Kallo Inc.
Form 10-Q
November 14, 2018
Table of Contents

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 SEPTEMBER 30, 2018
OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 000-53183

KALLO INC.
(Exact name of registrant as specified in its charter)

NEVADA
(State or other jurisdiction of incorporation or organization)

225 Duncan Mills Road,
Suite 504
Toronto, Ontario
Canada M3B 3H9
(Address of principal executive offices, including zip code.)

(416) 246-9997
(Registrant's telephone number, including area code)

Indicate by check mark whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the last 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer, "accelerated filer," "non-accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer	Accelerated Filer
Non-accelerated Filer	Smaller Reporting Company
Emerging Growth Company (Do not check if smaller reporting company)	

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicated the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 1,135,699,249 as of November 1, 2018.

Table of Contents

KALLO INC.
SEPTEMBER 30, 2018

TABLE OF CONTENTS

Table of Contents

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

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

	September 30, 2018	December 31, 2017
ASSETS		
Current Assets:		
Prepaid expenses	$3,000	$4,000
Total Current Assets	3,000	4,000
TOTAL ASSETS	$3,000	$4,000
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current Liabilities:		
Accounts payable and accrued liabilities	3,472,439	3,362,802
Convertible loans payable – third parties	234,106	215,520
Short term loans payable	17,291	17,827
Convertible loans payable – related parties	798,900	734,246
Total Current Liabilities	4,522,736	4,330,395
TOTAL LIABILITIES	4,522,736	4,330,395
Commitments and Contingencies (Note 7)		
Stockholders' Deficiency		
Preferred stock, $0.00001 par value, 100,000,000 shares authorized, 95,000,000 Series A preferred shares issued and outstanding	950	950
Common stock, $0.00001 par value, 1,150,000,000 shares authorized, 1,135,699,249 and 1,135,699,249 shares issued and outstanding, respectively.	11,357	11,357
Additional paid-in capital	41,435,879	41,435,879
Assignment of liabilities	(3,450,673)	(3,600,452)
Accumulated deficit	(42,517,249)	(42,174,129)
Total Stockholders' Deficiency	(4,519,736)	(4,326,395)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	$3,000	$4,000

See accompanying notes to the unaudited consolidated financial statements

Table of Contents

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

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine months Ended September 30, 2018	Nine months Ended September 30, 2017
Operating Expenses				
General and administration	$110,714	$195,576	$355,443	$5,845,655
Selling and marketing	104	1,384	108	4,324
Operating loss	(110,818)	(196,960)	(355,551)	(5,849,979)
Interest and financing costs	(28,052)	(28,817)	(83,240)	(140,833)
Change in fair value on derivative liabilities	-	-	-	(3,012)
Gain on extinguishment of derivative liability	-	-	-	227,196
Foreign exchange (loss) gain	(53,391)	(112,408)	95,671	(231,366)
Net Loss	$(192,261)	$(338,185)	$(343,120)	$(5,997,994)
Basic and diluted net loss per share	$(0.00)	$(0.00)	$(0.00)	$(0.00)
Weighted average shares used in calculating Basic and diluted net loss per share	1,135,699,249	9,907,440,258	1,135,699,249	9,287,116,297

See accompanying notes to the unaudited consolidated financial statements

Table of Contents

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

	Nine months Ended September 30, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	$(343,120)	$(5,997,994)
Adjustment to reconcile net loss to cash used in operating activities:		
Stock based compensation	-	5,336,374
Change in fair value on derivative liabilities	-	3,012
Gain on extinguishment of derivative liability	-	(227,196)
Interest and penalties	83,240	129,982
Deferred lease inducement	-	(1,260)
Amortization of debt discount	-	8,872
Unrealized foreign exchange loss (gain)	(97,102)	30,974
Changes in operating assets and liabilities:		
(Increase) decrease in prepaid expenses	1,000	21,263
Increase (decrease) in accounts payable and accrued liabilities	355,982	695,712
NET CASH USED IN OPERATING ACTIVITIES	-	(261)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short term loans payable	-	472
Decrease in bank indebtedness	-	(211)
NET CASH PROVIDED BY FINANCING ACTIVITIES	-	261
NET (DECREASE) INCREASE IN CASH	-	-
CASH - BEGINNING OF PERIOD	-	-
CASH - END OF PERIOD	$-	$-
SUPPLEMENTAL CASH FLOW INFORMATION		
Income tax paid	$-	$-
Interest paid	$-	$-
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Conversion of promissory notes into common shares	$-	$60,954
Convertible loan payable for expenses paid directly by lender	$-	$27,151
Stock issued to related party for current and future settlement of accounts payable and convertible debts	$-	$4,135,037
Settlement of promissory notes and accounts payable by FE Pharmacy, Inc.	$149,779	$440,206

