000 which is non-interest bearing, unsecured and has no fixed repayment date. The total amount of \$36,450 remains outstanding as at December 31, 2012.

An officer and a stockholder have agreed to provide short term funding to the Company by paying some of its expenses. The advances are non-interest bearing, unsecured and have no fixed repayment dates. As at December 31, 2012, \$9,856 was owing to the officer and the stockholder.

As at December 31, 2012, the balance of \$18,977 represented short term funding provided by third parties which are non-interest bearing, unsecured and have no fixed repayment date.

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## NOTE 12 – INCOME TAXES

The Company had no income taxes payable at December 31, 2012 and 2011.

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

|                                     | Year ended December 31, |                |
|-------------------------------------|-------------------------|----------------|
|                                     | 2012                    | 2011           |
| Net loss for the year               | \$ (7,003,791)          | \$ (5,337,700) |
| Effective statutory rate            | 34%                     | 34%            |
| Expected tax recovery               | \$ (2,381,289)          | \$ (1,814,818) |
| Net effects of non deductible items | 1,608,041               | 1,060,511      |
| Valuation allowance                 | 773,248                 | 754,307        |
|                                     | \$ -                    | \$ -           |

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:

|                                  | December 31, |            |
|----------------------------------|--------------|------------|
|                                  | 2012         | 2011       |
| Net operating loss carry forward | \$ 1,875,506 | \$ 984,718 |
| Equipment                        | (153,616)    | (31,190)   |
| Valuation allowance              | (1,721,889)  | (953,528)  |
| Net deferred tax assets          | \$ -         | \$ -       |

Net operating loss carry forwards totaled approximately \$5,500,000 at December 31, 2012. The net operating loss carry forwards will begin to expire in the year 2026 if not utilized. After consideration of all the evidence, management has recorded a valuation allowance at December 31, 2012 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.

## NOTE 13 – COMMITMENTS AND CONTINGENCIES

## Commitments

## Operating lease

The Company leases office facilities under non-cancelable operating leases. The Company's obligations under non-cancelable lease commitments are as follows:

|       |  |    |        |
|-------|--|----|--------|
| 2013  |  | \$ | 31,796 |
| Total |  | \$ | 31,796 |

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NOTE 13 – COMMITMENTS AND CONTINGENCIES (continued)

Commitments (continued)

Capital lease

Minimum lease payments on capital lease obligations are as follows:

|                        |    |         |
|------------------------|----|---------|
| 2013                   | \$ | 108,540 |
|                        |    | 108,540 |
| Less: imputed interest |    | (272)   |
|                        | \$ | 108,268 |

Software development

As discussed in Note 1, 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 \$24,000 (2011 - \$104,504) was paid in 2012. The remaining balance of \$56,496 is due in 2013.

Contingencies

As of March 14, 2012, we settled our dispute with Leonard Steinmetz, our former treasurer, principal financial officer, principal accounting officer, and a member of the board of directors. We agreed to resolve all of our differences by paying Mr. Steinmetz \$130,000 in installments as follows: \$25,000, beginning eight days from the receipt from the Occupational and Safety Administration (“OSHA”) of its notice approving the withdrawal of Mr. Steinmetz’s OSHA complaint with prejudice; \$10,000 to be paid on or before the last business day of each of the ten months following month of receipt of said notice from OSHA; and, a final installment of \$5,000.00 or before the last business day of the eleventh month. In addition, we agreed, that within 21 days of receipt of said notice from OSHA, we are to issue 500,000 restricted shares of our common stock to Mr. Steinmetz. On May 2, 2012, the Occupational and Safety Administration approved Leonard Steinmetz’s withdrawal of his complaint against us.

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 \$161,673.67 plus unspecified “special” damage. Management is of the opinion that Watt has charged Kallo for services that Watt did not perform, and that Watt has duplicated charges for work that it performed and intends to defend itself vigorously in the suit. Management has recognized an accrual for the amount of the claim. An estimate could not be made of the unspecified “special” damage and hence no accrual was made thereof. Management is therefore unable to estimate the possible loss or range of loss in excess of the amounts accrued, if any.

