

Kallo Inc.
Form 10-Q
August 14, 2013

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

FORM 10-Q

- QUARTERLY REPORT UNDER TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY
PERIOD ENDED JUNE 30, 2013
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)

15 Allstate Parkway, Suite 600
Markham, Ontario
Canada L3R 5B4
(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):

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Large Accelerated Filer	<input type="radio"/>	Accelerated Filer	<input type="radio"/>
Non-accelerated Filer	<input type="radio"/>	Smaller Reporting Company	<input checked="" type="radio"/>

(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: 307,647,036 as of August 10, 2013.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

KALLO INC.
(A Development Stage Company)
Condensed Consolidated Balance Sheets

ASSETS	June 30, 2013 (unaudited)	December 31, 2012
Current Assets:		
Cash	\$ 75,526	\$ 318,445
Other receivables	177,755	87,196
Prepaid expenses	70,581	132,817
Total Current Assets	323,862	538,458
Copyrights (Note 6)	865,000	865,000
Equipment, net	33,257	77,541
TOTAL ASSETS	\$ 1,222,119	\$ 1,480,999
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current Liabilities:		
Accrued liabilities	\$ 1,176,517	\$ 993,277
Accrued officers' salaries (Note 7)	20,000	55,000
Acquisition cost payable (Note 6)	525	525
Current portion of obligations under capital leases (Note 7)	46,887	108,268
Loan payable (Note 8)	61,893	109,044
Convertible promissory note (Note 9)	100,096	200,767
Short term loans payable (Note 10)	85,123	65,283
Deferred revenue	24,990	24,990
Total Current Liabilities	1,516,031	1,557,154
TOTAL LIABILITIES	1,516,031	1,557,154
Commitments and Contingencies (Note 7)		
Going Concern (Note 1)		
Stockholders' Deficiency (Note 3)		
Preferred stock, \$0.00001 par value, 100,000,000 shares authorized, none issued and outstanding		
Common stock, \$0.00001 par value, 500,000,000 (December 31, 2012 – 500,000,000) shares authorized, 307,647,036 and 291,347,036 shares issued and outstanding at June 30, 2013 and December 31, 2012, respectively.	3,076	2,913
Additional paid-in capital	18,096,532	17,286,695
Deficit accumulated during the development stage	(18,393,520)	(17,365,763)
Total Stockholders' Deficiency	(293,912)	(76,155)

TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	\$ 1,222,119	\$ 1,480,999
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See accompanying notes to the unaudited condensed consolidated financial statements
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KALLO INC.
(A Development Stage Company)
Condensed Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,		December 12, 2006 (inception) to June 30, 2013
	2013	2012	2013	2012	
Revenue	\$ -	\$ -	\$ -	\$ -	\$ 15,887
Cost of Revenue	-	-	-	-	12,840
Gross Profit	-	-	-	-	3,047
Expenses					
General and administration	441,086	341,646	893,975	774,840	15,947,764
Selling and marketing	124,056	69,077	174,068	122,338	1,112,627
Software development costs	900	-	900	-	825,192
Foreign exchange loss (gain)	(19,653)	17,824	(12,294)	21,406	(22,602)
Depreciation	22,142	22,142	44,284	44,284	240,164
Interest and financing costs	4,533	12,699	7,494	38,696	216,795
Change in fair value on convertible promissory note	(333,612)	53,234	(34,003)	53,234	116,764
Gain on extinguishment of convertible promissory note	(46,667)	-	(46,667)	-	(46,667)
Loss on disposal of equipment	-	-	-	-	6,530
	192,785	516,622	1,027,757	1,054,798	18,396,567
Net Loss and Comprehensive Loss	\$ (192,785)	\$ (516,622)	\$ (1,027,757)	\$ (1,054,798)	\$(18,393,520)
Basic and diluted net loss per share					
	\$ (0.001)	\$ (0.004)	\$ (0.003)	\$ (0.008)	
Weighted average shares used in calculating Basic and diluted net loss per share					
	296,720,662	142,942,317	294,063,703	133,265,424	

For the six months period ended June 30, 2013 and June 30, 2012, 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.

