Kallo Inc.
Form 10-Q/A
December 08, 2017

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

FORM 10-Q/A-1

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

225 Duncan Mills Road
Suite 504
Toronto, Ontario
Canada M3B 3H9
(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 (§§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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "non-accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer	Accelerated Filer
Non-accelerated Filer	Smaller Reporting Company
Emerging Growth Company	
(Do not check if 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: 9,907,548,954 as of October 11, 2017.

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REASON FOR AMENDMENT

The sole purpose of this Amendment to the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2016 is to furnish the Interactive Data File exhibits pursuant to Rule 405 of Regulation S-T. No other changes have been made to this Form 10-Q and this Amendment has not been updated to reflect events occurring subsequent to the filing of this Form 10-Q.

KALLO INC.
JUNE 30, 2016

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

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

	June 30, 2016	December 31, 2015
ASSETS		
Current Assets:		
Cash	$277	$4,998
Prepaid expenses	102,058	132,259
Total Current Assets	102,335	137,257
Deposit – long term	-	20,627
Equipment, net	-	135,551
TOTAL ASSETS	$102,335	$293,435
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current Liabilities:		
Accounts payable and accrued liabilities	$2,135,325	$1,204,942
Derivative liabilities	268,073	210,834
Convertible promissory notes, net of discount of $34,396 and $69,568 respectively	250,234	204,826
Convertible loans payable – third parties	185,998	105,395
Short term loans payable	16,856	15,730
Convertible loans payable – related parties	592,569	272,712
Deferred lease inducement	8,826	15,380
Total Current Liabilities	3,457,881	2,029,819
Convertible promissory notes, net of discount of $Nil and $59,939 respectively	-	24,551
TOTAL LIABILITIES	3,457,881	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, 12,583,742,772 and 5,648,390,746 shares issued and outstanding, respectively	125,838	56,485
Additional paid-in capital	30,920,972	30,324,674
Accumulated deficit	(34,403,306)	(32,143,044)
Total Stockholders' Deficiency	(3,355,546)	(1,760,935)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	$102,335	$293,435

See accompanying notes to the unaudited consolidated financial statements

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Operating Expenses				
General and administration	$1,070,197	$4,502,348	$1,682,258	$5,545,760
Selling and marketing	24,216	78,435	24,624	123,549
Impairment of assets	104,018	-	104,018	-
Depreciation	15,767	11,700	31,533	20,354
Operating loss	(1,214,198)	(4,592,483)	(1,842,433)	(5,689,663)
Interest and financing costs	(128,805)	(248,334)	(194,219)	(421,943)
Change in fair value of derivative liabilities	(103,033)	320,177	(145,462)	28,167
Foreign exchange (loss) gain	(6,594)	(14,294)	(78,148)	17,090
Loss on extinguishment of short term loan payable and convertible promissory note	-	(83,344)	-	(83,344)
Net loss	$(1,452,630)	$(4,618,278)	$(2,260,262)	$(6,149,693)
Basic and diluted net loss per share	$(0.00)	$(0.01)	$(0.00)	$(0.02)
Weighted average shares used in calculating Basic and diluted net loss per share	7,720,485,653	421,868,092	7,021,636,272	404,600,778

See accompanying notes to the unaudited consolidated financial statements

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

	Six Months Ended June 30, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	$(2,260,262)	$(6,149,693)
Adjustment to reconcile net loss to cash used in operating activities:		
Depreciation	31,533	20,354
Stock based compensation	448,500	3,414,000
(Gain) Loss on extinguishment of short term loan payable and convertible promissory note	-	83,344
Non cash consulting fees	-	240,125
Change in fair value of derivative liabilities	145,462	(28,167)
Impairment of assets	104,018	-
Interest and penalties	98,600	-
Deferred lease inducement	(6,554)	(10,270)
Amortization of debt discount	95,111	405,528
Unrealized foreign exchange loss	38,251	27,087
Changes in operating assets and liabilities:		
Decrease (increase) in other receivables	-	1,000
(Increase) decrease in prepaid expenses and deposit	50,828	44,929
Increase (decrease) in accounts payable and accrued liabilities	930,315	(160,313)
NET CASH USED IN OPERATING ACTIVITIES	(324,198)	(2,112,076)
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of equipment	-	(210,426)
NET CASH USED IN INVESTING ACTIVITY	-	(210,426)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock	-	1,763,230
Proceeds from convertible promissory notes	-	456,628
Proceeds from other convertible notes ($264,053 from related parties)	319,409	-
Repayment of loans payable	-	(53,540)
NET CASH PROVIDED BY FINANCING ACTIVITIES	319,409	2,166,318
Effect of exchange rate changes on cash	68	2,868
NET DECREASE IN CASH	(4,721)	(153,316)
CASH - BEGINNING OF PERIOD	4,998	250,339
CASH - END OF PERIOD	$277	$97,023
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	$217,151	$62,748
Convertible loan payable for expenses paid directly by lender	$5,434	$-
Initial debt discount on convertible promissory notes	$-	$461,580
Accounts payable for equipment	$-	$308,984
Stock issued for settlement of accounts payable	$-	$171,362

See accompanying notes to the unaudited consolidated financial statements

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KALLO INC.
Notes to Consolidated Financial Statements
June 30, 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 and a working capital deficit at June 30, 2016. The Company is expected to incur additional losses as it executes its go to market strategy. This raises substantial doubt about the Company's ability to continue as a going concern.