On December 20, 2012, Mansfield Communications Inc. (Mansfield) filed a Statement of Claim against Kallo concerning monies allegedly owed by Kallo to Mansfield for media consultancy and communication services

provided by Mansfield to Kallo. Mansfield is seeking damages in the amount of Canadian \$191,246.11 plus unspecified "special" damage. As a result of the claim, on January 11, 2013, Kallo has cancelled 500,000 common shares previously issued to Mansfield as partial payment for services during 2012. On January 30, 2013, Kallo filed a Statement of Defense. Management is of the opinion that Mansfield has charged Kallo for services that Mansfield did not perform, and that Mansfield has duplicated charges for work that it performed and intends to defend itself vigorously in the suit. Management has recognized an accrual for the amount of the claim. An estimate could not be made of the unspecified "special" damage and hence no accrual was made thereof. At this time, Management cannot assess the final outcome of this claim.

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NOTE 13 – COMMITMENTS AND CONTINGENCIES (continued)

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.

NOTE 14 – SUBSEQUENT EVENTS

New contract

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.

1. 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 the following conditions have been satisfied:
  - a) Approval of the Credit Agreement by the Cabinet and Parliament of Republic of Ghana and the relevant KALLO INC. for the implementation of the projects;
  - b) Approval by the Ministry of Health of the detailed proposal for Mobile Care project submitted by Kallo Inc., dated 19 November 2012 which includes detailed technical specifications for the mobile clinics, training and maintenance support services.
  - c) The training program will include a certification process for Kallo Inc., affiliated Canadian and United States Of America Medical Teaching University and Applied Science Colleges.
    - d) Successful completion of “Value for Money” audit of the Contractor’s proposal and negotiations;
    - e) Approval of the contract by the Public Procurement Authority of Ghana.
2. That the National rollout overview and supply and training schedules will be mutually agreed, upon the acceptance of the indicative terms and condition of the loan by the Ministry of Finance and Economic Planning of the Republic of Ghana;
- 3.

That Kallo's financial proposals attached herein to be used by the Ministry of Finance and Economic Planning for consideration and value for money assessment;

4. That Party Kallo's technical proposals shall be considered by a team of experts for assessment and negotiation



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NOTE 14 – SUBSEQUENT EVENTS (continued)

New contract (continued)

5. Any disputes between the parties shall be resolved through negotiation and mediation by the appropriate authorities
6. That within 30 days after the signing of the MOU, Party A shall notify Party B by a written document his requirements and specifications which shall include and not be limited to the following information:
  - a) Feasibility study report
  - b) National geographic locations and demographic deployment schedules for Mobile Clinics and Clinical Command Centers
    - c) Different functional requirements of Mobile clinics for both rural and urban locations
    - d) Number of Mobile Clinics and Clinical Command Centers in each region
  - e) Current standards for medical equipment in hospital in Ghana, for example: the standard of radiation control of X-ray machine
  - f) Standards for electric appliances used in mobile clinics and for environmental protection, for example: power outlet and interface of electric appliances, busing standards for the protection for X-ray machine
  - g) Standards for waste-water treatment, medical waste treatment, operating-room and supply room of the Mobile Clinic
    - h) Human resources deployment in district level hospital for mobile clinic
    - i) Standards for contagious diseases isolation and sterilization in Ghana
    - j) Principle of accessory and spare-parts supply
    - k) Principle of medical consumables and medical equipment consumables

Share issuance

On January 22, 2013 and March 12, 2013, the Company raised \$230,000 by issuing 4,600,000 restricted shares of common stock, for which cash has been fully received as at March 12, 2013.

Cancellation of shares

As a result of the claim by Mansfield (Note 13), on January 11, 2013, Kallo has cancelled 500,000 common shares previously issued to Mansfield as partial payment for services during 2012. Since this result from conditions that existed before the balance sheet date, the cancellation of the shares have been recognized in these financial statements.

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## NOTE 15 – CORRECTION OF PRIOR PERIOD ERROR

During the year ended December 31, 2010, stock-based compensation expense related to shares issued to directors and officers of \$3,373,650 was reduced by an amount of \$604,774 owed to directors and officers, which was forgiven, resulting in net stock-based compensation of \$2,768,878 recognized in stockholders' equity (deficiency).

