Kallo Inc.
Form 10-Q
August 14, 2012

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

FORM 10-Q

[X]	QUARTERLY REPORT UNDER TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2012
	OR
[ ]	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 000-53183

KALLO INC.
Formerly, Diamond Technologies 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
(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 [X] 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 [X]

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	[X]

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

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:
143,282,976 as of July 31, 2012.

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

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

ASSETS	June 30, 2012 (unaudited)	December 31, 2011
Current Assets:		
Cash	$ 32,407	$ 15,821
Prepaid expenses	278,054	78,768
Other receivables	42,575	37,571
Total Current Assets	353,036	132,160
Copyrights	865,000	865,000
Equipment, net	121,826	166,110
TOTAL ASSETS	$ 1,339,862	$ 1,163,270
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current Liabilities:		
Accrued liabilities-other	$ 1,035,505	$ 1,253,283
Accrued officers' salaries (Note 7)	125,000	175,000
Acquisition cost payable (Note 6)	48,197	56,502
Current portion of obligations under capital leases (Note 7)	102,864	94,377
Current portion of long term loan payable (Note 8)	89,756	-
Total Current Liabilities	1,401,322	1,579,162
Obligations Under Capital Leases (Note 7)	35,979	83,179
Long term loan payable (Note 8)	57,726	-
Convertible promissory note (Note 9)	73,234	-
Deposit for shares to be issued	70,000	394,474
TOTAL LIABILITIES	1,638,261	2,056,815
Commitments and Contingencies (Note 7)		
Going Concern (Note 1)		
Related Party Transactions (Note 5)		
Stockholders' Equity (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, 2011 – 500,000,000) shares authorized, 143,282,976 and 113,072,632 shares issued and outstanding at June 30, 2012 and December 31, 2011, respectively	1,432	1,131

Additional paid-in capital		10,512,165		8,862,522
Deficit accumulated during the development stage		(10,811,996)		(9,757,198)
Total Stockholders’ Equity (Deficiency)		(298,399)		(893,545)
TOTAL LIABILITIES AND STOCKHOLDERS’ EQUITY	$	1,339,862	$	1,163,270

See accompanying notes to the unaudited condensed consolidated financial statements

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

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011	December 12, 2006 (inception) to June 30, 2012
Revenue	$ -	$ -	$ -	$ -	$ 15,887
Cost of Revenue	-	-	-	-	12,840
Gross Profit	-	-	-	-	3,047
Expenses					
General and administration	341,646	450,751	774,840	718,218	8,958,309
Selling and marketing	69,077	71,349	122,338	267,829	641,195
Software development costs	-	31,005	-	469,805	824,292
Foreign exchange loss	17,824	554	21,406	13,367	(3,278)
Depreciation	22,142	22,545	44,284	41,292	151,595
Interest and financing costs	12,699	25,552	38,696	30,694	183,166
Derivitive loss	57,804	-	57,804	-	57,804
Change in fair value of convertible promissory note	(4,570)	-	(4,570)	-	(4,570)
Loss on disposal of equipment		-	-	-	6,530
	516,622	601,756	1,054,798	1,541,205	10,815,043
Net Loss and Comprehensive Loss	$ (516,622)	$ (601,756)	$ (1,054,798)	$ (1,541,205)	$ (10,811,996)
Basic and diluted net loss per share	$ (0.004)	$ (0.01)	$ (0.008)	$ (0.04)	
Weighted average shares used in calculating					
Basic and diluted net loss per share	142,942,317	43,085,166	133,265,424	42,775,774	

See accompanying notes to the unaudited condensed consolidated financial statements

KALLO INC.
(formerly Diamond Technologies, Inc.)
(A Development Stage Company)
Condensed Consolidated Statements of Changes in Stockholders' Deficiency
For the six month period ended June 30, 2012 and the period December 12, 2006 (inception) through June 30, 2012