See accompanying notes to the unaudited consolidated financial statements

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Table of Contents

KALLO INC.
Notes to Consolidated Financial Statements
September 30, 2018
(Amounts expressed in US dollars)
(Unaudited)

NOTE 1 – BUSINESS AND GOING CONCERN

Organization

Kallo Inc. ("Kallo" or the "Company") develops customized health care solutions designed to improve or enhance the delivery of care in the countries and regions we serve.

Going Concern

The accompanying unaudited consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The amounts of assets and liabilities in the consolidated financial statements do not purport to represent realizable or settlement values. The Company has incurred operating losses since inception and has an accumulated deficit and a working capital deficit at September 30, 2018. The Company is expected to incur additional losses as it executes its go to market strategy. This raises substantial doubt about the Company's ability to continue as a going concern.

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

NOTE 2 – ACCOUNTING POLICIES AND OPERATIONS

Basis of Presentation

The accompanying unaudited consolidated financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 8-03 of Regulation S-X related to smaller reporting companies. These unaudited consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements and notes, which are included as part of the Company's Form 10-K filed with the SEC for the year ended December 31, 2017.

Operating results for the periods presented are not necessarily indicative of the results that may be expected for the full year. Notes to the financial statements which substantially duplicate the disclosure contained in the audited consolidated financial statements for fiscal year ended December 31, 2017 as reported in the 10-K have been omitted. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair presentation, have been included in the accompanying unaudited consolidated financial statements.

Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The effective date will be the first quarter of fiscal year 2018 using one of two retrospective application methods or a cumulative effect approach. The Company applied the amendment retrospectively with the cumulative effect of initially applying this update recognized at the date of initial application but it did not have a material impact on the consolidated financial statements as there were insignificant revenues in the past.

KALLO INC.
Notes to Consolidated Financial Statements
September 30, 2018
(Amounts expressed in US dollars)
(Unaudited)

NOTE 3 – COMMON STOCK

During the nine months ended September 30, 2018, there were no movements in share capital issued and outstanding.

On April 18, 2017, the Board of Directors approved a reverse stock split of the authorized and outstanding shares of common stock on a 1 for 600 basis, after which, the authorized number of common stock decreased from 15,000,000,000 to 25,000,000. After the completion of the reverse stock split, the Board of Directors approved the increase of the authorized number of common stock from 25,000,000 to 1,150,000,000. FINRA approved the reverse stock split in December 2017. The common share and per common share data in these financial statements and related notes hereto have been retroactively adjusted to account for the effect of the reverse stock split for all periods presented.

On April 8, 2017, the Company entered into an agreement with FE Pharmacy Inc., a company controlled by a shareholder of Kallo, and a related party, whereby in consideration for the issuance of 475,000,000 post reverse stock split common stock of Kallo, FE Pharmacy Inc. assumed and will pay all of the Company's outstanding indebtedness as at April 7, 2017. The 475,000,000 shares issuable to FE Pharmacy Inc. has been valued at the book value of the total liabilities assigned to FE Pharmacy Inc. of $4,135,037. The assignment of the liabilities to FE Pharmacy Inc. has been recorded as a receivable in the equity section of the consolidated balance sheet and will be reduced as the liabilities are settled by FE Pharmacy Inc. During the nine months ended September 30, 2018, the assignment of liabilities amount has been reduced by $149,779 cash settlement of accounts payable.

On May 25, 2017, the Company approved the issuance of 595,000,000 post reverse stock split common stock valued at $5,179,678 to various directors and employees as compensation for services rendered. During the period ended September 30, 2018, the Company also approved the issuance of 16,000,000 post reverse stock split common stock valued at $139,285 to the controlling shareholder of FE Pharmacy Inc. and a related party as compensation for services rendered and for nominal cash and also the issuance of 2,000,000 post reverse stock split common stock valued at $17,411 to a party related to the controlling shareholder of FE Pharmacy Inc. as compensation for services rendered. Because FINRA has not approved the reverse stock split yet, the 613,000,000 shares issued during the period ended September 30, 2018 were reduced to 1,021,667 when the reverse stock split became effective and 611,978,333 additional post reverse stock split shares were issued to make them whole again.