In accordance with ASC 470-50-40-2, which states that extinguishment transactions between related parties may in essence be capital transactions, the forgiveness of obligations due to directors and officers should have been presented as a contribution to capital in the statements of changes in stockholders' equity and in the statements of cash flows as a non-cash financing transaction.

As this error was made in a reporting period prior to the comparative period, the Balance Sheet balances as at December 31, 2010 were restated as follows:

- Additional Paid-In Capital was increased by \$604,774 to record the forgiveness of obligations due to directors and officers which should have been treated as a capital transaction
- Deficit accumulated during the development stage was increased by \$604,774 to reverse the wrong entry made to stock-based compensation expense during 2010.

In addition, the Balance Sheet balances were still understated as at December 31, 2011, so this error resulted in the restatement of the following line items for the year ended December 31, 2011:

- Additional Paid-In Capital was increased by \$604,774
- Deficit accumulated during the development stage was increased by \$604,774

The section below shows the restatement of each line item affected by the error:

Restatement of financial statements as a result of correction of an error

December 31, 2010 comparative year

| Financial statement line item (Balances affected) | Actual 2010 | Correction of Error | Restated Actual 2010 |
|---|-------------|---------------------|----------------------|
| Balance sheet (extract)                           |             |                     |                      |
| Shareholders' Deficiency                          |             |                     |                      |
| Common stock                                      | 392         |                     | 392                  |
| Additional paid-in capital                        | 4,900,133   | 604,774             | 5,504,907            |
| Deficit accumulated during the development stage  | (4,419,498) | (604,774)           | (5,024,272)          |
| Total Stockholders' Equity (Deficiency)           | 481,027     | -                   | 481,027              |

December 31, 2011 comparative year

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| Financial statement line item (Balances affected) | Actual 2011 | Correction of Error | Restated Actual 2011 |
|---|-------------|---------------------|----------------------|
| Balance sheet (extract)                           |             |                     |                      |
| Shareholders' Deficiency                          |             |                     |                      |
| Common stock                                      | 1,131       |                     | 1,131                |
| Additional paid-in capital                        | 8,862,522   | 604,774             | 9,467,296            |
| Deficit accumulated during the development stage  | (9,757,198) | (604,774)           | (10,361,972)         |
| Total Stockholders' Deficiency                    | (893,545)   | -                   | (893,545)            |

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

Our financial statements for the periods ended December 31, 2012 and December 31, 2011 contained in this report have been audited by Schwartz Levitsky Feldman LLP, 2300 Yonge Street, Suite 1500, Toronto, Ontario, Canada M4P 1E4, as set forth in their report included in this report. Their reports are given upon their authority as experts in accounting and auditing.

On February 6, 2012, Collins Barrow Toronto LLP, Collins Barrow Place, 11 King Street West, Suite 700, Toronto, Ontario, Canada M5H 4C7 terminated its relationship with us as our auditor (See “Exhibit 16.3” attached hereto). Collins Barrow Toronto LLP advised us that its decision to terminate our relationship was based on its decision to cease doing US public company audits. Except as noted in the paragraph immediately below, the reports of Collins Barrow Toronto LLP’s financial statements for the year ended December 31, 2010 and for the period January 1, 2011 through September 30, 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.

The reports of Collins Barrow Toronto LLP on our financial statements as of and for the year ended December 31, 2010 and for the period January 1, 2011 through September 30, 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 year ended December 31, 2010 and for the period January 1, 2011 through September 30, 2011, and through February 6, 2012, we have not had any disagreements with Collins Barrow Toronto LLP on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to Collins Barrow Toronto 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.

During the year ended December 31, 2010, and through February 6, 2012, there were no reportable events, as defined in Item 304(a)(1)(v) of Regulation S-K.

On February 9, 2012, we delivered a copy of this report to Collins Barrow Toronto LLP. On February 10, 2012, Collins Barrow Toronto LLP replied (“Exhibit 16.1 hereto”). In its reply, Collins Barrow Toronto LLP agreed with our statements except with the statement in the first paragraph relating to its decision to cease doing US public company audits advising us that it should include the caveat that under certain circumstances it would continue to do US public company audits. The letter we received from Collins Barrow Toronto LLP did not contain such a caveat and the letter is attached hereto as “Exhibit 16.2”. Further, Collins Barrow Toronto LLP disagreed with our statement that “we issued reports for the period January 1, 2011 through September 30, 2011”. They state that the only report issued by Collins Barrow was on the financial statements as of and for the year ended December 31, 2010. We concur that only one report was issued during the year ended December 31, 2010 and for the period January 1, 2011 through September 30, 2011.

