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Källo Inc.

Executive Summary

Business Opportunity

To capitalize on the fastest growing segment of the healthcare industry—digital imaging, patient-information repository and EMR/EHR. This segment has grown from less than \$50 billion two years ago to more than \$150 billion today (Source: Forrester Research), which presents an enormous opportunity for Källo Inc. and its unique “physician-oriented” Information Technology (IT) solution.

Company and Products

Imagine a medical clinic where each physician has instant access to pertinent records and information on each one of his/her patients; where every piece of data—x-rays, laboratory analysis, medication summaries, transcription reports, doctors’ notes, et al—is neatly and easily captured from a variety of sources into one integrated, single source IT system. A medical clinic of the future? Not anymore thanks to Källo and the solution it brings to the healthcare industry.

Källo Inc. is a Canadian-based healthcare technology, solutions and consulting company that has as its mission...*“to emerge as a global leader in healthcare industry solutions.”*

A focused, niche player in the field of medical Information and communication technology, Källo is introducing integrated, best-in-class products—Electronic Medical Records (EMR), Picture Archiving and Communication Systems (PACS), and Medical Device Connectivity systems (MDC)—to doctors’ offices, clinics, diagnostic centers and hospitals.

Källo believes its approach achieves what has long been termed the “promise of technology” within healthcare; that is to take patient medical information from many sources and deposit it into a single source Electronic Medical Record (EMR) for each patient. Furthermore, Källo believes this “promise” includes making this “technology” solution one that healthcare providers will actually use—and want to use—because of its simplicity.

That’s what makes the Källo solution so attractive to clinics and physicians alike.

“Källo silently puts IT in patient care treatment” notes Dr. Gary Witman, a renowned Emergency Medicine Specialist and Internist from Brockton Massachusetts. “The big problem with existing medical records is that they slow down healthcare delivery by increasing the amount of time a doctor spends in charting and learning complex mechanisms to access patient information. This limits the amount of time available for direct patient-doctor interaction. Källo’s EMR allows more time with patients, thereby reducing the time spent finding charts, medical records, retrieving laboratory data and digital imaging reports and enabling meaningful use of EMR”.



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When clinics and healthcare providers engage Källo, their EMR and IT infrastructures are fully managed by Källo, which enables them to focus their full attention and resources on what's most important, their patients, providing them the best care possible. Additionally, Källo's managed services further benefits healthcare providers by increasing system security and stability while lowering the cost of system maintenance and administration.

In fact, by leveraging years of healthcare-related IT consulting expertise and robust operational efficiency models, Källo's managed-service approach increases system uptime, improves user satisfaction, and reduces the cost of configuration and maintenance of technology infrastructure. It also enhances the EMR/IT environment by proactive, standardized maintenance delivered in a repeatable process-driven way. Finally, Källo's deployment tools and methodologies remove much of the time-consuming manual labor normally outsourced by clinics to multiple vendors.

In summary, Källo's integrated solution takes the complexity of technology out of the healthcare equation, empowering physicians to focus entirely on patient care.

The Market

The United States and Canada medical industries comprise more than 825,000 physicians and 6,200 hospitals. In 2010, the total healthcare expenditures across the world were \$4.5 trillion, of which the United States accounted for \$2.2 trillion, the OECD (Organization for Economic Cooperation and Development) countries \$2.0 trillion, and the remaining countries of the world account for 0.3 trillion.

Källo's target market for EMR is the Canadian health-care system including walk-in clinics/physicians' offices, independent diagnostic centers, independent health facilities, laboratories, and hospitals. Both the US and Canadian governments are moving towards requiring EMR records, with the Canadian system at a more advanced stage of acceptance. Government funding programs are available in both countries.

Industry Needs and Demands

Physicians desire point-of-care and remote access to patient and clinical information in order to improve clinical-care delivery outcomes.

Patients demand universal (and remote) access to medical records and clinical information, especially for second opinion consultation.