During the nine months ended September 30, 2017, the holders of promissory notes converted the principal and the related interest outstanding of $39,644 into 720,806,182 shares. The fair value of the derivative liability associated with the notes that were converted, $21,310 was reclassified to equity upon conversion. Therefore the Company recorded $60,954 in conjunction with the conversions.

Table of Contents

KALLO INC.
Notes to Consolidated Financial Statements
September 30, 2018
(Amounts expressed in US dollars)
(Unaudited)

NOTE 4 – RELATED PARTY TRANSACTIONS

Included in accounts payable and accrued liabilities is an amount of $875,981 (December 31, 2017 - $667,239) due to directors of the Company as of September 30, 2018.

NOTE 5 – CONVERTIBLE LOANS PAYABLE

	September 30, 2018	December 31, 2017
Convertible promissory notes bearing interest at 15% per annum – third party	$234,106	$215,520
Convertible promissory notes bearing interest at 15% per annum – related parties	798,900	734,246
	$1,033,006	$949,766

The Convertible loans payable bear 15% interest per annum and are convertible at a fixed price at any time during their 1 year term. The company has the option to pay the note at any time. The company analyzed the conversion option for derivative accounting consideration under ASC Topic 815-40, Derivatives and Hedging – Contract in Entity's Own Stock and concluded that the embedded conversion was a derivative but the fair value of the feature was zero. The total outstanding notes from this debt offering is $1,033,006, including accrued interest, of which $798,900 is to from related parties. Interest of $83,240 on the convertible loans payable are included in net finance charge for the nine months ended September 30, 2018 included in the consolidated statement of operations. All of the above convertible loans payable were in default as of September 30, 2018.

NOTE 6 – SHORT TERM LOANS PAYABLE

	September 30, 2018	December 31, 2017
Non-interest bearing short term funding from third parties	$ 17,291	$ 17,827
	$ 17,291	$ 17,827

As of September 30, 2018, the balance of $17,291 represented short term funding provided by third parties which are non-interest bearing, unsecured and have no fixed repayment date. The amount in Canadian dollars is $22,016 which is subject to revaluation at the end of each quarter.

KALLO INC.
Notes to Consolidated Financial Statements
September 30, 2018
(Amounts expressed in US dollars)
(Unaudited)

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Agreements with suppliers

The Company has entered into agreements with a number of service providers for licensing of software and other professional services to be rendered. The total remaining amount committed is $2,773,737.

Contingencies

On April 21, 2017, an ex-employee of Kallo obtained a judgement ordering Kallo to pay Canadian $ 135,959 for unpaid wages and expenses relating to services performed in 2016. The full amount has been accrued for in the financial statements of Kallo.

On October 24, 2016, a consultant obtained a judgement ordering Kallo to pay Canadian $25,000 for unpaid fees. The full amount has been accrued for in the financial statements of Kallo.

On October 6, 2017, Thornley Fallis Communications Inc. ("Thornley") commenced a third party claim against Kallo concerning monies that Kallo allegedly owed to Thornley for redesign of a website and public relation services. Thornley is seeking damages in the amount of Canadian $169,345 plus interest on the amounts outstanding and indemnification of the costs of the action. An amount of Canadian $134,960 has been accrued for in the financial statements of Kallo.

There is also a claim by Commercial Credit Adjusters on behalf of Northwest Company for payment of Canadian $34,000. An amount of Canadian $26,515 has been accrued for in the financial statements of Kallo. Negotiations are in process for the settlement of this debt for a lump sum.

Canada Revenue Agency has assessed the Company for Canadian $255,400 representing unremitted employee source deductions, the full amount of which has been accrued in the financial statements of Kallo.

Responsibility for payments of the above claims has been assumed by FE Pharmacy Inc.under the terms of the agreement mentioned in Note 3.

NOTE 8 – SUBSEQUENT EVENTS

After September 30, 2018, accounts payable for a total of $27,187 were settled in cash by FE Pharmacy Inc. under the agreement mentioned in Note 3.

Table of Contents

As used herein, the term "we," "us," "our," and the "Company" refers to Kallo, Inc. a Nevada corporation.