Subsequent independent registered public accounting firm

On February 28, 2011, we engaged Collins Barrow Toronto LLP, Collins Barrow Place, 11 King Street West, Suite 700, Box 27, Toronto, Ontario, Canada M5H 4C7 an independent registered public accounting firm, as our principal independent accountant with the approval of our board of directors. We have not consulted with Collins Barrow

Toronto LLP on any accounting issues prior to engaging them as our new auditors.

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

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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 Collins Barrow 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.

On February 6, 2012, Collins Barrow Toronto LLP, Collins Barrow Place, 11 King Street West, Suite 700, Box 27, Toronto, Ontario, Canada M5H 4C7 terminated its relationship with us as our auditor. Collins Barrow Toronto LLP advised us that its decision to terminate our relationship was based its decision to cease doing US public company audits, except for certain circumstances. Except as noted in the paragraph immediately below, the reports of Collins Barrow Toronto LLP's financial statements for the year ended December 31, 2010 and for the period January 1, 2011 through September 30, 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.

The report of Collins Barrow Toronto LLP on our financial statements as of and for the year ended December 31, 2010 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 year ended December 31, 2010 and for the period January 1, 2011 through September 30, 2011, and through February 6, 2012, we have not had any disagreements with Collins Barrow Toronto LLP on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to Collins Barrow Toronto 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.

During the year ended December 31, 2010 and through February 6, 2012, there were no reportable events, as defined in Item 304(a)(1)(v) of Regulation S-K.

On February 9, 2012, we delivered a copy of this report to Collins Barrow Toronto LLP. On February 10, 2012, Collins Barrow Toronto LLP replied ("Exhibit 16.1 hereto"). In its reply, Collins Barrow Toronto LLP agreed with our statements except with the statement in the first paragraph relating to its decision to cease doing US public company audits advising us that it should include the caveat that under certain circumstances it would continue to do US public company audits. Further, Collins Barrow Toronto LLP disagreed with our statement that "we issued reports for the period January 1, 2011 through September 30, 2011". They state that the only report issued by Collins Barrow was on the financial statements as of and for the year ended December 31, 2010. We concur that only one report was issued during the year ended December 31, 2010 and for the period January 1, 2011 through September 30, 2011.

New independent registered public accounting firm

On February 10, 2012, we engaged Schwartz Levitsky Feldman LLP, 2300 Yonge Street, Suite 1500, Toronto, Ontario, Canada M4P 1E4 an independent registered public accounting firm, as our principal independent accountant with the approval of our board of directors. We have not consulted with Schwartz Levitsky Feldman LLP on any accounting issues prior to engaging them as our new auditors.

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

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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 Schwartz Levitsky Feldman 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.

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, 2012. 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, 2012.

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

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## Changes in Internal Controls

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2012 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<br>15 Allstate Parkway, Suite 600<br>Markham, ON L3R 5B4   | 50  | Chairman of the Board of Directors, Chief Executive Officer and Chief Financial Officer |
| Vince Leitao<br>15 Allstate Parkway, Suite 600<br>Markham, ON L3R 5B4 | 51  | President, Chief Operating Officer and a Director                                       |
| Lloyd A. Chiotti<br>31 Sisman Avenue<br>Aurora, ON, L4G 6R9           | 65  | Director  |
| Samuel R Baker<br>89 Shawnee Circle<br>Toronto, ON, M2H 2X9           | 78  | Corporate Secretary and a Director  |

## 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

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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, Damsart. 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.

## 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:

1. 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);

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3. 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:
  - i) 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;
4. 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;
5. 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;
6. 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;
7. 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
8. 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 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 auditory 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.



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## Audit Committee Financial Expert

We do 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 14.1 to our 2007 Form 10-K.