	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Deficit Accumulated During the Development Stage	Total Stockholders' (Deficiency)
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	-	-	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 (Audited)	-	-	16,721,502	167	172,508	(251,102)	(78,427)
Net loss	-	-	-	-	-	(65,770)	(65,770)
Balance December 31, 2008 (Audited)	-	-	16,721,502	167	172,508	(316,872)	(144,197)
Shares issued for Rophe Acquisition	-	-	6,000,000	60	765,240	-	765,300
Issuance of common shares	-	-	150,000	2	14,998	-	15,000
Stock based compensation	-	-	-	-	7,500	-	7,500
Net Loss	-	-	-	-	-	(440,374)	(440,374)
Balance December 31, 2009 (Audited)	-	-	22,871,502	229	960,246	(757,246)	203,229
Issuance of common shares	-	-	1,133,664	12	170,038	-	170,050
Issuance of 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
Net Loss	-	-	-	-	-	(3,662,252)	(3,662,252)

Balance December 31, 2010 (Audited)	-	$ -	39,085,166	$ 392	$ 4,900,133	$ (4,419,498)	$ 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	$ 8,862,522	$ (9,757,198)	$ (893,545)
Issuance of common shares	-	-	23,016,963	230	1,150,618	-	1,150,848
Shares issued to employees and others	-	-	1,193,381	11	53,158	-	53,169
Shares issued for repayment of consulting fees	-	-	5,000,000	50	349,950	-	350,000
Settlement of accounts payable by common shares	-	-	500,000	5	35,922	-	35,927
Settlement of compensation to past officer	-	-	500,000	5	59,995	-	60,000
Net Loss	-	-	-	-	-	(1,054,798)	(1,054,798)
Balance June 30, 2012 (Unaudited)		$	143,282,976	$ 1,432	$ 10,512,165	$ (10,811,996)	$ (293,399)

See accompanying notes to the unaudited condensed consolidated financial statements

F-3

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

	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011	December 12, 2006 (inception) to June 30, 2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Loss	$ (1,054,798)	$ (1,541,205)	$ (10,811,996)
Adjustment to reconcile net loss to cash used in operating activities:			
Depreciation	44,284	41,292	151,595
Stock based compensation	47,988	399,600	5,943,515
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	-	5,927	3,336
Non-cash derivative loss	57,804	-	57,804
Change in fair value on convertible promissory note	(4,570)	-	(4,570)
Non-cash settlement of expenses	415,181	-	428,414
Changes in operating assets and liabilities:			
Increase in other receivables	(5,004)	-	(42,575)
Increase in prepaid expenses	(199,286)	-	(221,287)
Increase/(Decrease) in accrued liabilities and officers' salaries	(83,384)	503,815	1,773,976
NET CASH USED IN OPERATING ACTIVITIES	(781,785)	(590,571)	(2,611,790)
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	756,374	400	2,273,114
Proceeds for shares to be issued	70,000	-	464,474
Deferred financing costs	-	-	(26,064)
Repayment of obligations under capital leases	(38,713)	(23,190)	(147,876)
Proceeds from convertible promissory note	20,000	-	20,000
Proceeds from (repayment of) loans payable	(9,290)	564,503	32,710
NET CASH PROVIDED BY FINANCING ACTIVITIES	798,371	541,713	2,658,315
NET (DECREASE) INCREASE IN CASH	16,586	(48,858)	32,407

CASH - BEGINNING OF PERIOD		15,821		59,169		-
CASH - END OF PERIOD	$	32,407	$	10,311	$	32,407
SUPPLEMENTAL CASH FLOW INFORMATION						
Interest paid	$	-	$	8,851		
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES						
Accounts payable as partial consideration for Rophe acquisition	$	-	$	-	$	100,000
Common stock issued as partial consideration for Rophe acquisition	$	-	$	-	$	765,300
Acquisition of equipment under capital lease obligations	$	-	$	39,467	$	265,706
Conversion of loans payable	$	-	$	-	$	680,207

See accompanying notes to the unaudited condensed consolidated financial statements