Executive Leadership

John Cecil was a Senior Healthcare Solutions Architect at SUN Microsystems Canada Inc., a publicly traded company listed on the NASDAQ. He was also the Healthcare Director at Satyam Computer Service Ltd., in Toronto, Canada, a publicly traded company listed on the NYSE. Prior to this position, he was the Senior Manager/General Manager at GE Medical Systems in Asia. At Källo, Mr. Cecil is CEO/CFO, with dedicated responsibility for R & D.

Vince Leitao is the founder and president of Goapharma Canada, Inc., located in Markham, Canada. He was Vice President of Sales for the Genpharm/Gennium Pharma divisions of E. Merck, Damsdart, and Director – Sales for Genpharm. Mr. Leitao is President/COO at Källo and is wholly responsible for marketing and sales.

Samuel R. Baker Q.C., was an international partner at Baker & McKenzie, and is now senior partner at Baker Law Firm, Toronto, Canada. Mr. Baker has been legal counsel for a number of multinational corporations including Canpotex (Canada), Federal Express, Raytheon, Mars, Milton Bradley, Emerson Electric (USA), Embraer (Brazil), Fujitsu, Mitsubishi Electric, Daifuku, Sokkia (Japan) and Minmetals (China). For Källo, Mr. Baker serves as corporate secretary.

Geoff Kritzing C.A. has been a partner of Cyna & Co. and Shimmerman Penn LLP, and was the CFO/SVP Finance at Enquest Energy Services Corp., a Canadian public company in the oilfield services sector. At Källo, Mr. Kritzing holds the title of Executive Vice President of Finance.

Källo Proprietary Intellectual Property

Clinical-Care Globalization Technology: Software program that has intelligence for standardizing clinical process and treatment protocols for transmittal on a global basis between and among healthcare providers, tourism operators and patients.

Mobile Clinic – Telehealth: Computer program integrating laboratory information, diagnostic imaging, diagnosis and clinical notes, and the transmittal thereof in standardized terminology and format, thus rendering it interoperable. It's a unique design of vehicle and technology integration for providing first and second levels of healthcare services for remote/rural populations (isolated from hospital access).

Communicable and Infectious Diseases Information Management System: Web- based computer program for global collection, integration and communication of patients' clinical information under communicable and infectious conditions, enabling close and instantaneous monitoring of any outbreak in real time and allowing for rapid responses and proactive measures for quick outbreak control, quarantine, prevention and spread.

Transcare Integration Engine: An integration wizard, a flexible, intelligent control system that simplifies bi-directional data formatting, data exchange and replication to support business processes and user objectives.

Business Development Update

Källo has successfully installed the first-of-its-kind integrated electronic medical record and practice management system (EMCURX) as a pilot project in one of the NEXUS urgent care clinics owned by NEXUS Health Management Inc. in Ontario, Canada.

Nexus Health Management Inc., owned by Canadian and US investors, is based in Burlington, Ontario, Canada. It currently has medical and urgent care clinics in Niagara Falls, Fort Erie and Windsor. Nexus plans to open clinics in Leamington, Chatham, London, Sarnia, Burlington, Toronto, Calgary, Edmonton, Lethbridge and Vancouver and several other locations in the USA. Based on the success of the pilot EMR project, NEXUS and Källo are finalizing an exclusive



agreement whereby Källo will provide NEXUS with all clinical technologies (software and hardware), including EMR, in all their clinics across Canada and the USA. Several specialist clinics have been identified as partnering clinics to showcase Källo's EMR product. Sales lead generation is firmly established through direct and indirect channels.

Billing components for Ontario are in place and tested with an OHIP (Ontario Health Insurance Program) test bed from the Ministry of Health. Billing components for the province of Alberta are completed and awaiting a test bed from the Province.

Källo has set up a state-of-the-art and first-of-its-kind technology infrastructure to support product rollout, support and maintenance. Källo's infrastructure supports both Windows and Mac environments, establishing a clear edge over competition.

Intuitive remote system management guarantees high uptime exceeding industry standards for mission-critical environments.

