

Kallo Inc.
Form 10-Q
May 19, 2011

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

FORM 10-Q

- QUARTERLY REPORT UNDER TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY
PERIOD ENDED MARCH 31, 2011
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 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

Accelerated Filer

Non-accelerated Filer

Smaller Reporting Company

(Do not check if smaller reporting company)

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicated the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

43,085,166 as of May 18, 2011.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

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

	March 31, 2011	December 31, 2010
ASSETS		
Current Assets		
Cash	\$ 43,338	\$ 59,169
Prepaid expenses	8,900	8,900
Total Current Assets	52,238	68,069
Copyrights	865,000	865,000
Equipment, net	191,462	210,658
Deferred Financing Costs	66,064	66,064
TOTAL ASSETS	\$ 1,174,764	\$ 1,209,791
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accrued liabilities - other	\$ 456,092	\$ 271,376
Accrued officers' salaries	116,250	116,250
Acquisition cost payable (Note 5)	56,502	56,502
Loans payable (Note 7)	378,600	42,000
Current portion of obligations under capital leases (Note 6)	80,310	96,759
Total Current Liabilities	1,087,754	582,887
Obligations Under Capital Leases (Note 6)	145,432	145,877
TOTAL LIABILITIES	1,233,186	728,764
Commitments and Contingencies (Note 6)		
Going Concern (Note 1)		
Shareholders' Equity (Deficiency) (Note 3)		
Preferred stock, \$0.00001 par value, none issued and outstanding	-	-
Common stock, \$0.00001 par value, 100,000,000 shares authorized, 43,085,166 and 39,085,166 shares issued and outstanding at March 31, 2011 and December 31, 2010	432	392

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Additional paid-in capital	5,300,093	4,900,133
Deficit accumulated during the development stage	(5,358,947)	(4,419,498)
Total Shareholders' Equity (Deficiency)	(58,422)	481,027
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,174,764	\$ 1,209,791

See accompanying notes to the unaudited condensed consolidated financial statements

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

	Three Months Ended March 31,		December 12, 2006 (inception) to March 31, 2011
	2011	2010	
Revenue	\$ -	\$ -	\$ 15,887
Cost of Revenue	-	-	12,840
Gross Profit	-	-	3,047
Expenses			
General and administration	267,467	95,971	3,895,679
Selling and marketing	196,480	-	289,320
Software development costs	438,800	-	1,100,277
Foreign exchange loss	12,813	1,016	20,575
Depreciation	18,747	786	40,762
Interest	5,142	-	8,851
Loss on disposal of equipment	-	-	6,530
	939,449	97,773	5,361,994
Net Loss	\$ (939,449)	\$ (97,773)	\$ (5,358,947)
Basic and diluted net loss per share			
	\$ (0.02)	\$ (0.00)	
Weighted average shares used in calculating			
Basic and diluted net loss per share	42,462,944	24,005,166	

See accompanying notes to the unaudited condensed consolidated financial statements

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KALLO INC.

(formerly Diamond Technologies, Inc.)

(A Development Stage Company)

Condensed Consolidated Statements of Changes in Stockholders' Equity (Deficiency)

For the three month period ended March 31, 2011 and the period December 12, 2006 (inception) through December 31, 2010

	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)	-	\$ -	-	\$ -	\$ -	\$ -	\$ -
Sale 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)
Sale 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
Sale 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
Sale of common shares	-	-	1,133,664	12	170,038	-	170,050
Sale of units, consisting of common shares and common share warrants	-	-	1,580,000	16	394,984	-	395,000

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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
Sale of common shares	-	-	4,000,000	40	399,960	-	400,000
Net Loss	-	-	-	-	-	(939,449)	(939,449)
Balance March 31, 2011 (Unaudited)	-	\$ -	43,085,166	\$ 432	\$ 5,300,093	\$ (5,358,947)	\$ (58,422)

See accompanying notes to the unaudited condensed consolidated financial statements

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

	Three Months Ended March 31,		December 12, 2006 (inception) to March 31, 2011
	2011	2010	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Loss	\$ (939,449)	\$ (97,773)	\$ (5,358,947)
Adjustment to reconcile net loss to cash used in operating activities:			
Depreciation	18,747	786	40,762
Stock compensation	399,600	-	3,175,977
Loss on disposal of equipment		-	6,530
Changes in operating assets and liabilities:			
Increase/(Decrease) in prepaid expenses	-	-	(8,900)
Increase/(Decrease) in accrued liabilities	185,165	(31,154)	961,869
NET CASH USED IN OPERATING ACTIVITIES	(335,937)	(128,141)	(1,182,709)
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)	-	(40,312)	41,957
Proceeds from sale of common stock	400	170,050	862,566
Deferred financing costs	-		(26,064)
Repayment of obligations under capital leases	(16,894)		(16,894)
Proceeds from loans payable	336,600		378,600
NET CASH PROVIDED BY FINANCING ACTIVITIES	320,106	129,738	1,240,165
NET (DECREASE) INCREASE IN CASH	(15,831)	1,597	43,338
CASH - BEGINNING OF PERIOD	59,169	2,969	-

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CASH - END OF PERIOD	\$	43,338	\$	4,566	\$	43,338
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SUPPLEMENTAL CASH FLOW INFORMATION

Income tax paid	\$	-	\$	-
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	\$	-	\$	-	\$	224,959

See accompanying notes to the unaudited condensed consolidated financial statements

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

NOTE 1 – OPERATIONS AND BASIS OF PRESENTATION

Organization

Kallo Inc. (the “Company”), formerly, Diamond Technologies, Inc. (“Kallo”), 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 closed 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 (Note 6) 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