KALLO INC.
(formerly Diamond Technologies, Inc.)
(A Development Stage Company)
Notes to Condensed Consolidated Financial Statements
(unaudited)

NOTE 1 – ORGANIZATION AND GOING CONCERN

Organization

Kallo Inc. (the "Company" or "Kallo"), formerly, Diamond Technologies, Inc., a development stage company, was incorporated in Nevada on December 12, 2006. The Company originally offered media, inks, printing, and graphic design services to the large format digital printing industry. The Company's fiscal year ends on December 31st. On December 31, 2009, Kallo entered into an agreement with Rophe Medical Technologies Inc. and its shareholders (collectively "Rophe") wherein Kallo acquired all of the issued and outstanding shares of common stock of Rophe. As a result of the Rophe transaction, Kallo changed its business focus from selling printing equipment to manufacturing and developing software designed to taking medical information from many sources, and then depositing it into a single source as an electronic medical record for each patient. On January 14, 2011, Kallo Inc. was incorporated in Nevada and merged into Diamond Technologies Inc., at which point the Company changed its name to Kallo Inc.

On December 10, 2010, the Company entered into a North American Authorized Agency Agreement (the "Agreement") with Advanced Software Technologies, Inc., located in the Grand Cayman Islands ("AST"). Under the Agreement, the Company was appointed sales agent for AST and will be paid fees by AST for selling AST products. The Company has agreed to pay AST a total of $213,000 for modification of the AST products to comply with the requirements of the Canadian Electronic Health Record market. The AST technology is being incorporated into the Company's medical information software currently in development.

Going Concern

The accompanying unaudited condensed 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 Company has incurred operating losses since inception and has an accumulated deficit of $10,811,996 at June 30, 2012. The Company will continue to incur losses as it develops its products and marketing channels during 2012. These factors raise substantial doubt regarding the Company's ability to continue as a going concern. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company has met its historical working capital requirements from the sale of common shares and loans from an officer/stockholder. In order to not burden the Company, the officer/stockholder has agreed to provide funding to the Company to pay its annual audit fees, filing costs and legal fees as long as the board of directors deems it necessary. However, there can be no assurance that such financial support shall be ongoing or available on terms or conditions acceptable to the Company.

NOTE 2 – ACCOUNTING POLICIES AND OPERATIONS

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance 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 condensed consolidated financial statements should be read in conjunction with the annual audited 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, 2011.

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 financial statements for fiscal year ended December 31, 2011 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 condensed consolidated financial statements.

KALLO INC.
(formerly Diamond Technologies, Inc.)
(A Development Stage Company)
Notes to Condensed Consolidated Financial Statements
(unaudited)

NOTE 2 – ACCOUNTING POLICIES AND OPERATIONS (continued)

Convertible promissory note

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

Recent Accounting Pronouncements

In May 2011, the FASB issued ASU 2011-04, "Fair Value Measurement (Topic 820), Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS". The amendment results in a consistent definition of fair value and ensures the fair value measurement and disclosure requirements are similar between GAAP and International Financial Reporting Standards ("IFRS"). This amendment changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements. This amendment will be effective for the Company on January 1, 2012. We adopted the amendments on January 1, 2012 on a prospective basis. The adoption of ASU No. 2011-04 had no material effect on our financial statements.

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

In December 2011, the FASB issued ASU 2011-11, "Balance Sheet (Topic 210), Disclosures about Offsetting Assets and Liabilities". The guidance in this update requires the Company to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. The pronouncement is effective for fiscal years and interim periods beginning on or after January 1, 2013 with retrospective application for all comparative periods presented. The Company's adoption of the new standard is not expected to have a material effect on the Company's consolidated financial position or results of operations.

NOTE 3 – STOCKHOLDERS' EQUITY

Common Stock

On February 1, 2012, the Company issued 1,193,381 restricted shares of common stock to creditors in consideration of satisfaction for services rendered during the period.