Strategic Alliances

Källo has established the following strategic alliances:

ecGroup

Healthcare IT consulting company based in Ancaster, Ontario, Canada

- Advises public and private sector clients on eHealth strategy and technology by leveraging relationships with:
 - public sector payers and funders,
 - regional, provincial and national healthcare delivery organizations,
 - the healthcare ICT vendor community,
 - international eHealth standards bodies.
- has agreed to sign a strategic alliance agreement (by the end of August) to use Källo's EMR product on large healthcare IT projects in Canada and the US
- ecGroup's professional designations include engineering (P.Eng.) and Health Informatics (CPHIMS-CA), as well as certifications in Lean Healthcare (Canada and UK) and in Health Information Privacy.
- Derek Ritz, ecGroup's principal consultant, is a recipient of the 2008 Emerging Leader award from Canada's Professional Health Informatics Association (COACH). He is a member of Canada's delegation to ISO/TC215 (Health Informatics) a past Vice Chair of Canada Health Infoway's EHR Architecture & Infrastructure Working Group and an international advisor to public and private sector. Derek is a passionate advocate for patient-centered health.

Valtech

Global IT consulting group with 800 people in 14 offices worldwide

- Källo is in partnership negotiations with Valtech to provide software services in the Canadian eHealth market.
- Three key benefits:
 - technological focus – agile development and open source technologies are synergistic



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- with Källo's business
- pulse approach – allows Källo to benefit from “VALTECH HIGHWAY,” a suite of ready-to-use open source framework
- functionality – enables Källo to integrate core business functions into IT systems while strengthening control of Källo's intellectual assets

Advisory Board

Dr. Gary Witman

Renowned Emergency Medicine Specialist and Internist, Brockton Massachusetts USA

- Adjunct Professor of Molecular Pharmacology, Biochemistry and Biotechnology Brown University School of Medicine Providence, RI with active hospital privileges in
 1. Caritas Good Samaritan Medical Center, Brockton, MA
 2. Falmouth Hospital, Falmouth, MA
 3. Memorial Hospital of Rhode Island, Pawtucket, RI
 4. Hubbard Regional Hospital, Webster, MA
 5. St. Anne's Hospital, Fall River, MA
- Consultant for
 1. Patient Care Technology Systems, Inc. Aliso Viejo, CA
 2. PATscan University of Ottawa, Department of Biochemistry
- Corporate advisory
 1. Chromachron Technology Corporation, College Park, MD
 2. Modstruct Holdings GmbH, Mainz, Germany
 3. Spatial View, Dresden, Germany
 4. Källo INC., Toronto, Canada

Dr. Marion Lyver

- Dr. Lyver is a physician and specialist in emergency medicine, a seasoned independent ehealth/healthcare consultant for public and private sector clients, and a Certified Professional in Healthcare Information and Management Systems (CPHIMS-CA – through COACH Canada and HIMSS US). Her clinical experience spans 20 years in rural, community, tertiary and academic hospitals, as well as large primary care office practices.
- As a senior healthcare advisor and clinical expert, Dr. Lyver specializes in health stakeholder engagements, consultation and consensus building, evaluation of clinical programs, providing recommendations to improve efficiency, effectiveness, safety and delivery of patient-care processes. She focuses on improving use and deployment of human health resources, technology, ehealth solutions and data standards for electronic records. Sectors for these activities are primary, emergency (hospital, pre-hospital and urgent care), acute (e.g. medical, surgical, pediatric, mental health) and ambulatory care.
- In the area of EMR adoption, implementation and use, Dr. Lyver has played a lead clinical consultant or senior advisory role in various projects.

Financial Commentary

Convertible debentures

The company is seeking to raise \$6,400,000 through two convertible debenture offerings of \$3,400,000 and \$3,000,000 respectively. The funds are projected to be used for payment of current supplier obligations, marketing initiatives, operating costs incurred during the start-up phase as the company builds its internal infrastructure, and general working capital purposes. The debentures will bear interest at 12% per annum, payable 9% in cash and 3% in shares of the company, which will automatically convert into common shares upon completion of Källo's public listing on a senior stock exchange.