FORWARD-LOOKING STATEMENTS

THIS FORM 10-Q CONTAINS "FORWARD-LOOKING STATEMENTS". FORWARD-LOOKING STATEMENTS ARE STATEMENTS CONCERNING ESTIMATES, PLANS, OBJECTIVES, GOALS, STRATEGIES, EXPECTATIONS, INTENTIONS, PROJECTIONS, DEVELOPMENTS, FUTURE EVENTS, PERFORMANCE OR PRODUCTS, UNDERLYING (EXPRESSED OR IMPLIED) ASUMPTIONS AND OTHER STATEMENTS THAT ARE OTHER THAN HISTORICAL FACTS. IN SOME CASES FORWARD-LOOKING STATEMENTS CAN BE IDENTIFIED BY THE USE OF FORWARD-LOOKING WORDS SUCH AS "ESTIMATED," "BELIEVES," "EXPECTS," "MAY," "WILL," "SHOULD," OR "ANTICIPATES," OR THE NEGATIVE OF THESE WORDS OR OTHER VARIATIONS OF THESE WORDS OR COMPARABLE WORDS, OR BY DISCUSSIONS OF PLANS OR STRATEGY THAT INVOLVE RISKS AND UNCERTAINTIES. MANAGEMENT WISHES TO CAUTION THE READER THAT THESE FORWARD-LOOKING STATEMENTS, INCLUDING, BUT NOT LIMITED TO, STATEMENTS REGARDING THE COMPANY AND ITS PLANS OR INTENTIONS, ESTIMATES, GOALS, COMPETITIVE TRENDS AND OTHER MATTERS THAT ARE NOT HISTORICAL FACTS ARE ONLY PREDICTIONS. NO ASSURANCES CAN BE GIVEN THAT SUCH PREDICTIONS WILL PROVE CORRECT OR THAT THE ANTICIPATED FUTURE RESULTS WILL BE ACHIEVED. ACTUAL EVENTS OR RESULTS MAY DIFFER MATERIALLY EITHER BECAUSE ONE OR MORE PREDICTIONS PROVE TO BE ERRONEOUS OR AS A RESULT OF OTHER RISKS FACING THE COMPANY. FORWARD-LOOKING STATEMENTS SHOULD BE READ IN LIGHT OF THE CAUTIONARY STATEMENTS AND IMPORTANT FACTORS DESCRIBED IN THIS FORM 10-Q, INCLUDING, BUT NOT LIMITED TO "THE FACTORS THAT MAY AFFECT FUTURE RESULTS" SHOWN AS ITEM 1A AND IN MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS. THE RISKS INCLUDE, BUT ARE NOT LIMITED TO, THE RISKS ASSOCIATED WITH AN EARLY-STAGE COMPANY HAS LIMITYED ASSETS AND OPERATIONS, THE COMPARATIVELY LIMITED FINANCIAL RESOURCES OF THE COMPANY, THE INTENSE COMPETITION THE COMPANY FACES FROM OTHER ESTABLISHED COMPETITORS, AND THE LEGAL UNCERTAINTIES THAT DIRECTLY AND INDIRECTLY IMPACT DEVELOPMENT-STAGE COMPANIES. ANY ONE OR MORE OF THESE OR OTHER RISKS COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THE FUTURE RESULTS INDICATED, EXPRESSED, OR IMPLIED IN SUCH FORWARD-LOOKING STATEMENTS. WE UNDERTAKE NO OBLIGATION TO UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENT TO REFLECT EVENTS, CIRCUMSTANCES, OR NEW INFORMATION AFTER THE DATE OF THIS FORM 10-Q OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED OR OTHER SUBSEQUENT EVENTS.

- 9 -

Table of Contents

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. All funds are reflected in United States dollars unless otherwise indicated.

We are a small company and we are insolvent. 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 our bills. This is because we have generated insignificant revenues from our operations during the last eight years. We have been able to remain in business as a result of investments, in debt or equity securities, by our officers and directors and by other unrelated parties. We expect to incur operating losses in the foreseeable future and our ability to continue as a going concern is dependent upon our ability to raise additional money through investments by others and achieve profitable operations. There is no assurance that we will be able to raise additional money or that additional money or that additional financing will be available to us on satisfactory terms or that we will be able to achieve profitable operations. The consolidated statements were prepared under the assumption that we will continue as a going concern, however, there can be no assurance that such financial support shall be ongoing or available on terms or conditions acceptable to the Company. This raises substantial doubt about our ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