## 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 2012, 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.

| Summary Compensation Table            |      |                |               |                   |                |   |   |                                      |                |
|---------------------------------------|------|----------------|---------------|-------------------|----------------|---|---|--------------------------------------|----------------|
| (a)                                   | (b)  | (c)            | (d)           | (e)               | (f)            | (g)   | (h)   | (i)                                  | (j)            |
| Name and<br>Principal<br>Position [1] | Year | Salary<br>(\$) | Bonus<br>(\$) | Awards<br>(\$)[1] | Awards<br>(\$) | Non-Equity<br>Incentive<br>Plan<br>Compensation<br>(\$) | Change in<br>Pension<br>Value &<br>Nonqualified<br>Deferred<br>Compensation<br>Earnings<br>(\$) | All<br>Other<br>Compensation<br>(\$) | Totals<br>(\$) |
|                                       |      |                |               |                   |                |   |   |                                      |                |
| John Cecil<br>Chairman & CEO          | 2012 | 183,248        | 01,891,773    | 0                 | 0              | 0   | 0   | 0                                    | 02,075,021     |
|                                       | 2011 | 147,414        | 01,772,210    | 0                 | 0              | 0   | 0   | 0                                    | 01,919,624     |

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|                          |      |         |            |   |   |   |            |
|--------------------------|------|---------|------------|---|---|---|------------|
| Vince Leitao             | 2012 | 183,248 | 01,707,210 | 0 | 0 | 0 | 01,890,458 |
| President                | 2011 | 147,414 | 0 548,900  | 0 | 0 | 0 | 0 696,314  |
| Samuel Baker             | 2012 | 0       | 0 207,634  | 0 | 0 | 0 | 0 207,634  |
| Secretary                | 2011 | 6,000   | 0 299,400  | 0 | 0 | 0 | 0 305,400  |
| Leonard Steinmetz        | 2012 | 0       | 0 0        | 0 | 0 | 0 | 0 0        |
| Treasurer                | 2011 | 0       | 0 0        | 0 | 0 | 0 | 0 0        |
| Terminated<br>(03/25/11) |      |         |            |   |   |   |            |

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[1] During the year ended December 31, 2012, 107,076,003 shares were issued to directors and officers and their family for a total amount of \$4,313,040, of which \$150,000 was contributed as cash by them and \$4,163,040 was granted to them as stock-based compensation. During the year ended December 31, 2011, 48,500,000 shares were issued to directors and officers of the Company for a total amount of \$2,425,000, of which \$4,850 was contributed as cash by the directors and officers and \$2,420,150 was granted to them as stock-based compensation.

The number of shares issued as compensation to each named executive officer and their family is as follows:

- John Cecil - 47,411,857 shares issued as compensation valued at \$1,891,773
- Vince Leitao - 42,787,212 shares issued as compensation valued at \$1,707,210
- Samuel Baker - 5,203,850 shares issued as compensation valued at \$207,634

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 \$0.05 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, 2012.

| 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 and Nonqualified Deferred Compensation Earnings (\$) | All Other Compensation (\$) | Total (\$) |         |
| John Cecil                  | 0                                | 0                 | 0                  | 0   | 0  | 0                           | 0          | 0       |
| Vince Leitao                | 0                                | 0                 | 0                  | 0   | 0  | 0                           | 0          | 0       |
| Lloyd Chiotti [1]           | 0                                | 356,423           | 0                  | 0   | 0  | 0                           | 0          | 356,423 |
| Samuel Baker                | 0                                | 0                 | 0                  | 0   | 0  | 0                           | 0          | 0       |

[1] 3,000,000 shares were issued to Lloyd Chiotti for cash subscription of \$150,000. In addition, 8,673,084 shares were issued to Lloyd Chiotti as compensation valued at \$356,423. 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 \$0.05 per share at the time of issue and the issuance price of \$0.0001 per share multiplied by the number of shares issued.

