

Kallo Inc.
Form 10-K/A
June 07, 2012

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, 2011

Commission file number 000-53183

KALLO INC.
(formerly Diamond Technologies Inc.)

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
(Issuer's telephone number including area code)

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

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 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 Accelerated Filer

Non-accelerated Filer Smaller Reporting Company

(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 March 28, 2012: \$27,556,595

The registrant had 137,782,976 shares of common stock outstanding as of March 28, 2012.

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REASON FOR AMENDMENT

On March 14, 2012, we executed a settlement agreement with Leonard Steinmetz, our former treasurer, principal financial officer, principal accounting officer and a member of the board of directors. The settlement agreement was amended on April 27, 2012. This amendment reflects the foregoing settlement and revises the disclosures contained in the Form 10-K filed with the SEC on April 19, 2012.

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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.

Upon acquiring Rophe, the focus of our business changed from selling printing equipment to manufacturing and developing medical information technology software.

Business Overview

We develop and sell software for doctors, Radiologists and hospitals. One of our products is an Electronic Medical Record System (EMR) called EMCURx. Emcurx is an informatics tool that enables the physician to make informed diagnostic and therapeutic decisions at point of care. The system communicates with existing legacy systems including Admissions (ADT), pharmacy, laboratory, radiology and Picture Archival and Communication Systems (PACS) through Health Language 7 (HL-7) interfaces. Through its interfaces, EMR captures all clinical information available on every hospitalized patient at any given moment, representing the totality of data required by the hospital clinical staff to perform their duties. Healthcare personnel are able to access information from a variety of different sources through this single software solution.

Our corporate headquarters are located at 15 Allstate Parkway, Markham, Ontario, Canada,

Our Technology

We own copyrighted proprietary software which allows us (or the physician or medical facility that uses the software?) to accumulate and store medical information from various parts of the health-care system into a single source to be stored as an Electronic Medical Record (EMR) for each patient. This allows us (or the medical community that purchased the software?) to collect medical data for each individual patient, from various sources (physicians, hospitals, laboratories, and pharmacies into one depository which can be accessed by certain medical professionals. This system eliminates patient errors when patients provide medical histories to new physicians and hospitals as well as allowing health care providers with immediate up to the date information.

Our Solution consists of three distinct products for which we have distribution rights. Our solution addresses key technology gaps in the healthcare Clinical and administrative information environment:

- 1.EMR – Kallo has exclusive VAR rights on the EMCURX brand owned by Kallo and manufactured by Mountain Medical Technologies Inc.
- 2.PACS – Kallo is the Value added reseller for Candelis in Canada and other healthcare projects globally for and integrated solution offering.
- 3.Capsule Technologies – Kallo is in the process of negotiating an agreement to be Value added reseller in Canada and other healthcare projects globally for and integrated solution offering.

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Our Products In Development

In addition to EMR, our product portfolio also 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.
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 countries such as Cuba, Costa Rica, Hungary, India, Israel, Jordan, Lithuania, Malaysia, Thailand, Belgium, Poland, Singapore and South Africa. CCG can be used by both the destination and home country to maintain complete and accurate records of the treatment history, avoiding errors due to incomplete patient data and lessening the burden and expense of corrective action on the home country when medical tourists return home.
4. MC-Telehealth (Mobile Clinic with Telehealth system) is our mobile clinic long distance or Telehealth technology. Our product enables the remote transmission of standardized formats of data for laboratory information, diagnostic imaging, diagnosis and clinical notes.

Target Market

Our target market for EMR 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.

Intellectual Property and Research and Development

We continue to improve and upgrade our system for better performance and to address specific needs. These development activities are often subcontracted to technical companies that specialize in these fields. All of our research and development work is proprietary to our company. 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.

We do not have any patents on our system or modules. We rely on trade secrets laws, confidentiality agreements and other contractual commitments to protect our proprietary research and development efforts and intellectual property. These protections may not be adequate to protect our proprietary interests. We cannot assure you that third party competitors will not obtain access of our technical information and exploit it for their

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own benefit. In such event, we may not have adequate funds available to prosecute actions to protect or to defend our proprietary rights. If our proprietary interests are divulged to the public and we do not have adequate funds to prevent third parties from using these interests for their own use, we may lose our competitive advantage, which may adversely affect our financial condition.

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

Employees

As of March 28, 2012, we have four (4) full time equivalent employee, one (1) part time employee and one (1) full time equivalent consultant, outsourced product development engineer from OEM (Original Equipment Manufacturer), Mountain Medical Technologies Inc. Our accounting functions are outsourced to JF Chartered Accountants and we have one (1) CPA as part time consultant.

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

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.

Offices

Our administrative office is located at 15 Allstate Parkway, Suite 600, Markham, Ontario, Canada, L3R 5B4 and 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.

None.

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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 instalments 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 instalment 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 \$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.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER 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 2011 and 2010 is as follows:

Fiscal Year – 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
Fiscal Year – 2010		High Bid	Low Bid
	Fourth Quarter 10-1-10 to 12-31-10	\$0.51	\$0.05
	Third Quarter 7-1-10 to 9-30-10	\$0.25	\$0.10
	Second Quarter 4-1-10 to 6-30-10	\$4.50	\$0.25
	First Quarter 1-1-10 to 3-31-10	\$0.15	\$0.15

The foregoing reflects a 3 for 1 stock dividend declared on February 11, 2008.

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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 NASD's toll free telephone number and the central number of the North American Administrators Association, for information on the disciplinary history of broker/dealers and their associated persons.

Securities authorized for issuance under equity compensation plans

We have no equity compensation plans and accordingly we have no shares authorized for issuance under an equity compensation plan.

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.

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

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 issued a going concern opinion. This means that our auditors believe there is substance 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 not generated substantial revenues and do not anticipate generating on-going revenue until we complete the development of our website and engage suppliers and customers to buy our products.

We have opened our office, purchased furniture and computers, installed phone lines and acquired finished goods for resale. We made no sales in 2011.

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.

We are a Medical information company that uses technology to assist physicians and healthcare providers to streamline patient information in a coherent and usable manner. Our software is designed to take patient medical information from many sources and deposit it into a single source as electronic medical records (EMR) for each patient. In addition to our EMR product, we have three early stage products for which we plan to evaluate partnership opportunities in order to further develop and commercialize them.

Our plan and focus during the next twelve months include both selling our existing product as well as developing and possibly selling new products.

Our Sales and Marketing Strategy for existing developed products

As of the date of this report, we have not sold any products, nor do we have any customers. We hope to initiate operations within 90 days from the time we received additional funding. 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
- 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.
- 3 – Expanding our market from the larger metropolitan areas to the smaller rural and more distant medical facilities.

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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.

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.

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. 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. We expect to see sales revenues from Kallos' Mobile Care business unit in the next twelve (12) months.

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.

C&ID-IMS - our Communicable and Infectious Diseases Information Management System technology.

CCG - our Clinical-Care Globalization technology.

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, 2011 had a working capital deficiency of \$1,447,002.

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.

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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 locate and negotiate agreements with manufacturers to offer their products for sale to us at pricing that will enable us to establish and sell the products to our clientele.

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 year ended December 31, 2011 or 2010. From our inception on December 12, 2006 to December 31, 2011 we generated \$15,887 in revenues.

As of the last week of March 2012, we did not generate revenues.

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 \$9,757,198, \$8,183,469 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.

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.

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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.

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.

Liquidity and capital resources

As at December 31, 2011, t