Kallo Inc.
Form 10-Q
May 23, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2016
OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 000-53183

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

NEVADA
(State or other jurisdiction of incorporation or organization)

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

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

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

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

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

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicated the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 7,860,534,239 as of May 22, 2016.

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KALLO INC.
MARCH 31, 2016

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

KALLO INC.
Consolidated Balance Sheets
(Amounts expressed in US dollars)
(Unaudited)

ASSETS	March 31, 2016	December 31, 2015
Current Assets:		
Cash	$17,893	$4,998
Prepaid expenses	106,522	132,259
Total Current Assets	124,415	137,257
Deposit – long term	-	20,627
Equipment, net	119,785	135,551
TOTAL ASSETS	$244,200	$293,435
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current Liabilities:		
Accounts payable and accrued liabilities	$1,642,015	$1,204,942
Derivative liabilities	212,283	210,834
Convertible promissory notes, net of discount of $43,178 and $69,568 respectively	199,102	204,826
Convertible loans payable – third parties	146,116	105,395
Short term loans payable	16,765	15,730
Convertible loans payable – related parties	447,393	272,712
Deferred lease inducement	12,610	15,380
Total Current Liabilities	2,676,284	2,029,819
Convertible promissory notes, net of discount of $21,679 and $59,939 respectively	41,698	24,551
TOTAL LIABILITIES	2,717,982	2,054,370
Commitments and Contingencies		
Stockholders' Deficiency		
Preferred stock, $0.00001 par value, 100,000,000 shares authorized, 95,000,000 Series A preferred shares issued and outstanding	950	950
Common stock, $0.00001 par value, 15,000,000,000 shares authorized, 6,845,787,739 and 5,648,390,746 shares issued and outstanding, respectively	68,459	56,485
Additional paid-in capital	30,407,485	30,324,674
Accumulated deficit	(32,950,676)	(32,143,044)
Total Stockholders' Deficiency	(2,473,782)	(1,760,935)

TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	$244,200	$293,435

See accompanying notes to the unaudited consolidated financial statements

KALLO INC.
Consolidated Statements of Operations
(Amounts expressed in US dollars)
(Unaudited)

	Three Months Ended March 31, 2016	2015
Expenses		
General and administration	$612,061	$1,043,412
Selling and marketing	408	45,114
Foreign exchange gain	71,554	(31,384)
Depreciation	15,766	8,654
Interest and financing costs	65,414	173,609
Change in fair value on derivative liabilities	42,429	292,010
Loss on extinguishment of short term loan payable	-	-
	807,632	1,531,415
Net Loss	$(807,632)	$(1,531,415)
Basic and diluted net loss per share	$(0.00)	$(0.00)
Weighted average shares used in calculating Basic and diluted net loss per share	6,322,786,890	387,141,604

See accompanying notes to the unaudited consolidated financial statements

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KALLO INC.
Consolidated Statements of Cash Flows
(Amounts expressed in US dollars)
(Unaudited)

	Three Months Ended March 31, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	$(807,632)	$(1,531,415)
Adjustment to reconcile net loss to cash used in operating activities:		
Depreciation	15,766	8,654
Stock based compensation	-	211,571
Change in fair value on derivative liabilities	42,429	292,010
Interest and penalties on promissory notes	577	-
Deferred lease inducement	(2,771)	(6,737)
Amortization of debt discount	64,651	169,932
Unrealized foreign exchange gain	50,319	(29,689)
Changes in operating assets and liabilities:		
Decrease (increase) in other receivables	-	1,000
(Increase) decrease in prepaid expenses	46,364	(17,165)
Increase (decrease) in accounts payable and accrued liabilities	419,702	53,956
NET CASH USED IN OPERATING ACTIVITIES	(170,595)	(847,883)
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of equipment	-	(64,490)
NET CASH USED IN INVESTING ACTIVITY	-	(64,490)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock	-	356,600
Proceeds from convertible promissory notes	-	406,628
Proceeds from other convertible notes ($150,556 from related parties)	180,556	-
Repayment of loans payable	-	(33,171)
NET CASH PROVIDED BY FINANCING ACTIVITIES	180,556	730,057
Effect of exchange rate changes on cash	2,934	6,054
NET (DECREASE) INCREASE IN CASH	12,895	(176,262)
CASH - BEGINNING OF PERIOD	4,998	250,339
CASH - END OF PERIOD	$17,893	$74,077
SUPPLEMENTAL CASH FLOW INFORMATION		
Income tax paid	$-	$-
Interest paid	$-	$-
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Conversion of promissory notes into common shares	$94,785	$-
Initial debt discount on convertible promissory notes	$-	$406,628