On February 29, 2012, the Company's board of directors approved the issuance of 23,016,963 unregistered shares of common stock to 15 individuals in consideration of $1,150,848, of which $394,474 was received as at December 31, 2011.

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

On February 3, 2012, the Company issued 500,000 shares of its common stock to creditors in consideration of satisfaction of $35,927 in outstanding payables.

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

KALLO INC.
(formerly Diamond Technologies, Inc.)
(A Development Stage Company)
Notes to Condensed Consolidated Financial Statements
(unaudited)

NOTE 4 – WARRANTS

Warrant activity for the year ended December 31, 2011 and the six months ended June 30, 2012 is as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance, December 31, 2010	1,580,000	$	0.50
Granted	-		-
Cancelled	-		-
Exercised	-		-
Balance, December 31, 2011 (audited) and June 30, 2012 (unaudited)	1,580,000	$	0.50

Each warrant is exercisable for a period of one year from the effective date of a registration statement filed with the SEC. Such registration statement has not been filed yet.

The value of the stock purchase warrants granted in 2010 was valued at $117,620 using the following assumptions and estimates in the Black-Scholes model: Expected life of 1.2 years, volatility of 100%, dividend yield of 0% and risk-free interest rate of 1.40%.

NOTE 5 – RELATED PARTY TRANSACTIONS

Included in the issuance of 23,016,963 unregistered shares of common stock to 15 individuals in consideration of $1,150,848 on February 29, 2012 were 3,000,000 shares issued to a director of the Company for an amount of $150,000.

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

NOTE 6 – ROPHE ACQUISITION

On December 11, 2009, an agreement was entered into by the Company to acquire 100% of the issued and outstanding shares of Rophe Medical Technologies Inc. (“Rophe”) for cash consideration of $1,200,000 and 3,000,000 of the Company’s common shares valued at $0.122 per share for total purchase price of $1,565,000 (the “Rophe Acquisition”). The $1,200,000 was initially payable as follows: $50,000 within 30 days of the date of the agreement; $200,000 on March 31, 2010; $250,000 on April 30, 2010; $233,333 on launch of Project 1; $233,333 on launch of Project 2; and, $233,334 on launch of Project 3. This transaction was closed on December 31, 2009.

Subsequently, the Rophe Acquisition payment terms were amended and 3,000,000 additional shares of restricted common stock were issued in 2009 as payment for $400,000 with the remaining cash consideration as follows:

$35,000 by March 5, 2010, $65,000 by March 31, 2010, $233,333 on launch of Project 1; $233,333 on launch of Project 2; and, $233,334 on launch of Project 3. As at December 31, 2011, there is a payable in the amount of $56,502. The 3,000,000 shares were considered issued as at the closing date of the acquisition and the total of 6,000,000 shares issued for the Rophe acquisition are restricted.

The total recorded acquisition price of $865,000 was allocated to the copyrights obtained in the acquisition as they were the only significant assets of Rophe, which did not have any operations. The Company has not recorded the remaining contingent payment of $700,000 due to the uncertainty of the launch of Projects 1, 2 and 3.

KALLO INC.
(formerly Diamond Technologies, Inc.)
(A Development Stage Company)
Notes to Condensed Consolidated Financial Statements
(unaudited)

NOTE 7 – COMMITMENTS & CONTINGENCIES

Commitments

Operating lease

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

Year ending June 30, 2013	$	37,119
Total	$	37,119

Capital lease

Minimum lease payments on capital lease obligations are as follows:

Within one year	$	102,864
More than one year		35,979
	$	138,843

Software development

As discussed in Note 1, the Company has agreed to pay AST a total of $213,000 for modification of the AST products to comply with the requirements of the Canadian Electronic Health Record market, of which $14,000 (2011 - $104,504) was paid in 2012. The remaining balance of $66,496 is due in 2012.

Contingencies

(a) 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.