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. 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

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The effective date will be the first quarter of fiscal year 2019 using one of two retrospective application methods or a cumulative effect approach. The Company is evaluating the potential effects on the consolidated financial statements.

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KALLO INC.
Notes to Consolidated Financial Statements
June 30, 2016
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(Unaudited)

NOTE 2 – ACCOUNTING POLICIES AND OPERATIONS (continued)

In February 2016, the FASB issued an ASU related to the accounting for leases. The new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. This pronouncement is effective for annual and interim periods beginning after December 15, 2018, with early adoption permitted. The Company is evaluating the impact that the new standard will have on its consolidated financial statements.

NOTE 3 – COMMON STOCK

During the six months period ended June 30, 2016, the holders of promissory notes converted the principal and the related interest outstanding of $128,928 into 2,450,352,026 shares. The fair value of the derivative liability associated with the notes that were converted, $88,223 was reclassified to equity upon conversion. Therefore the Company recorded $217,151 in conjunction with the conversions.

During the six months period ended June 30, 2016, the Board of Directors approved the issuance of 4,485,000,000 common shares to various directors and employees for a total amount of $448,500. On September 12, 2016, the Company rescinded its decision to issue the 4,485,000,000 common shares to various directors and employees.

On September 26, 2012, the Company entered into a investment agreement with Kodiak Capital Group, LLC ("Kodiak") whereby the company could issue shares in exchange for an option to sell up to $2,000,000 worth of shares of the Company at a price equal to eighty percent (80%) of the lowest daily preceding five days Volume Weighted Average Price at the time of exercise and expires six months from inception. In connection therewith, the Company filed a Form S-1 registration statement with the Securities and Exchange Commission registering for sale up to 50,000,000 common shares. The previous arrangement with Kodiak expired in April 2014, but on July 15, 2014, the Company and Kodiak amended the investment agreement to extend the agreement through December 31, 2015. During the six months period ended June 30, 2015, the Company put $172,362 and 6,250,000 shares were issued pursuant to the above Agreement.

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

NOTE 4 – RELATED PARTY TRANSACTIONS

During the six months period ended June 30, 2016, $264,053 was received from a director and an affiliate of the Company and is included in the convertible loans payable to related parties. As at June 30, 2016, the total outstanding notes from the director and the affiliate is $592,569, including accrued interest.

Included in accounts payable and accrued liabilities is an amount of $151,344 due to directors of the Company as at June 30, 2016.

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KALLO INC.
Notes to Consolidated Financial Statements
June 30, 2016
(Amounts expressed in US dollars)
(Unaudited)

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 at June 30, 2016:

Face amount	Interest rate	Due date	Conversion price per share
Promissory note of $100,000	10%	December 21, 2015	65% of lowest trading day over the last 15 trading days
Promissory note of $50,000	8%	October 5, 2015	60% of the lowest trading price over the last 15 trading days
Promissory note of $87,500	8%	January 15, 2016	70% of average of two lowest closing bid price over the last 15 trading days
Promissory note of $55,000	8%	February 11, 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 over the last 20 trading days

During the period ended June 30, 2016, there were no new promissory notes. On June 30, 2016, all the derivative liabilities were valued at $268,073 which resulted in a loss in fair value of $145,462 for the period ended June 30, 2016. The debt discounts are amortized over the terms of the respective Notes and were $95,111 at June 30, 2016 and, together with interest and penalties of $54,674 on the promissory notes, are included in net finance charge of $194,219 for the period ended June 30, 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:

	June 30, 2016
Fair value as at Beginning of Period	$210,834
New promissory notes	-
Elimination associated with conversion of promissory notes	(88,223)
Change in fair value loss (gain)	145,462
Fair value as at End of Period	$268,073

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KALLO INC.
Notes to Consolidated Financial Statements
June 30, 2016
(Amounts expressed in US dollars)
(Unaudited)

NOTE 5 – CONVERTIBLE PROMISSORY NOTES AND DERIVATIVE LIABILITIES (continued)

A summary of the promissory notes is as follows:

	June 30, 2016	June 30, 2015
Balance as at Beginning of Period	$229,377	$16,175
New convertible promissory notes	-	503,611
Original issue discount	-	(46,983)
Interest and Penalties	54,674	-
Derivative liabilities	-	(461,580)
Converted into shares	(128,928)	(35,131)
Amortization of debt discount	95,111	405,528
Balance as at End of Period	$250,234	$