See accompanying notes to the unaudited consolidated financial statements

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KALLO INC.
Notes to Consolidated Financial Statements
March 31, 2016
(Amounts expressed in US dollars)
(Unaudited)

NOTE 1 – BUSINESS AND GOING CONCERN

Organization

Kallo Inc. ("Kallo" or the "Company") develops customized health care solutions designed to improve or enhance the delivery of care in the countries and regions we serve.

Going Concern

The accompanying unaudited consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The amounts of assets and liabilities in the consolidated financial statements do not purport to represent realizable or settlement values. The Company has incurred operating losses since inception and has an accumulated deficit of $32,950,676 at March 31, 2016. The Company is expected to incur additional losses as it executes its go to market strategy.

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

NOTE 2 – ACCOUNTING POLICIES AND OPERATIONS

Basis of Presentation

The accompanying unaudited consolidated financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 8-03 of Regulation S-X related to smaller reporting companies. These unaudited consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements and notes, which are included as part of the Company's Form 10-K filed with the SEC for the year ended December 31, 2015.

Operating results for the periods presented are not necessarily indicative of the results that may be expected for the full year. Notes to the financial statements which substantially duplicate the disclosure contained in the audited consolidated financial statements for fiscal year ended December 31, 2015 as reported in the 10-K have been omitted. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair presentation, have been included in the accompanying unaudited consolidated financial statements.

Recently Adopted Accounting Pronouncements

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

NOTE 3 – COMMON STOCK

During the three months period ended March 31, 2016, the holders of promissory notes converted the principal and the related interest outstanding of $53,805 into 1,197,396,933 shares. The fair value of the derivative liability associated with the notes that were converted, $40,980 was reclassified to equity upon conversion. Therefore the Company recorded $94,785 in conjunction with the conversions.

KALLO INC.
Notes to Consolidated Financial Statements
March 31, 2016
(Amounts expressed in US dollars)
(Unaudited)

NOTE 4 – RELATED PARTY TRANSACTIONS

During the three months period ended March 31, 2016, $150,566 was received from a director and an affiliate of the Company and is included in the convertible loans payable to related parties.

Included in accounts payable and accrued liabilities is an amount of $7,873 and $20,312 respectively, due to a director and officer of the Company as at March 31, 2016.

NOTE 5 – CONVERTIBLE PROMISSORY NOTES AND DERIVATIVE LIABILITIES

The convertible promissory notes are unsecured and bear interest at between 8% and 12% per annum with all principal and accrued interest due and payable between one and two years from the dates of execution of the Notes. The Notes are due and were issued as disclosed in the following table. The Holders of the Notes can, in lieu of payment of the principal and interest, elect to convert such amount into common shares of the Company at the conversion price per share disclosed. The following table represents the remaining notes outstanding as of March 31, 2016.