(b) The Company has calculated the estimated amount of withholding taxes on stock-based compensation based on valuation obtained from a third party. Should the amount payable be different from the estimated amount, the difference will be recorded in the period of payment.

(c) Included in accrued officers' salaries is an amount of $105,000 payable to a past officer for settlement of claims which the Company has agreed to pay in 10 installments of $10,000 for the months of June 2012 to March 2013 and a final payment of $5,000 by April 30, 2013. This settlement agreement was a result of an action by the past officer against the Company to recover past compensation due. The Company and the past officer had agreed to settle all the claims in exchange of the Company paying a total of $130,000 (of which $25,000 has been paid by June 30, 2012) and issuing 500,000 restricted shares of its common stock to the past officer. In the event the Company fails to make payment of any of the above installments on time and within 10 business days of the past officer giving written notice to the Company of such failure to make payment, the past officer may declare all unpaid installments as immediately due and payable by written notice to the Company.

KALLO INC.
(formerly Diamond Technologies, Inc.)
(A Development Stage Company)
Notes to Condensed Consolidated Financial Statements
(unaudited)

NOTE 8 – LOAN PAYABLE

As at June 30, 2012, a loan payable of $147,482 bears interest at 6% per annum, is unsecured and is payable in monthly installments of principal and interest in the amount of Canadian $7,232.50. Future scheduled repayments of principal are as follows:

Within one year	$	89,756
More than one year		57,726
	$	147,482

NOTE 9 – CONVERTIBLE PROMISSORY NOTE

The convertible promissory note is unsecured and bears interest at 3.25% per annum with all principal and accrued interest due and payable on April 23, 2013. The Holder may, in lieu of payment of the principal and interest, elect to convert such amount into shares of common stock of the Company at the conversion price per share equal to 30% discount to the average of the previous three lowest trading days over the last 10 trading days prior to the Conversion Date. All shares converted on or after six months from April 23, 2012 shall be issued as free-trading, unrestricted shares. The Company may prepay this Note at anytime without penalty and without the prior consent of the Holder.

At the commitment date, the convertible promissory note was re-measured and adjusted to its fair value by comparing the effective conversion price to the fair value of the Company's stock. The Company recognized an initial derivative loss of $57,804 related to the debt on inception date and recognized a gain of $4,570 related to change in fair value on the debt since its inception date to the period ended June 30, 2012. The number of common shares indexed to the derivative financial instrument used in the above calculation was 350,877 and 606,061 as at inception date and June 30, 2012 respectively.

Cash received from convertible promissory note	$	20,000
Derivative loss on inception date		57,804
Fair value of convertible promissory note on inception date		77,804
Change in fair value		(4,570)
Fair value as at June 30, 2012	$	73,234

NOTE 10 – SUBSEQUENT EVENT

On July 5, 2012, the Company issued a convertible promissory note for an amount of $10,000, which is unsecured and bears interest at 3.25% per annum with all principal and accrued interest due and payable on July 5, 2013. The Holder may, in lieu of payment of the principal and interest, elect to convert such amount into shares of common stock of the Company at the conversion price per share equal to 30% discount to the average of the previous three lowest trading days over the last 10 trading days prior to the Conversion Date. All shares converted on or after six months from July 5, 2012 shall be issued as free-trading, unrestricted shares. The Company may prepay this Note at anytime without penalty and without the prior consent of the Holder.

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.

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 out 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.

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 achieved a EMR milestone for Specialists, by securing an accepted and signed installation order. Work on this order has commenced and installation will be completed in the third quarter 2012. 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.

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 Kallo's 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 heath 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 June 30, 2012 had a working capital deficiency of $1,048,286.

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

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

Limited operating history; need for additional capital

There is no historical financial information about us upon which to base an evaluation of our performance. We cannot guarantee we will be successful in our business operations. Our business is subject to risks inherent in the establishment of a new business enterprise, including limited capital resources and possible cost overruns due to price increases in services and products.

To become profitable and competitive, we have to 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 six months ended June 30, 2012 or 2011. From our inception on December 12, 2006 to June 30, 2012 we generated $15,887 in revenues.