See accompanying notes to the unaudited condensed consolidated financial statements
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KALLO INC.
(A Development Stage Company)
Condensed Consolidated Statements of Changes in Stockholders' Equity (Deficiency)
For the period from December 12, 2006 (inception) through to June 30, 2013

	Preferred Stock \$.00001 par value		Common Stock \$.00001 par value		Additional Paid-In Capital	Deficit Accumulated During the Development Stage	Total Stockholders' Equity (Deficiency)
	Shares	Amount	Shares	Amount			
Balance December 12, 2006 (Inception)	-	\$ -	-	\$ -	\$ -	\$ -	\$ -
Issuance of common shares	-	-	15,000,000	150	(100)	-	50
Net loss	-	-	-	-	-	(18,500)	(18,500)
Balance December 31, 2006 (Unaudited)	-	-	15,000,000	150	(100)	(18,500)	(18,450)
Issuance of common shares	-	-	1,721,502	17	172,608	-	172,625
Net loss	-	-	-	-	-	(232,602)	(232,602)
Balance December 31, 2007 (Unaudited)	-	-	16,721,502	167	172,508	(251,102)	(78,427)
Net loss	-	-	-	-	-	(65,770)	(65,770)
Balance December 31, 2008 (Unaudited)	-	-	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 (Unaudited)	-	-	22,871,502	229	960,246	(757,246)	203,229
Issuance of common shares	-	-	1,133,664	12	170,038	-	170,050
Issuance of units, consisting of common shares and common share warrants	-	-	1,580,000	16	394,984	-	395,000
Shares issued to officers and directors	-	-	13,500,000	135	3,374,865	-	3,375,000

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Net Loss	-	-	-	-	-	(3,662,252)	(3,662,252)
Balance December 31, 2010 (Audited) (As previously stated)	-	\$ -	39,085,166	\$ 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)	-	\$ -	39,085,166	\$ 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)	-	\$ -	113,072,632	\$ 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
Receivable on stock subscription	-	-	-	-	(100,159)	-	(100,159)
Net Loss	-	-	-	-	-	(7,003,791)	(7,003,791)
Balance December 31, 2012 (Audited)	-	\$ -	291,347,036	\$ 2,913	\$ 17,286,695	\$ (17,365,763)	\$ (76,155)
Issuance of common shares	-	-	16,300,000	163	809,837	-	810,000
Net Loss	-	-	-	-	-	(1,027,757)	(1,027,757)
		\$	307,647,036	\$ 3,076	\$ 18,096,532	\$ (18,393,520)	\$ (293,912)

Balance June 30, 2013
(Unaudited)

See accompanying notes to the unaudited condensed consolidated financial statements
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KALLO INC.
(A Development Stage Company)
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30,		December 12, 2006 (inception) to June 30, 2013
	2013	2012	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Loss	\$(1,027,757)	\$(1,054,798)	\$ (18,393,520)
Adjustment to reconcile net loss to cash used in operating activities:			
Depreciation	44,284	44,284	240,164
Stock based compensation	-	47,988	11,229,832
Write-off of deferred financing costs	-	-	66,064
Extinguishment loss on revision of terms of loan conversion into shares	-	-	37,404
Loss on disposal of equipment	-	-	6,530
Non-cash interest accrued	343	-	9,069
Fair value loss on inception date of convertible promissory note	-	57,804	203,868
Change in fair value on convertible promissory note	(34,003)	(4,570)	(87,104)
Gain on extinguishment of convertible promissory note	(46,667)	-	(46,667)
Non-cash settlement of expenses	5,000	415,181	433,414
Changes in operating assets and liabilities:			
Increase in other receivables	(90,559)	(5,004)	(177,755)
Increase in prepaid expenses	62,236	(199,286)	(13,814)
Increase/(Decrease) in accrued liabilities and officers' salaries	148,240	(83,384)	1,773,380
Increase in deferred revenue	-	-	24,990
NET CASH USED IN OPERATING ACTIVITIES	(938,883)	(781,785)	(4,694,145)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash acquired in Rophe acquisition	-	-	300
Purchase of equipment	-	-	(14,418)
NET CASH USED IN INVESTING ACTIVITIES	-	-	(14,118)
CASH FLOWS FROM FINANCING ACTIVITIES			
Stockholder advances/(repayments)	-	-	41,957
Proceeds from sale of common stock, net	805,000	756,374	4,556,744
Proceeds for shares to be issued	-	-	-