Face amount	Interest rate		Due date	Conversion price per share
Promissory note of $125,000	8	%	December 1, 2015	75% of average of the previous two lowest trading days over the last 15 trading days
Promissory note of $100,000	10	%	December 21, 2015	65% of lowest trading day over the last 15 trading days
Promissory note of $87,500	8	%	January 15, 2016	70% of average of two lowest closing bid price over the last 15 trading days
Promissory note of $55,000	8	%	February 5, 2016	60% of the lowest trading price over the last 15 trading days
Promissory note of $55,000	8	%	July 9, 2016	65% of the lowest trading price over the last 15 trading days
Promissory note of $40,000	8	%	July 13, 2016	60% of the lowest trading price over the last 15 trading days
Promissory note of $50,000	12	%	February 3, 2017	65% of the lowest trading price over the last 25 trading days
Promissory note of $50,000	8	%	June 8, 2017	65% of the lowest trading price of the last 20 trading days

During the quarter ended March 31, 2016, at the commitment dates, there were no new promissory notes. On March 31, 2016, all the derivative liabilities were valued at $212,283 which resulted in a loss in fair value of $42,429 for the period ended March 31, 2016. There were no new convertible promissory notes in the period. The debt discounts are amortized over the terms of the respective Notes and were $64,651 at March 31, 2016 resulting in net finance charge of $65,414 for the period ended March 31, 2016 included in the consolidated statement of operations. The fair value of the embedded conversion feature is estimated at the end of each quarterly reporting period using the Multinomial lattice model.

The following table illustrates the fair value adjustments that were recorded related to the level 3 derivative liabilities, associated with the convertible promissory notes:

	March 31, 2016	December 31, 2015
Fair value as at Beginning of Period	$210,834	$336,390
New promissory notes	-	607,510
Elimination associated with conversion of promissory notes	(40,980)	(635,176)
Change in fair value loss (gain)	42,429	(97,890)
Fair value as at End of Period	$212,283	$210,834

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KALLO INC.
Notes to Consolidated Financial Statements
March 31, 2016
(Amounts expressed in US dollars)
(Unaudited)

A summary of the promissory notes is as follows:

	March 31, 2016	December 31, 2015
Balance as at Beginning of Period	$229,377	$16,175
New convertible promissory notes	-	633,611
Original issue discount	-	(53,536)
Interest and Penalties	557	114,914
Derivative liabilities	-	(607,510)
Converted into shares	(53,805)	(654,641)
Amortization of debt discount	64,651	780,364
Balance as at End of Period	$240,800	$229,377
Convertible notes – short term	(199,102)	(204,826)
Convertible notes – long term	$41,698	$24,551

Convertible promissory notes are accounted for at fair value by level within the fair value hierarchy at March 31, 2016 and December 31, 2015 as follows:

March 31, 2016

	Level 1	Level 2	Level 3	Total
Liabilities:				
Derivative liabilities	$ -	$ -	$212,283	$212,283

December 31, 2015

	Level 1	Level 2	Level 3	Total
Liabilities:				
Derivative liabilities	$ -	$ -	$210,834	$210,834

NOTE 6 – SHORT TERM LOANS PAYABLE AND CONVERTIBLE LOANS PAYABLE

	March 31, 2016	December 31, 2015
Convertible promissory note bearing interest at 15% per annum –third party	146,116	105,395
Convertible promissory note bearing interest at 15% per annum – Related Party	447,393	272,712

	$593,509	$378,107

During the three month period ended March 31, 2016, $181,260 was received in cash for Convertible loans payable which included 15% interest per annum and is convertible at a fixed price at any time during the 1 year term. The company has the option to pay the note at any time. The company analyzed the conversion option for derivative accounting consideration under ASC Topic 815-40, Derivatives and Hedging – Contract in Entity's Own Stock and concluded that the embedded conversion was a derivative but the fair value of the feature was zero. The total outstanding notes from this debt offering is $593,509 of which $447,393 is to from related parties. As most of the loans are offered in Canadian dollars, they are revalued at the closing exchange rate.