Expenses

During the three months ended June 30, 2012 we incurred total expenses of $516,622, including $140,320 in salaries and compensation, $22,142 in depreciation, $156,444 in professional fees, $69,077 in selling and marketing expenses, $53,234 in derivative loss and change in fair value of convertible promissory note and $75,405 as other expenses whereas during the three months ended June 30, 2011 we incurred total expenses of $601,756, including $179,033 in salaries and compensation, $31,005 in software development costs, $22,545 in depreciation, $165,926 in professional fees, $71,349 in selling and marketing expenses and $131,898 in other expenses. Our professional fees consist of legal, consulting, accounting and auditing fees. The decrease in our total expenses for the three months ended June 30, 2012 from the comparative period is because in the previous period, the Company incurred $31,005 in software development costs compared to NIL for the current three months period. There is also a decrease of $38,713 in salaries and compensation, and $56,493 in other expenses. The decrease in expenses, amid the increase in activities of the Company as we work towards the development and marketing of a new medical software technology, reflects conscious cost control by management.

During the six months ended June 30, 2012 we incurred total expenses of $1,054,798, including $355,868 in salaries and compensation, $44,284 in depreciation, $310,070 in professional fees, $122,338 in selling and marketing expenses, $53,234 in derivative loss and change in fair value of convertible promissory note and $169,004 as other expenses whereas during the six months ended June 30, 2011 we incurred total expenses of $1,541,205, including $266,120 in salaries and compensation, $469,805 in software development costs, $41,292 in depreciation, $276,703 in professional fees, $267,829 in selling and marketing expenses and $219,456 in other expenses. Our professional fees consist of legal, consulting, accounting and auditing fees. The decrease in our total expenses for the six months ended June 30, 2012 from the comparative period is because in the previous period, the Company incurred $469,805 in software development costs compared to NIL for the current six months period. Otherwise, the general increase in expenses reflects the increase activities of the Company as we work towards the development and marketing of a new medical software technology offset by a decrease in selling and marketing expenses and other expenses, which are discretionary costs which can be more easily controlled by management.

Net Loss

During the six months ended June 30, 2012 we did not generate any revenues and we incurred a net loss of $1,054,798, compared to a net loss of $1,541,205 during the same period in 2011.

From our inception on December 12, 2006 to June 30, 2012 we incurred a net loss of $10,811,996, $8,958,309 of which was general and administration, $824,292 of which was software development costs, $641,195 of which was selling and marketing, $151,595 of which was depreciation and $239,652 of which was other expenses.

From Inception on December 12, 2006 to June 30, 2012

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

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

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

During the year 2010, we relocated the Company's executive office to Markham, Ontario, changed the Company's name to Kallo Inc., cancelled various employment contracts with previous officers and obtained forgiveness of debt from several directors and officers for compensation and debt owing to them.

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 2010, we sold 1,133,664 shares of common stock at $0.15 per share for a total of $170,050 and 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 from the effective date of a registration statement filed with the SEC 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 to 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.

On February 1, 2012, the Company issued 1,193,381 restricted shares of common stock to creditors in consideration of satisfaction of outstanding debts and of services rendered.

On February 29, 2012, the Company's board of directors approved the issuance of 23,016,963 unregistered shares of common stock to 15 individuals in consideration of $1,150,848, of which $394,474 was received as at December 31, 2011.

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

On February 3, 2012, the Company issued 500,000 shares of its common stock to creditors in consideration of satisfaction of $25,000 in outstanding payables.

During the quarter ended June 30, 2012, the Company issued 500,000 restricted shares of its common stock to a past officer as compensation for past services rendered.