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

#### 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 2011 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.

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## 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<br>Beneficial Owner [1]                                   | Number of<br>Shares Owned | Percentage of<br>Ownership |
|--|---------------------------|----------------------------|
| John Cecil [2]<br>15 Allstate Parkway, Suite 600<br>Markham, ON L3R 3B4    | 86,612,857                | 29.73%                     |
| Vince Leitao<br>15 Allstate Parkway, Suite 600<br>Markham, ON L3R 3B4      | 59,667,845                | 20.48%                     |
| Lloyd Chiotti<br>31 Sisman Avenue<br>Aurora, ON, L4G 6R9                   | 20,914,820                | 7.18%                      |
| Samuel Baker [3]<br>255 Duncan Mill Road, Unit 504<br>Toronto, ON, M3B 3H9 | 13,013,850                | 4.47%                      |
| All Officers and Directors as a Group (4 persons)                          | 180,209,372               | 61.85%                     |

[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 2,600,000 shares of common stock owned by Grace Cecil, the wife of John Cecil.

[3]Includes 400,000 shares of common stock owned by Carol Baker, the wife of Samuel Baker.



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## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

In December 2006, we issued a total of 5,000,000 shares of pre-dividend restricted common stock to Herb Adams, Mary Kricfalusi, and John Dow our officers and directors in consideration of \$50. On June 25, 2007, we completed our public offering of 490,500 pre-dividend shares of common stock and raised \$122,625. On December 28, 2007, we sold 83,334 pre-dividend restricted shares of our common stock pursuant to the exemption contained in Reg. S of the Securities Act of 1933, as amended at an offering price of \$0.60 per share for cash proceeds of \$50,000. 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.

On December 30, 2009 we sold 150,000 restricted shares of common stock at \$0.10 per share to our President for proceeds of \$15,000.

On December 11, 2009, an agreement was entered into by the Company to acquire 100% of the issued and outstanding shares of Rophe Medical Technologies Inc. (“Rophe”) for cash consideration of \$1,200,000 and 3,000,000 restricted shares of the Company’s common stock. This transaction was closed December 31, 2009 and we issued 3,000,000 restricted shares of our common stock valued at \$365,000. Of these shares 1,200,000 shares went to John Cecil one of our directors, 1,200,000 shares to John’s wife Grace Cecil, 300,000 shares to Samuel Baker one of our directors and 300,000 to Samuel Baker’s wife Carol Baker.

Subsequently, the Rophe Acquisition payment terms were amended and 3,000,000 additional shares of common stock were issued in 2009 as payment for \$400,000 with the shares issued to John Cecil (1,200,000 shares), Grace Cecil (1,200,000 shares), Samuel Baker (300,000 shares) and Carol Baker (300,000 shares).

During the year ended December 31, 2010, 13,500,000 shares were issued to directors and officers of the Company for a total amount of \$3,375,000, of which \$1,350 was contributed as cash by the directors and officers and \$3,373,650 was granted to them as stock based compensation, issued as follows: 3,000,000 shares to Leonard Steinmetz, 2,500,000 shares John Cecil, 5,000,000 shares to Vince Leitao, 2,000,000 shares to Mary Kricfalusi and 1,000,000 shares Samuel Baker.

In addition, directors and officers agreed to forgive \$640,273 of debts and compensation owing to them, as follows:

|                 |    |         |
|-----------------|----|---------|
| John Cecil      | \$ | 58,538  |
| Vince Leitao    | \$ | 94,430  |
| Sam Baker       | \$ | 65,430  |
| Mary Kricfalusi | \$ | 229,103 |
| Herb Adams      | \$ | 162,772 |
| John Dow        | \$ | 30,000  |

During the year ended December 31, 2011, 58,500,000 shares were issued to directors and officers of the Company for a total amount of \$3,125,000, of which \$5,850 was contributed as cash by the directors and officers and \$3,119,150 was granted to them as stock based compensation, issued as follows: 31,500,000 shares to John Cecil, 11,000,000 shares to Vince Leitao, 6,000,000 shares to Samuel Baker, 5,000,000 to Mario D’Souza, 2,000,000 to Rajni Kassett and 3,000,000 to Lloyd Chiotti.

During the year ended December 31, 2012, 107,076,003 shares were issued to directors and officers of the Company for a total amount of \$4,313,040, of which \$150,000 was contributed as cash by the directors and officers and \$4,163,040 was granted to them as stock based compensation, issued as follows: 47,411,857 shares to John Cecil,

42,787,212 shares to Vince Leitao, 5,203,850 shares to Samuel Baker and 8,673,084 to Lloyd Chiotti.