Share Capital

After completion of the funding and conversion of the debentures, the company's share capital, on a fully diluted basis, is projected to be 237,403,683 common shares, made up of:

Currently issued shares:	43,085,166
Approved issuances to mgt, BOD, etc.	52,500,000
Issued to investors upon debenture conversion	108,000,000
Other: Options	21,438,517
Non qualified stock option plan	10,000,000
Warrants and agent compensation	<u>2,380,000</u>
Total	237,403,683

Operating considerations:

The company is projecting annual revenues of \$27.9 million and an operating loss of \$0.3 million in the first four quarters (the closing of the Series I debenture having occurred in the first quarter), achieving breakeven in the third quarter. With the infrastructure having been established in the first year, the company is planning aggressive growth in the second year across its various product lines with revenues projected at \$138.2 million and earnings of \$24.6 million.



Extractions from Källo business plan.

KALLO, INC.

Balance Sheet Projections (unaudited)

Period from Oct/11 to Sep/16

Stated in USD, 000's

	Quarterly Statements								Annual Statements		
	Q01	Q02	Q03	Q04	Q05	Q06	Q07	Q08	Y03	Y04	Y05
1 Projected Balance Sheet											
Cash	8k	4,912k	19,418k	18,995k	22,443k	29,874k	41,347k	57,386k	119,742k	202,051k	293,898k
Accounts receivable	2k	36k	41k	59k	81k	240k	331k	493k	3,655k	11,522k	25,909k
Performance Guarantee H/B	0k	0k	0k	1,313k	3,281k	1,313k	1,969k	2,625k	3,938k	5,906k	7,219k
Supplier Deposits	209k	204k	174k	174k	9k	9k	9k	9k	9k	9k	9k
Intangible Assets	865k	865k	865k	865k	865k	865k	865k	865k	865k	865k	865k
Deferred charges (net of deferred revenue)	366k	0k	0k	0k	0k	0k	0k	0k	0k	0k	0k
Future Income Taxes	117k	679k	1,974k	1,746k	3,125k	3,232k	4,064k	4,564k	7,178k	8,906k	9,423k
Fixed Assets (net)	689k	1,008k	1,169k	1,254k	2,163k	2,381k	2,548k	2,668k	3,890k	5,342k	6,607k
Total Assets	2,257k	7,704k	23,640k	24,405k	31,967k	37,914k	51,134k	68,610k	139,277k	234,601k	343,929k
Accounts Payable	595k	672k	710k	759k	1,057k	1,118k	1,260k	1,475k	2,135k	2,824k	3,862k
Lease Obligations	394k	688k	838k	897k	1,026k	1,162k	1,311k	1,386k	1,732k	2,125k	2,227k
Current Taxes Payable	(424k)	(100k)	1,311k	1,580k	2,064k	3,779k	7,559k	12,807k	16,505k	14,647k	8,943k
Financing Loan Payable	0k	0k	10,000k	10,000k	10,000k	9,400k	8,800k	8,200k	5,800k	3,400k	1,000k
Convertible Debenture	3,379k	6,379k	6,379k	6,379k	6,379k	6,379k	6,379k	6,379k	0k	0k	0k
Deferred revenue (net of deferred charges)	0k	2,122k	6,169k	5,455k	9,765k	10,100k	12,701k	14,263k	22,430k	27,831k	29,448k
Total Liabilities	3,944k	9,761k	25,406k	25,069k	30,290k	31,937k	38,010k	44,510k	48,603k	50,827k	45,480k
Common Shares	113k	248k	293k	338k	383k	428k	473k	518k	6,999k	6,999k	6,999k
Retained earnings	(1,800k)	(2,305k)	(2,059k)	(1,002k)	1,294k	5,549k	12,651k	23,582k	83,675k	176,775k	291,451k
Total Shareholders' Equity	(1,687k)	(2,057k)	(1,766k)	(664k)	1,677k	5,977k	13,124k	24,100k	90,674k	183,774k	298,450k
Total Liabilities & Shareholders' Equity	2,257k	7,704k	23,640k	24,405k	31,967k	37,914k	51,134k	68,610k	139,277k	234,601k	343,929k

KALLO, INC.