Liquidity and capital resources

As at June 30, 2012, the Company had current assets of $353,036 and current liabilities of $1,401,322, indicating working capital deficiency of $1,048,286. As of June 30, 2012, our total assets were $1,339,862 in cash, copyrights, equipment and our total liabilities were $1,638,261 comprised of $1,035,505 in accrued liabilities, $125,000 in accrued officer salaries, Rophe Medical Technologies Inc. acquisition costs payable of $48,197, obligations under capital leases of $138,843, deposit for shares to be issued of $70,000, convertible promissory note of $73,234 and long term loan of $147,482.

Cash used in operating activities amounted to $781,785 during the six months ended June 30, 2012, primarily as a result of the net loss adjusted for non-cash items and various changes in operating assets and liabilities.

There were no cash used in investing activities during the current six months period ended June 30, 2012.

Cash provided by financing activities during the six months ended June 30, 2012 amounted to $798,371 and represented proceeds from sale of common stock of $756,374, proceeds for shares to be issued of $70,000, proceeds from convertible promissory note of $20,000, repayment of loans payable of $9,290, net of payments under capital lease obligations of $38,713.

On February 29, 2012, the Company issued 23,016,963 unregistered shares of common stock for cash consideration of $756,374 during the six months period, in addition to the $394,474 which was received as at December 31, 2011.

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.

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures as required by Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are not effective due to lack of segregation of duties in financial reporting and presence of adjusting journal entries during our last audit. There were no changes in our internal control over financial reporting during the quarter ended June 30, 2012 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.

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. The parties to the case are Infinite Media, plaintiff, Watt International Inc., defendant and us as a third party defendant. The case is pending in the Ontario Superior Court of Justice, Case No. CV-11-429979. 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.

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:

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

10.17	North American Authorized Agency Agreement with Advanced Software Technologies, Inc.	8-K	12/16/10	10.1

10.18	Amended Agreement with Jarr Capital Corp.	8-K	2/22/11	10.1	
10.19	Termination of Employment Agreement with John Cecil.	8-K	2/22/11	10.2	
10.20	Termination of Employment Agreement with Vince Leitao.	8-K	2/22/11	10.3	
10.21	Termination of Employment Agreement with Samuel Baker.	8-K	2/22/11	10.4	
10.22	Services Agreement with Buchanan Associates Computer Consulting Ltd.	10-K	5/18/2011	10.1	
10.23	Equipment Lease Agreement with Buchanan Associates Computer Consulting Ltd.	10-K	5/18/2011	10.2	
10.24	Agreement with Mansfield Communications Inc.	10-K	5/18/2011	10.3	
10.25	Agreement with Watt International Inc.	10-K	5/18/2011	10.4	
10.26	Pilot EMR Agreement with Nexus Health Management Inc.	10-K	5/18/2011	10.5	
14.1	Code of Ethics.	10-K	4/15/08	14.1	
16.1	Letter from Kempisty & Company	8-K	10/27/09	16.1	
16.2	Letter from MaloneBailey, LLP	8-K	3/02/11	16.1	
21.1	List of Subsidiary Companies.	10-K	3/31/10	21.1	
31.1	Section 302 Certification of Sarbanes-Oxley Act of 2002 – Principal Executive and Principal Financial Officer.				X
32.1	Section 906 Certification of Sarbanes-Oxley Act of 2002 –Chief Executive and Chief Financial Officer.				X
99.1	Audit Committee Charter.	10-K	4/15/08	99.1	
99.2	Disclosure Committee Charter.	10-K	4/15/08	99.2	
101.INS	XBRL Instance Document.				X
101.SCH	XBRL Taxonomy Definition – Schema.				X
101.CAL	XBRL Taxonomy Definition – Calculations.				X
101.DEF	XBRL Taxonomy Definition – Definitions.				X
101.LAB	XBRL Taxonomy Definition – Labels.				X

101.PRE XBRL Taxonomy Definition – Presentation.	X

- 18 -

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 14th day of August, 2012.