KALLO INC.
Notes to Consolidated Financial Statements
March 31, 2016
(Amounts expressed in US dollars)
(Unaudited)

NOTE 7 – SHORT TERM LOANS PAYABLE

	March 31, 2016	December 31, 2015
Non-interest bearing short term funding from third parties	$16,765	$ 15,730
	$16,765	$ 15,730

As at March 31, 2016, the balance of $16,765 represented short term funding provided by third parties which are non-interest bearing, unsecured and have no fixed repayment date. The amount in Canadian dollars is $21,772 which is subject to revaluation at the end of each quarter.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Operating lease

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

2016	$201,215
	$201,215

Total rent expense for the above lease was as follows:

2014	$122,432
2015	209,965
	$332,397

Sales commission agreement

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

In respect of the Ghana Project, the Company had agreed with two third parties to pay sales commissions equal to $8,717,625 and 4.5% (subject to a maximum of $7,162,375) of the contract price respectively for facilitating and securing the Contract with the Ministry of Health of the Republic of Ghana. As of June 19, 2015, both contracts have been cancelled.

On January 23, 2014, Kallo Inc. announced the signing of a US$200,000,925 Supply Contract with the Ministry of Health and Public Hygiene of the Republic Of Guinea (the "Guinea Project").

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

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

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

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

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

Agreements with suppliers

The Company has entered into agreements with a number of service providers for licensing of software and other professional services to be rendered. The total remaining amount committed is $2,773,737

NOTE 9 – SUBSEQUENT EVENTS

Convertible promissory notes

After March 31, 2016, promissory notes for a total of $55,195 were converted into 1,014,746,500 common shares.

Convertible loans payable

After March 31, 2016, a total of $48,125 was received as advances against loans which will have the same terms as described in note 6.

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ITEM 2. 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. All funds are reflected in United States dollars unless otherwise indicated.

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

For the last five fiscal years, starting January 2010, our management and board of directors have raised funds through a personal and professional network of investors. This has enabled product and business development, continued operations, and generation of customer interest. In order to continue operations, management has contemplated several options to raise capital and sustain operations in the next 12 months. These options include, debt and equity offers to existing shareholders, debt and equity offers to independent investment professionals and through various other financing alternatives. Management's opinion is that the combination of the three options along with the forecasted closing of at least one project will enable continued operations for the next 12 months. There is no assurance that we will receive additional money from these options and our existing shareholders are under no legal duty to provide us with additional financing nor have our shareholders committed to provide us with additional financing. Management believes that the Company can be generating sufficient cash flow from operation from the several potential projects as detailed below within the next 3 months and any additional funding can be met through one of the three options mentioned.

On December 24, 2015, we received a purchase request from Chrispod Limited in response to a proposal we submitted to Chrispod Limited on December 1, 2015, for medical equipment for the Ministry of Health in Ghana for regional hospital use. Chrispod Limited was awarded the contract on December 27th, 2012 and it was recently reapproved by the Minister of Health for delivery in 2016. Chrispod Limited has subcontracted Kallo for the delivery of the equipment as stated in our proposal and is currently awaiting final approval for the financing offer that was presented to the Minister of Finance. The full contract is approved for $60,058,000 US dollars, of which the Kallo proposed component will be $21,753,801 US dollars. The contract is in the final approval stage with the Minister of Finance. Under this contract, Kallo will supply medical equipment and accessories and other essential hospital equipment. Installation of the medical equipment is not included in the project scope. There is no assurance any equipment will be sold to Chirspod Limited.

On January 23, 2014, we announced the signing of a US$200,000,925 (Two Hundred million nine hundred and twenty-five US dollars) Supply Contract with the Ministry of Health and Public Hygiene of the Republic Of Guinea. On April 14, 2015, the Minister of Health and Public Hygiene, in a letter confirmed the selection of Kallo Inc., as supplier pursuant to the MobilCare™ Supply Contract, to design and build specialized hospitals in the regions of Conakry, Kindia, Labe, Kankan and Nzerekore, and asked Kallo to mobilize its technical teams for site visits to engage in preliminary studies for the construction of these hospitals. No equipment has been sold under the terms of this supply contract. There is no assurance any equipment will be purchased under this supply contract.