P&L Projections (unaudited)

Period from Oct/11 to Sep/16

Stated in USD, 000's

	Quarterly Statements										Annual Statements		
	Q01	Q02	Q03	Q04	Y01	Q05	Q06	Q07	Q08	Y02	Y03	Y04	Y05
2 Projected Income Statement													
Revenues	235k	4,962k	8,119k	14,558k	27,874k	20,598k	27,297k	36,202k	54,148k	138,245k	278,839k	421,148k	542,691k
Cost of billings	(143k)	(2,817k)	(4,066k)	(7,001k)	(14,027k)	(10,864k)	(13,722k)	(17,346k)	(24,545k)	(66,476k)	(133,757k)	(201,887k)	(265,704k)
Gross profit	92k	2,145k	4,053k	7,557k	13,847k	9,734k	13,575k	18,857k	29,603k	71,769k	145,082k	219,261k	276,988k
	0%	43%	50%	52%	50%	47%	50%	52%	55%	52%	52%	52%	51%
Operating Expenses	1,601k	2,559k	3,276k	5,407k	12,843k	5,304k	6,127k	7,064k	11,844k	30,339k	47,131k	64,533k	80,464k
Product Development Costs	0k	0k	0k	0k	0k	412k	546k	724k	1,083k	2,765k	8,365k	16,846k	27,135k
EBITDA	(1,509k)	(414k)	777k	2,150k	1,004k	4,018k	6,903k	11,068k	16,676k	38,665k	89,586k	137,882k	169,389k
Depreciation Exp	(25k)	(35k)	(30k)	(26k)	(115k)	(72k)	(86k)	(81k)	(74k)	(314k)	(407k)	(476k)	(517k)
Interest Exp	(157k)	(294k)	(386k)	(570k)	(1,406k)	(570k)	(559k)	(543k)	(527k)	(2,200k)	(806k)	(495k)	(231k)
Earnings (Loss) Before Income Taxes	(1,691k)	(742k)	361k	1,554k	(518k)	3,376k	6,258k	10,444k	16,075k	36,152k	88,373k	136,911k	168,641k
Income taxes	541k	238k	(116k)	(497k)	166k	(1,080k)	(2,002k)	(3,342k)	(5,144k)	(11,569k)	(28,279k)	(43,812k)	(53,965k)
Net Income	(1,150k)	(505k)	246k	1,057k	(352k)	2,296k	4,255k	7,102k	10,931k	24,584k	60,094k	93,100k	114,676k
Opening retained earnings	(650k)	(1,800k)	(2,305k)	(2,059k)	(650k)	(1,002k)	1,294k	5,549k	12,651k	(1,002k)	23,582k	83,675k	176,775k
Closing retained earnings	(1,800k)	(2,305k)	(2,059k)	(1,002k)	(1,002k)	1,294k	5,549k	12,651k	23,582k	23,582k	83,675k	176,775k	291,451k
EPS - basic					(0.004)					0.294	0.719	1.114	1.372
EPS - fully diluted					(0.003)					0.223	0.545	0.845	1.041

Notes: 1) Operating Expenses & Compensation is tied to revenue



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Cash Flow Projections (unaudited)