KALLO INC.
(the "Registrant")

BY:	JOHN CECIL John Cecil Principal Executive Officer, Principal Financial Officer, Principal Accounting Officer, and a Chairman of the Board of Directors
BY:	VINCE LEITAO Vince Leitao President, Chief Operating Officer and a member of the Board of Directors

EXHIBIT INDEX

		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	
4.1	Specimen Stock Certificate.	SB-2	3/05/07	4.1	
10.1	Option Agreement.	SB-2	3/05/07	10.1	
10.1	Lease Agreement	SB-2	3/05/07	10.1	
10.2	Agreement with Rophe Medical Technologies Inc. dated December 11, 2009.	10-K	3/31/10	10.2	
10.3	Amended Agreement with Rophe Medical Technologies Inc. dated December 18, 2009.	10-K	3/31/10	10.3	
10.4	Amended Agreement with Rophe Medical Technologies Inc. dated March 16, 2010.	10-K	3/31/10	10.4	
10.5	Investment Agreement with Kodiak Capital Group, LLC.	S-1	5/24/10	10.5	
10.6	Registration Rights Agreement with Kodiak Capital Group, LLC.	S-1	5/24/10	10.6	
10.7	Consulting Agreement with Ten Associate LLC.	S-1	5/24/10	10.7	
10.8	Employment Agreement with Leonard Steinmetz.	S-1	5/24/10	10.8	
10.9	Employment Agreement with Samuel Baker.	S-1	5/24/10	10.9	
10.10	Employment Agreement with John Cecil.	S-1	5/24/10	10.10	
10.11	Employment Agreement with Mary Kricfalusi.	S-1	5/24/10	10.11	
10.12	Employment Agreement with Vince Leitao.	S-1	5/24/10	10.12	
10.13	Amended Consulting Agreement with Ten Associate LLC dated October 5, 2010.	8-K	10/14/10	10.13	
10.14	Agreement with Jarr Capital Corp.	8-K	11/17/10	10.1	
10.15	Agreement with Mary Kricfalusi.	8-K	11/19/10	10.1	

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

10.18	Amended Agreement with Jarr Capital Corp.	8-K	2/22/11	10.1	
10.19	Termination of Employment Agreement with John Cecil.	8-K	2/22/11	10.2	
10.20	Termination of Employment Agreement with Vince Leitao.	8-K	2/22/11	10.3	
10.21	Termination of Employment Agreement with Samuel Baker.	8-K	2/22/11	10.4	
10.22	Services Agreement with Buchanan Associates Computer Consulting Ltd.	10-K	5/18/2011	10.1	
10.23	Equipment Lease Agreement with Buchanan Associates Computer Consulting Ltd.	10-K	5/18/2011	10.2	
10.24	Agreement with Mansfield Communications Inc.	10-K	5/18/2011	10.3	
10.25	Agreement with Watt International Inc.	10-K	5/18/2011	10.4	
10.26	Pilot EMR Agreement with Nexus Health Management Inc.	10-K	5/18/2011	10.5	
14.1	Code of Ethics.	10-K	4/15/08	14.1	
16.1	Letter from Kempisty & Company	8-K	10/27/09	16.1	
16.2	Letter from MaloneBailey, LLP	8-K	3/02/11	16.1	
21.1	List of Subsidiary Companies.	10-K	3/31/10	21.1	
31.1	Section 302 Certification of Sarbanes-Oxley Act of 2002 – Principal Executive and Principal Financial Officer.				X
32.1	Section 906 Certification of Sarbanes-Oxley Act of 2002 –Chief Executive and Chief Financial Officer.				X
99.1	Audit Committee Charter.	10-K	4/15/08	99.1	
99.2	Disclosure Committee Charter.	10-K	4/15/08	99.2	
101.INS	XBRL Instance Document.				X
101.SCH	XBRL Taxonomy Definition – Schema.				X
101.CAL	XBRL Taxonomy Definition – Calculations.				X
101.DEF	XBRL Taxonomy Definition – Definitions.				X
101.LAB	XBRL Taxonomy Definition – Labels.				X

101.PRE XBRL Taxonomy Definition – Presentation.	X

- 21 -