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On October 11, 2015, the Republic of Guinea held their presidential election and the incumbent Prof. Alpha Conde was re-elected as affirmed by the National Electoral Commission on October 17, 2015. His formal inauguration occurred on December 14, 2015. With his re-election, there have been a number of cabinet changes, including the appointment of Dr. Abdou Diallo as the Minister of Health in early January. All of the project material has been provided to Dr. Diallo.

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

The Government of Guinea has been looking into securing funding for the Kallo Integrated Delivery System ("KIDS") for US$ 200,000,925 and a financial institution has come to the stage of agreeing on the terms requested by the Government of Guinea based on their acceptable economic framework for such projects. We continue to be in contact with the newly appointed Minister of Health and expect to finalize the health strategy and implementation schedules between the financial institution and the Government of Guinea in the next 6 months. Once this process is complete, it would trigger the release of Kallo's down payment for the project initiation and production. There is no assurance that the down payment will ever be made to us.

In anticipation of the start of the Supply Contract, Kallo has built a Clinical Command Centre and other infrastructure at its Head Office as well as hiring a team focused on building out the project and delivery plan for the Contract.

MobileCare™ supply contract includes:

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

In addition to the primary supply contract, on April 6, 2015, the Government of Guinea signed an addendum to the agreement expanding the project by $54,916,600 to include the addition of the following:

1. Mobile Clinics (2)
2. Utility Vehicle (1)
3. Clinical, Pharmaceutical and Laboratory Equipment
4. Networking & Communications Infrastructure
5. Clinical Systems

6. 5-Year Service & Maintenance
7. 5-Year Education & Training by Kallo University
8. Freight & Insurance

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

During the first quarter of 2015, the office of the Minister of Finance – Ghana has been presented an offer to finance healthcare projects in Ghana valued at Euros 850 million. 250 million euros is to be utilized for a nation-wide malaria vector larviciding program, and the balance 600 million euros is for the Nation wide deployment of Kallo MobileCare, RuralCare and DialysisCare programs from Kallo Inc. The office of the Minister of Finance – Ghana is reviewing the offer and as of the date of this report, no further updates on financing were available.

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

	Polyclinic Urban-Urban	Polyclinic Rural- Rural	Total	CHPS
Greater Accra	3	1	4	0
Ashanti Region	2	1	3	0
Central Region	2	1	3	2
Northern Region	2	2	4	2
Upper East Region	1	2	3	2
Upper West Region	0	0	0	1
Western Region	2	3	5	0
Volta Region	1	1	2	2
Eastern Region	1	1	2	0
Brong-Ahafo Region	1	0	1	1
	15	12	27	10

There is no assurance that any of the foregoing projects will ever be initiated.

Plan of Operation

The following plan of operation contains forward-looking statements, which involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth elsewhere in this document. Because of the speculative nature of our operations and the nature of the African countries we are attempting to do business with, there is no assurance that any of the planned operations will occur.

Kallo Integrated Delivery System

Kallo's healthcare mission is to "reach the unreached". The end to end solution includes the following:

- MobileCare™ – a mobile trailer that opens into a state of the art clinical setup in a vehicle equipped with the latest technology in healthcare. More than just a facility, MobileCare™ 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.

- RuralCare™ – prefabricated modular healthcare units focused in rural areas where no roads infrastructure is available. They are equipped to provide primary healthcare including X-Ray, ultrasound, surgery, pharmacy and lab services. Ranging from 1,200 to 3,800 square feet, these clinics can be up and running in disaster zones or rural areas in as little as one week. Similar to the MobileCare™ product, RuralCare™ also utilizes satellite communications to access the Telehealth system.

- Global response center – located in the Kallo headquarters in Canada, this is the escalation point for the coordination of delivery of Telehealth and eHealth support. It consists of both the Clinical Command Center and the Administrative Command Center.