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## 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:

|      |    |         |                               |
|------|----|---------|-------------------------------|
| 2012 | \$ | 108,050 | Schwartz Levitsky Feldman LLP |
| 2012 | \$ | 0       | Collins Barrow Toronto LLP    |
| 2011 | \$ | 63,000  | Collins Barrow Toronto LLP    |

## (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:

|      |    |        |                               |
|------|----|--------|-------------------------------|
| 2012 | \$ | 0      | Schwartz Levitsky Feldman LLP |
| 2012 | \$ | 0      | Collins Barrow Toronto LLP    |
| 2011 | \$ | 48,689 | Collins Barrow Toronto 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:

|      |    |       |                               |
|------|----|-------|-------------------------------|
| 2012 | \$ | 0     | Schwartz Levitsky Feldman LLP |
| 2012 | \$ | 0     | Collins Barrow Toronto LLP    |
| 2011 | \$ | 7,125 | Collins Barrow Toronto 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:

|      |    |       |                               |
|------|----|-------|-------------------------------|
| 2012 | \$ | 0     | Schwartz Levitsky Feldman LLP |
| 2012 | \$ | 0     | Collins Barrow Toronto LLP    |
| 2011 | \$ | 7,210 | Collins Barrow Toronto LLP    |

(5) Our audit committee's pre-approval policies and procedures described in paragraph (c)(7)(i) of Rule 2-01 of 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.

(6) The percentage of hours expended on the principal accountant's engagement to audit our financial statements for 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%.



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## PART IV

## ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

| Exhibit | Document Description  | Incorporated by reference |          |        | Filed<br>herewith |
|---------|---|---------------------------|----------|--------|-------------------|
|         |   | Form                      | Date     | Number |                   |
| 2.1     | Articles of Merger.   | 8-K                       | 1/21/11  | 2.1    |                   |
| 3.1     | Articles of Incorporation.  | SB-2                      | 3/05/07  | 3.1    |                   |
| 3.2     | Bylaws.   | SB-2                      | 3/05/07  | 3.2    |                   |
| 4.1     | Specimen Stock Certificate.   | SB-2                      | 3/05/07  | 4.1    |                   |
| 10.1    | Option Agreement.   | SB-2                      | 3/05/07  | 10.1   |                   |
| 10.2    | Lease Agreement   | SB-2                      | 3/05/07  | 10.1   |                   |
| 10.3    | Agreement with Rophe Medical Technologies Inc. dated December 11, 2009.         | 10-K                      | 3/31/10  | 10.2   |                   |
| 10.4    | Amended Agreement with Rophe Medical Technologies Inc. dated December 18, 2009. | 10-K                      | 3/31/10  | 10.3   |                   |
| 10.5    | Amended Agreement with Rophe Medical Technologies Inc. dated March 16, 2010.    | 10-K                      | 3/31/10  | 10.4   |                   |
| 10.6    | Investment Agreement with Kodiak Capital Group, LLC.                            | S-1                       | 10/24/12 | 10.6   |                   |
| 10.7    | Consulting Agreement with Ten Associate LLC.                                    | S-1                       | 5/24/10  | 10.7   |                   |
| 10.8    | Employment Agreement with Leonard Steinmetz.                                    | S-1                       | 5/24/10  | 10.8   |                   |
| 10.9    | Employment Agreement with Samuel Baker.   | S-1                       | 5/24/10  | 10.9   |                   |
| 10.10   | Employment Agreement with John Cecil.   | S-1                       | 5/24/10  | 10.10  |                   |
| 10.11   | Employment Agreement with Mary Kricfalusi.                                      | S-1                       | 5/24/10  | 10.11  |                   |
| 10.12   | Employment Agreement with Vince Leitao.   | S-1                       | 5/24/10  | 10.12  |                   |
| 10.13   | Amended Consulting Agreement with Ten Associate LLC dated October 5, 2010.      | 8-K                       | 10/14/10 | 10.13  |                   |
| 10.14   | Agreement with Jarr Capital Corp.   | 8-K                       | 11/17/10 | 10.1   |                   |
| 10.15   | Agreement with Mary Kricfalusi.   | 8-K                       | 11/19/10 | 10.1   |                   |