For the last eight fiscal years, starting January 2010, our management and board of directors have raised funds through a personal and professional network of investors. This has enabled product and business development, continued operations, and generation of customer interest. In order to continue operations, management has contemplated several options to raise capital and sustain operations in the next 12 months. These options include, but are not limited to, debt and equity offers to existing shareholders, debt and equity offers to independent investment professionals and through various other financing alternatives. We currently believe that if we can secure sufficient additional capital on reasonable terms and on a timely basis and if we are successful in securing at least one project that likely will enable us to continue operations for the next 12 months. There can be no guarantee that we will receive sufficient additional capital on a timely basis and on reasonable terms that will allow is to continue to remain in business. Currently we have not received any commitment from any third party to provide the additional capital that we believe we will require to sustain our company as a corporate entity or otherwise allow us to meet our financial obligations.

On April 8, 2017, the Company entered into an agreement with FE Pharmacy Inc. whereby in consideration for the issuance of 475,000,000 post reverse stock split common stock of Kallo, FE Pharmacy Inc. assumed and will pay all of the Company's outstanding indebtedness as of April 7, 2017. Management believes that with this agreement in place, it can concentrate on bringing the potential projects as detailed below to fruition and any additional funding can be met through one of the three options mentioned above.

On January 23, 2014, we announced the signing of a US$200,000,925 (Two Hundred million nine hundred and twenty-five US dollars) Supply Contract with the Ministry of Health and Public Hygiene of the Republic Of Guinea. On April 14, 2015, the Minister of Health and Public Hygiene, in a letter confirmed the selection of Kallo Inc., as supplier pursuant to the MobileCare ™ Supply Contract, to design and build specialized hospitals in the regions of Conakry, Kindia, Labe, Kankan and Nzerekore, and asked Kallo to mobilize its technical teams for site visits to engage in preliminary studies for the construction of these hospitals. No equipment has been sold under the terms of this supply contract, nor is there any assurance any equipment will be sold thereunder.

In addition to the primary supply contract, on April 6, 2015, the Government of Guinea signed an addendum to the agreement expanding the project by $54,916,600.

Under the Supply Contract, we anticipate that we will implement an integrated healthcare delivery solution for the Republic of Guinea if our financial circumstances and market conditions allow. The components of the solution include, MobileCare, RuralCare, Hospital Information Systems, Telehealth Systems, Pharmacy Information, disaster management, air and surface patient transportation systems and clinical training.

On September 21, 2018, we and Grissag AG, Ltd. ("Grissag") entered into a Partnership Framework Agreement (the "Agreement") with the Ministry of Economy and Finance of the Republic of Guinea ("Ministry"), under which certain projects have been identified and we received assurances from the Ministry of its approval of the projects to be undertaken by us either directly or through third party collaborating companies. The projects identified are:

- Health: Hospitals, Rural Clinics and Mobile Clinics; according to the proposal submitted by Kallo Inc. and approved by the Ministry of Health.
- Agriculture: development of 20,000 hectares of land along the rivers Milo and Sankarani.
- Infrastructures: construction of Kankan-Kérouané road, Kankan-Mandiana.
- Water: Serving the city of Conakry and cities in the interior of the country.

As currently planned, the contemplated projects are to be funded by third-party independent banks as identified and arranged through the efforts of Grissag (the "Funding Sources"). In the event Grissag is successful in securing funding from the Funding Sources in sufficient amounts and on the terms that have been accepted by the Government in this agreement, we anticipate that currently identified projects and possibly other projects will be undertaken subject to approval by the Government and to then existing and later determined terms of the agreements between us, the Government and Grissag, Under this binding framework agreement, Grissag will fund up to US$8,000,000,000 progressively with health projects of US$1,700,000,000 for immediate implementation.

Under the express terms of the Agreement and unless we are able to demonstrate that "funding is mobilized" within six months of the date of the Agreement then the Agreement is null and void. The Agreement also requires that we and Grissag are obligated to take steps to "realize the field work" contemplated by the Agreement and do so within six months of September 21, 2018 (the "Field Work Term"). If the Field Work Term is not satisfied within six months of September 21, 2018, then we and Grissag lose our exclusive rights as set forth in the Agreement. However, the Agreement is renewable for a period of twelve months subject to further agreement of the Parties. The Agreement may not be assigned or transferred without the written consent of the Ministry. We believe that we have requisite skills and capabilities to fulfill our obligations as set forth in the Agreement, however we cannot assure you that we will be successful in meeting our express and implied obligations under the Agreement and that we are otherwise able to achieve our objectives.