- Regional response centers, Clinical and Administrative Command centers – located in the urban area hospitals and connected with satellite communications, these centers coordinate all aspects of the healthcare delivery solution with the Mobile clinics and Rural clinics including clinical services, Telehealth services, pharmacy and medical consumable coordination as well as escalations to the Global response center.

- Kallo University – provides education, training and development of local resources for all aspects of the healthcare delivery which includes clinical, engineering and administration.

- Emergency Services – provides ground and air ambulance vehicles for emergency transport.

Our end to end delivery solution is equipped with necessary medical equipment as per regional healthcare requirements. We also install our copyrighted software and third party software as required along with a 5 year support agreement renewable after the 5 year initial term that includes the medical equipment, software licenses, installation implementation and training. This generates an ongoing revenue stream for service, maintenance, spare-parts, and consumables.

Sales Go-To-Market Strategy

Our Sales Go-To-Market Strategy is segmented based on the varying needs of our customers in the following three categories:

1. Full solution with Kallo Integrated Delivery System (KIDS) – typically longer sales cycle and includes the end to end solution of Mobile Clinics, Rural Poly Clinics, Global and Regional response centers, Clinical and Administrative command centers, telehealth support, Kallo University training, pharmacy and medical consumable support and Emergency services with ground and air ambulance vehicles. This solution is focused on the end to end healthcare needs of developing countries.

2. Component Solutions – typically mid-term sales cycle and includes any of the components of the KIDS implementation without the full support structure. This strategy is focused on augmenting healthcare support where needed, such as, disaster management, North American First Nations, medical equipment supply, installation and testing.

3. Technology Solutions – typically short-term sales cycle and includes elements of the KIDS program that can enhance existing healthcare solutions. These would include our Hospital Management System, Consulting services, Bio Medical support, Mobile or Fixed Clinic manufacturing, etc. This strategy is focused on enhancing existing healthcare environments globally.

Our milestones during the next twelve months are:

1. Develop our sales and marketing organization for the Component Solutions segment and expand the existing pipeline by building relationships with Government disaster recovery agencies as well as First Nations Leaders. We are utilizing existing resources to execute this strategy and will expand as operational financing permits.

2.

Perform a market analysis of the demand for individual components of the solution and targeted audience for each of the components. We are utilizing the expertise of existing resources to execute this strategy and will expand as operational financing permits.

3. Continue to develop a pipeline of qualified opportunities for the full delivery solution with target to close and begin execution of the solution within the next 12 months.

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Delivery Plan

Our plans for delivery of projects are unique to each opportunity but the core process can be emulated and specifics added based on the customers' requirements.

For a component delivery project such as our contract with Chrispod Limited for Ghana, the requirement is for the delivery of medical equipment, as well as other essential hospital equipment; beds, generators and elevator lifts. Of which only the generators and elevator lifts require installation services. With this solution, the delivery plan is focused around the coordination of manufacturer lead times, transportation offers and the management of importation and duties. Installation services are coordinated between the manufacturer and the Kallo engineering team. All of which are managed with detailed timeline reporting.

Our integrated healthcare delivery implementation plan for our full KIDS solution, such as for Guinea, begins with the detailed schedule for the delivery and training as agreed with the Government. We are currently developing a full 36 month roll out strategy for all aspects of the delivery, highlighting any risks and mitigation plans for those risks. Once the purchase order and payment are confirmed, the delivery plan includes a lead time of six months for production and landing of the first two mobile clinics.

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

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

Our healthcare delivery solution 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 the delivery of our proposed project with Chrispod Limited and the Government of Ghana, beginning the first phase of implementation of our KIDS solution in Guinea and building out our go to market strategy as described in the Go-To-Market Strategy section.