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|       |  |     |          |      |
|-------|--|-----|----------|------|
| 10.16 | Agreement with Herb Adams.   | 8-K | 11/19/10 | 10.2 |
| 10.17 | North American Authorized Agency Agreement with Advanced Software Technologies, Inc. | 8-K | 12/16/10 | 10.1 |

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|         |   |      |          |      |   |
|---------|---|------|----------|------|---|
| 10.18   | Amended Agreement with Jarr Capital Corp.   | 8-K  | 2/22/11  | 10.1 |   |
| 10.19   | Termination of Employment Agreement with John Cecil.  | 8-K  | 2/22/11  | 10.2 |   |
| 10.20   | Termination of Employment Agreement with Vince Leitao.  | 8-K  | 2/22/11  | 10.3 |   |
| 10.21   | Termination of Employment Agreement with Samuel Baker.  | 8-K  | 2/22/11  | 10.4 |   |
| 10.22   | Services Agreement with Buchanan Associates Computer Consulting Ltd.  | 10-K | 5/18/11  | 10.1 |   |
| 10.23   | Equipment Lease Agreement with Buchanan Associates Computer Consulting Ltd.   | 10-K | 5/18/11  | 10.2 |   |
| 10.24   | Agreement with Mansfield Communications Inc.  | 10-K | 5/18/11  | 10.3 |   |
| 10.25   | Agreement with Watt International Inc.  | 10-K | 5/18/11  | 10.4 |   |
| 10.26   | Pilot EMR Agreement with Nexus Health Management Inc.   | 10-K | 5/18/11  | 10.5 |   |
| 14.1    | Code of Ethics.   | 10-K | 4/15/08  | 14.1 |   |
| 16.1    | Letter from Kempisty & Company  | 8-K  | 10/27/09 | 16.1 |   |
| 16.2    | Letter from MaloneBailey, LLP   | 8-K  | 3/02/11  | 16.1 |   |
| 21.1    | List of Subsidiary Companies.   | 10-K | 3/31/10  | 21.1 |   |
| 23.1    | Consent of Collins Barrow Toronto LLP.  |      |          |      | X |
| 23.2    | Consent of Schwartz Levitsky Feldman LLP.   |      |          |      | X |
| 31.1    | Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |      |          |      | X |
| 32.1    | Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.         |      |          |      | X |
| 99.1    | Audit Committee Charter.  | 10-K | 4/15/08  | 99.1 |   |
| 99.2    | Disclosure Committee Charter.   | 10-K | 4/15/08  | 99.2 |   |
| 101.INS | XBRL Instance Document.   |      |          |      | X |
| 101.SCH | XBRL Taxonomy Extension – Schema.   |      |          |      | X |
| 101.CAL | XBRL Taxonomy Extension – Calculations.   |      |          |      | X |

|   |   |
|---|---|
| 101.DEF XBRL Taxonomy Extension – Definitions.  | X |
| 101.LAB XBRL Taxonomy Extension – Labels.       | X |
| 101.PRE XBRL Taxonomy Extension – Presentation. | X |

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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 amended report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 27th day of June, 2013.

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 amended 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          |
|--------------------------------------|---|---------------|
| JOHN CECIL<br>John Cecil             | Principal Executive Officer, Principal<br>Financial Officer, Principal Accounting Officer and<br>Chairman of Board of Directors | June 27, 2013 |
| VINCE LEITAO<br>Vince Leitao         | President, Chief Operating Officer and<br>a member of the Board of Directors  | June 27, 2013 |
| SAMUEL BAKER<br>Samuel Baker         | Corporate Secretary and member of<br>the Board of Directors   | June 27, 2013 |
| LLOYD A. CHIOTTI<br>Lloyd A. Chiotti | Member of the Board of Directors  | June 27, 2013 |





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## EXHIBIT INDEX

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|       |  |     |          |      |
|-------|--|-----|----------|------|
| 10.17 | North American Authorized Agency Agreement with Advanced Software Technologies, Inc. | 8-K | 12/16/10 | 10.1 |
| 10.18 | Amended Agreement with Jarr Capital Corp.  | 8-K | 2/22/11  | 10.1 |

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|         |   |      |          |      |   |
|---------|---|------|----------|------|---|
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