In 2017 the Government of Ghana initiated several discussions with us, to revisit how the Ministry of Defense – Military Hospital requirements, the Ministry of Health healthcare infrastructure requirements and the Ministry of Education Teaching Hospital infrastructure requirements can be met using the Kallo Integrated Delivery Model. The success of these discussions confirmed Ghana's continued belief in the Kallo Integrated Delivery System, as the best solution for the nation's healthcare infrastructure development, which is very encouraging for our continued business in Ghana.

Table of Contents

On June 20, 2017, our branch office was legally registered in Ghana. A valid tax identification number was issued and this number is to be used by us in all of our anticipated business that we hope to conduct within Ghana. We have incorporated four SPVs (Special Purpose Vehicles / Companies) to oversee the various projects we seek to undertake in Ghana. The SPVs are all incorporated under the laws of Ghana as private companies. While we believe that our business plans involving Ghana are sound and may offer us significant business opportunities, we cannot assure you that we will be able to obtain sufficient financing on reasonable terms and on a timely basis that will allow us to pursue these opportunities.

We have entered into four major concession agreements with four key governmental institutions in Ghana. We have also, through our SPVs has entered into the following concession arrangements for the construction and operation of various hospital facilities in Ghana:

	Project Description	Kallo SPV
1	Tamale Military Hospital project	K-TMH Ghana Limited
2	Cape Coast Teaching Hospital project	K-UCC Cape Coast Limited
3	Sunyani Teaching Hospital project	K-UENR Sunyani Limited
4	Ho Teaching Hospital project	K-UHAS Ho Limited

These agreements are effective upon execution and the concession period will start from the date on which financial close is achieved with the Lenders and all conditions precedent are satisfied or waived. The financing has not closed yet and there is no guarantee that financial close will be achieved.

We are also having very active discussions with other neighboring countries in Africa such as Niger, South Africa, and Nigeria for further expansion of our businesses in the region. However, we cannot assure you that our discussions will result in agreements that will allow us to achieve and maintain profitability and positive cash flow.

In 2017, we have also initiated project negotiations in Canada with two First Nations Groups to provide innovative solutions to increase accessibility and monitoring and management of medication from prescription to consumption with direct reporting to the provincial ministries.

Project Financing for the projects is being arranged by AGGELOS CAPITAL Investment Banking Ltd and GRISSAG AG (PTY) LTD and the risk guarantees are being provided by the African Guarantee Fund and the Multilateral Investment Guarantee Agency (MIGA), the Political Risk Insurance arm of the World Bank Group. This financing has not closed yet and there is no guarantee that financial close will be achieved.

If market conditions and our financial resources allow, we may be able to expand our business. To that end, we have entered into collaboration agreements with TAHPI, an international company with expertise in Health Service Planning, Health Facility Planning, Architecture and Interior Design on 30th June 2017 and FORTA MEDICAL, an advanced off-site building methods company on 28th July 2017. FORTA offers healthcare facilities based on a fast–track modular design and construction solutions with minimal disruption to the surrounding facilities operation. Their advanced factory prefabrication helps shorten project construction timetables in a way that is not achievable with on–site building technologies. Overall, if these collaborations are successful, they may allow us to increase our project delivery capacity and our ability to deliver projects at a higher level of complexity and thereby demonstrate the quality of our products and services. We cannot assure you that we will be successful in securing these projects and also, at the same time, secure the financial commitments that will be needed or, if we are successful in either or both of these pursuits, that the terms and conditions will allow us to achieve profitability and positive cash flow.

Table of Contents

We have also secured renewed commitment from our technology partners and technology infrastructure providers. These commitments are also contingent on our ability to secure sufficient external financing on a timely basis in sufficient amounts and on reasonable terms. There can be no assurance that we will accomplish any of these goals and if we do not, any person who acquires our common stock will likely lose all of their investment.

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. Because of the speculative nature of our operations and the nature of the African countries we are attempting to do business with, there is no assurance that any of the planned operations will occur.