New Business Developments

Ghana – In addition to the sub-contract from Chrispod Limited provided on December 24, 2015 and the direct Memorandum of Understanding signed on November 20, 2012, we are actively perusing the following opportunity:

- Currently in discussions with Minister of Health to determine scope of a direct add on to the Chrispod Limited contract for medical equipment expansion for existing healthcare facilities across Ghana. Request for proposal and decision is expected by end of May 2016.

Cameroon – From the proposal submitted on August 12, 2015, The Memorandum of Understanding process has been completed and approved by the Minister of Health and the Prime Minister's office. On Wednesday April 27th, 2016 the MOU was signed between Kallo and the Government of Cameroon. The next step includes a detailed analysis of the healthcare infrastructure currently in place. As part of the MOU, there is an immediate need for support of a sporting event taking place in Cameroon in late 2016.

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Chad – Two alternative proposals both submitted on August 16, 2015 for either 12 Mobile Clinics or 1 Rural clinic to the Minister of National Security. The proposals are currently in the review phase with the Government of Chad with a follow up meeting still to be determined.

There is no assurance any of the foregoing will materialize.

Need for additional capital

We cannot guarantee we will be successful in our business operations. Our business is subject to risks inherent in the establishment of a business enterprise, including limited capital resources and possible cost overruns due to price increases in services and products.

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

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

Results of operations

Revenues

We did not generate any revenues during the three months ended March 31, 2016 or 2015.

Expenses

During the three months ended March 31, 2016 we incurred total expenses of $807,632, including $441,998 in salaries, compensation and payroll expenses, $15,767 in depreciation, $55,571 in professional fees, $408 in selling and marketing expenses, $65,414 in interest and financing costs, $42,429 in change in fair value on derivative liabilities and $186,045 as other expenses whereas during the three months ended March 31, 2015 we incurred total expenses of $1,531,415, including $440,734 in salaries and compensation, $8,654 in depreciation, $503,814 in professional fees, $45,114 in selling and marketing expenses, $173,609 in interest and finance costs, $292,010 in change in fair value derivative liabilities and $67,480 as other expenses. Our professional fees consist of legal, consulting, accounting and auditing fees.

The decrease in our total expenses for the three months ended March 31, 2016 from the comparative period is mainly due to the reduction in professional fees of $448,243, selling and marketing expenses of $44,706 and interest and financing costs of $108,195. With the limited funding that we have received, a cost containment strategy has been in place throughout the quarter.

Net Loss

During the three months ended March 31, 2016 we did not generate any revenues and incurred a net loss of $807,632 compared to a net loss of $1,531,415 during the same period in 2015.

Liquidity and capital resources

As at March 31, 2016, the Company had current assets of $124,415 and current liabilities of $2,676,284, indicating working capital deficiency of $2,551,869. As of March 31, 2016, our total assets were $244,200 in cash, other receivables, prepaid expenses, deferred project costs, equipment, long term deposit and our total liabilities were $2,717,982 comprised of $1,642,015 in accounts payable and accrued liabilities, $212,283 in derivative liabilities, $199,102 in convertible promissory notes, $593,509 in convertible loans, short term loans of $16,765, and deferred lease inducement of $12,610.

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Cash used in operating activities amounted to $170,595 during the three months ended March 31, 2016, primarily as a result of the net loss adjusted for non-cash items and various changes in operating assets and liabilities.

Cash used in investing activities during the current three months period ended March 31, 2016 was $0.

Cash provided by financing activities during the three months ended March 31, 2016 amounted to $180,556 and represented proceeds from issuance of convertible loans.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

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

ITEM 4. CONTROLS AND PROCEDURES.

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 (1992) 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, 2015. Material weakness identified included:

* Lack of segregation of duties
* Insufficient controls over the financial close process and preparation of the financial statements identified by the auditors during the audit of the company's financial statements for the year ended December 31, 2015.

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We have begun to take steps to remedy the foregoing material weaknesses, including the hiring of a Kallo badged VP of Finance to oversee the accounting and financial reporting process.