To the extent that we are financially able and if circumstances allow, we plan to continue to develop components of Kallo Integrated Delivery System:

Kallo Integrated Delivery System (KIDS)

* MobileCareTM – a mobile trailer that opens into a state of the art clinical setup in a vehicle equipped with the latest technology in healthcare. More than just a facility, MobileCare TM can instantly connect the onboard physician with specialists for on-demand consultation via satellite through its Telehealth system. This is truly a holistic approach to delivering healthcare to the remotely located. For many rural communities, the nearest hospital, doctor or nurse may be hundreds of kilometers away. In many cases, this gap can be bridged using Telehealth technology that allows patients, nurses and doctors to talk as if they were in the same room.

* RuralCare™ – prefabricated modular healthcare units focused in rural areas where no roads infrastructure is available. They are equipped to provide primary healthcare including X-Ray, ultrasound, surgery, pharmacy and lab services. Ranging from 1,200 to 3,800 square feet, these clinics can be up and running in disaster zones or rural areas in as little as one week. Similar to the MobileCare ™ product, RuralCare ™ also utilizes satellite communications to access the Telehealth system.

Our overall healthcare mission is to "reach the unreached". The end-to-end solution includes the following:

* Global response center – located in the Kallo headquarters in Canada, this is the escalation point for the coordination of delivery of Telehealth and eHealth support. It consists of both the Clinical Command Center and the Administrative Command Center.

* Regional response centers, Clinical and Administrative Command centers – located in the urban area hospitals and connected with satellite communications, these centers coordinate all aspects of the healthcare delivery solution with the Mobile clinics and Rural clinics including clinical services, Telehealth services, pharmacy and medical consumable coordination as well as escalations to the Global response center.

* Kallo University – provides education, training and development of local resources for all aspects of the healthcare delivery which includes clinical, engineering and administration.

* Emergency Medical Services – provides ground and air ambulance vehicles for emergency patient transport.

Table of Contents

Our end to end delivery solution is equipped with necessary medical equipment as per regional healthcare requirements. We also install our copyrighted software and third party software as required along with a 5 year support agreement renewable after the 5 year initial term that includes the medical equipment, software licenses, installation implementation and training. This generates an ongoing revenue stream for service, maintenance, spare-parts, and consumables.

Sales Go-To-Market Strategy

Our Sales Go-To-Market Strategy is segmented and we believe that it is based on the varying needs of our customers in the following three categories:

Full solution with Kallo Integrated Delivery System (KIDS) – typically longer sales cycle and includes the end to end solution of Mobile Clinics, Rural Poly Clinics, Global and Regional response centers, Clinical and Administrative command centers, telehealth support, Kallo University training, pharmacy and medical consumable support and Emergency services with ground and air ambulance vehicles. This solution is focused on the end to end healthcare needs of developing countries.

Component Solutions – typically mid-term sales cycle and includes any of the components of the KIDS implementation without the full support structure. This strategy is focused on augmenting healthcare support where needed, such as, disaster management, North American First Nations, medical equipment supply, installation and testing.

Technology Solutions – typically short-term sales cycle and includes elements of the KIDS program that can enhance existing healthcare solutions. These would include our Hospital Management System, Consulting services, Bio Medical support, Mobile or Fixed Clinic manufacturing, etc. This strategy is focused on enhancing existing healthcare environments globally

Over the next twelve months, we have established the following objectives:

1. To follow-up completion of the financing process with financiers and the respective governments.
2. To pursue working capital raise with financial institutions and private placements
3. To complete our organization restructuring and continue to build our infrastructure and resources for operations and management

There can be no assurance that we will be successful in raising the additional capital needed to implement any one or more of the above business objectives. And in the event that we are successful in raising additional capital, there can be no assurance that any capital that is raised will be on reasonable terms. We have had some preliminary discussions with potential sources who may provide us with additional capital but we are not able to give any assurances that we will obtain the necessary capital in sufficient amounts and on reasonable terms that will allow us to achieve these objectives. Any person who acquires our Common Stock should be prepared to lose their entire investment.

Need for additional capital

We have incurred operating losses since inception and has an accumulated deficit and a working capital deficit at September 30, 2018. We expect to incur additional losses as it executes its go to market strategy. This raises substantial doubt about the Company's ability to continue as a going concern.

We cannot guarantee we will be successful in our business operations. Our business is subject to risks inherent in the establishment of a 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 sell our products and services in sufficient volumes and with margins that may allow us to achieve profitability. We cannot assure you or anyone that we will be successful in these efforts.

There is no guaranty that we will obtain sufficient additional financing on a timely basis and on reasonable terms. If financing is not available on satisfactory terms, we may be unable to continue, develop, or expand our operations. Any equity financing will likely result in immediate and substantial dilution of existing stockholders.

Results of operations

Revenues

We did not generate any revenues during the nine months ended September 30, 2018 or 2017 and there can be no guarantee that we will generate any revenues in the near future or, if we do generate any revenues that we can do so at a level that will allow us to achieve profitability and positive cash flow or both of them.

Expenses

During the three months ended September 30, 2018 we incurred total expenses of $192,261, including $101,544 in salaries and compensation, $3,000 in professional fees, $28,052 in interest and financing costs, $53,391 in loss on foreign exchange and $6,274 as other expenses whereas during the three months ended September 30, 2017 we incurred total expenses of $338,185, including $122,737 in salaries and compensation, $28,817 in interest and financing costs, $112,408 in loss on foreign exchange and $74,223 as other expenses.

The decrease in our total expenses for the three months ended September 30, 2018 from the comparative period is mainly due to a decrease in salaries and compensation of $21,193, a decrease in interest and financing costs of $765, a decrease of $57,643 in foreign exchange loss and a decrease in other expenses. The positive change in foreign exchange is due to the appreciation of the US dollar vis a vis the Canadian dollar.

During the nine months ended September 30, 2018 we incurred total expenses of $343,120, including $303,313 in salaries and compensation, $36,549 in professional fees, $83,240 in interest and financing costs, and $15,689 as other expenses offset by $95,671 foreign exchange gain whereas during the nine months ended September 30, 2017 we incurred total expenses of $5,997,994, including $5,720,586 in salaries and compensation, $67,848 in professional fees, $4,323 in selling and marketing expenses, $140,833 in interest and financing costs, $3,012 in loss in fair value of derivative liabilities, $231,366 loss on foreign exchange and $57,222 in other expenses offset by $227,196 gain on extinguishment of derivative liability.

The decrease in salaries of $5,417,273 is mainly due to the stock based compensation of $5,336,374 in the previous period. There is also a decrease in interest and financing costs of $57,593 due to repayment of convertible promissory notes. There is also a positive change in foreign exchange of $325,663 due to appreciation of the US dollar vis a vis the Canadian dollar.

The Company is operating with a minimal number of full time employees and office space until it can secure new contracts.

Net Loss

During the three months ended September 30, 2018 we did not generate any revenues and incurred a net loss of $192,261 compared to a net loss of $338,185 during the same period in 2017. The main reasons were the decrease in salaries and compensation, foreign exchange loss and other expenses as discussed above.

Table of Contents

During the nine months ended September 30, 2018 we did not generate any revenues and we incurred a net loss of $343,120 compared to a net loss of $5,997,994 during the same period in 2017. The main reasons were the decrease in salaries and compensation due to stock based compensation, decrease in interest and financing costs and positive movement in exchange rate as discussed above.

Liquidity and capital resources

As at September 30, 2018, the Company had current assets of $3,000 and current liabilities of $4,522,736, indicating working capital deficiency of $4,519,736. As of September 30, 2018, our total assets were $3,000 in prepaid expenses and our total liabilities were $4,522,736 comprised of $3,472,439 in accounts payable and accrued liabilities, convertible loans payable of $1,033,006 and short term loans of $17,291.

Cash used in operating activities amounted to $Nil during the nine months ended September 30, 2018, primarily as a result of the net loss adjusted for non-cash items and various changes in operating assets and liabilities.

There was no cash movement in investing or financing activities during the current nine months period ended September 30, 2018.

As of September 30, 2018, our Total Liabilities exceeded our Total Assets because we were insolvent.

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.

Evaluation of Disclosure Controls and Procedures

We maintain "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"), that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. We conducted an evaluation (the "Evaluation"), under the supervision and with the participation of our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of our disclosure controls and procedures ("Disclosure Controls") as of the end of the period covered by this report pursuant to Rule 13a-15 of the Exchange Act. Based on this Evaluation, our CEO and CFO concluded that our Disclosure Controls were not effective as of the end of the period covered by this report due to lack of segregation of duties in financial reporting and presence of adjusting journal entries during the audit as well as insufficient controls over the financial close process and preparation of the financial statements.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended September 30, 2018 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 April 21, 2017, an ex-employee of Kallo obtained a judgement ordering Kallo to pay Canadian $ 135,959 for unpaid wages and expenses relating to services performed in 2016. The full amount has been accrued for in the financial statements of Kallo.