Changes in Internal Controls

There were no changes in our internal control over financial reporting during the quarter ended March 31, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

There are no pending lawsuits.

ITEM 1A. RISK FACTORS.

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

ITEM 6. EXHIBITS.

The following documents are included herein:

		Incorporated by reference			Filed
Exhibit	Document Description	Form	Date	Number	herewith
2.1	Articles of Merger	8-K	1/21/11	2.1	
3.1	Articles of Incorporation	SB-2	3/05/07	3.1	
3.2	Bylaws	SB-2	3/05/07	3.2	
3.3	Amended Articles of Incorporation (11/23/2015)	8-K	12/02/15	3.1	
4.1	Specimen Stock Certificate	SB-2	3/05/07	4.1	
10.1	Agreement with Rophe Medical Technologies Inc. dated December 11, 2009	10-K	3/31/10	10.2	
10.2	Amended Agreement with Rophe Medical Technologies Inc. dated December 18, 2009	10-K	3/31/10	10.3	
10.3	Amended Agreement with Rophe Medical Technologies Inc. dated March 16, 2010	10-K	3/31/10	10.4	
10.4	Investment Agreement with Kodiak Capital Group, LLC dated	S-1	10/30/14	10.6	

	October 20, 2014			
10.5	Amended Agreement with Jarr Capital Corp.	8-K	2/22/11	10.1
10.6	Termination of Employment Agreement with John Cecil	8-K	2/22/11	10.2
10.7	Termination of Employment Agreement with Vince Leitao	8-K	2/22/11	10.3

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10.8	Termination of Employment Agreement with Samuel Baker	8-K	2/22/11	10.4	
10.9	Services Agreement with Buchanan Associates Computer Consulting Ltd.	10-K	5/18/11	10.1	
10.10	Equipment Lease Agreement with Buchanan Associates Computer Consulting Ltd.	10-K	5/18/11	10.2	
10.11	Agreement with Mansfield Communications Inc.	10-K	5/18/11	10.3	
10.12	Agreement with Watt International Inc.	10-K	5/18/11	10.4	
10.13	Pilot EMR Agreement with Nexus Health Management Inc.	10-K	5/18/11	10.5	
10.14	2011 Non-Qualified Stock Option Plan	S-8	6/27/11	10.1	
10.15	Multimedia Contractual Agreement with David Miller	8-K	10/28/11	10.1	
10.16	Strategic Alliance Agreement with Petro Data Management Services Limited and Gateway Global Fabrication Ltd.	8-K	11/02/11	10.1	
10.17	Independent Contractor Agreement with Savers Drug Mart	8-K	1/26/12	10.1	
10.18	2012 Non-Qualified Stock Option Plan	S-8	9/06/12	10.1	
10.19	Memorandum of Offering with Ministry of Health of Republic of Ghana	S-1/A-3	6/26/13	10.32	
10.20	Addendum to Investment Agreement with Kodiak	S-1/A-4	7/31/13	10.33	
10.21	Second Addendum to Investment Agreement with Kodiak	S-1	8/25/14	10.34	
10.22	Email from Kodiak	S-1/A-1	9/24/14	10.35	
10.23	Email from Kodiak	S-1/A-1	9/24/14	10.36	
14.1	Code of Ethics	S-1	8/25/14	14.2	
16.1	Letter from Collins Barrow Toronto LLP	8-K/A-1	2/15/12	16.3	
16.2	Letter from Schwartz Levitsky Feldman LLP	8-K/A-3	8/13/14	16.1	
21.1	List of Subsidiary Companies	10-K	3/31/10	21.1	
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	
99.3	FCPA Code	S-1	8/25/14	99.3	
99.4	Letter from Ministry of Health	8-K	6/08/15	99.2	
99.5	Letter from Minister of Health and Public Hygiene	8-K	6/24/15	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 the Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this 23rd day of May, 2016.

KALLO INC.
(The "Registrant")

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

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