Period from Oct/11 to Sep/16

Stated in USD, 000's

Cash Flow Analysis	Quarterly Statements										Annual Statements		
	Q01	Q02	Q03	Q04	Y01	Q05	Q06	Q07	Q08	Y02	Y03	Y04	Y05
Cash Inflows:													
Sales, S/W Licenses	218k	4,778k	6,271k	7,133k	18,400k	11,443k	16,393k	18,605k	26,055k	72,495k	131,601k	162,057k	174,590k
Sales, Implementation	5k	125k	425k	710k	1,265k	515k	1,180k	1,890k	3,325k	6,910k	14,575k	21,365k	24,445k
Sales, Training	8k	200k	680k	1,136k	2,024k	824k	1,888k	3,024k	5,320k	11,056k	23,320k	34,184k	39,112k
Sales, Managed Services	0k	13k	88k	212k	313k	376k	743k	1,523k	2,646k	5,289k	31,406k	85,061k	158,042k
Sales, Customization	0k	7k	13k	19k	39k	18k	45k	63k	91k	217k	477k	719k	859k
Sales, Integration	52k	788k	1,565k	2,239k	4,643k	2,275k	3,567k	4,993k	8,866k	19,701k	37,196k	49,467k	53,599k
Sales, Commissions	0k	7k	56k	59k	122k	74k	109k	272k	309k	764k	1,952k	3,181k	3,990k
Sales, Mobile Clinics	0k	2,625k	3,938k	3,938k	10,500k	8,531k	7,219k	8,531k	9,844k	34,125k	47,250k	64,969k	77,438k
Total Cash Inflow	283k	8,543k	13,035k	15,445k	37,306k	24,057k	31,143k	38,901k	56,455k	150,556k	287,776k	421,002k	532,074k
Cash Outflows:													
COGS, S/W Licenses	(133k)	(2,912k)	(3,828k)	(4,360k)	(11,233k)	(6,990k)	(9,950k)	(11,282k)	(15,872k)	(44,094k)	(79,775k)	(97,826k)	(105,029k)
COGS, Implementation	(15k)	(205k)	(396k)	(551k)	(1,166k)	(517k)	(948k)	(1,341k)	(2,198k)	(5,003k)	(9,922k)	(14,128k)	(16,203k)
COGS, Training	(6k)	(83k)	(134k)	(169k)	(392k)	(184k)	(285k)	(368k)	(583k)	(1,420k)	(2,622k)	(3,554k)	(4,014k)
COGS, Managed Services	0k	(10k)	(71k)	(168k)	(250k)	(291k)	(522k)	(996k)	(1,711k)	(3,520k)	(20,421k)	(52,582k)	(97,157k)
COGS, Customization	(0k)	(2k)	(4k)	(5k)	(11k)	(5k)	(13k)	(18k)	(26k)	(63k)	(137k)	(207k)	(247k)
COGS, Integration	(20k)	(209k)	(235k)	(222k)	(685k)	(329k)	(448k)	(443k)	(483k)	(1,703k)	(2,779k)	(3,702k)	(4,526k)
COGS, Commissions	0k	0k	0k	0k	0k	0k	0k	0k	0k	0k	0k	0k	0k
COGS, Mobile Clinics	0k	(250k)	(375k)	(4,559k)	(5,184k)	(3,789k)	(3,359k)	(3,844k)	(5,339k)	(16,332k)	(23,391k)	(34,178k)	(41,992k)
COGS Cash Outflow	(174k)	(3,671k)	(5,042k)	(10,034k)	(18,920k)	(12,106k)	(15,525k)	(18,292k)	(26,211k)	(72,134k)	(139,047k)	(206,176k)	(269,169k)
Gross Margin, Net Cash Flow	109k	4,872k	7,993k	5,411k	18,385k	11,951k	15,618k	20,609k	30,244k	78,422k	148,729k	214,826k	262,905k
Opening Balance	43k												
Accounts Payable	(456k)	0k	0k	0k	(456k)	0k	0k	0k	0k	0k	0k	0k	0k
Financing	2,715k	2,715k	10,000k	0k	15,430k	0k	(600k)	(600k)	(600k)	(1,800k)	(2,400k)	(2,400k)	(2,400k)
Product Development	0k	0k	0k	0k	0k	(412k)	(546k)	(724k)	(1,083k)	(2,765k)	(8,365k)	(16,846k)	(27,135k)
Supplier Deposits	(200k)	5k	30k	0k	(165k)	165k	0k	0k	0k	165k	0k	0k	0k
Lease Payment	(4k)	(20k)	(40k)	(53k)	(118k)	(63k)	(80k)	(99k)	(119k)	(362k)	(665k)	(921k)	(1,064k)
Compensation	(566k)	(1,112k)	(1,731k)	(3,719k)	(7,128k)	(2,938k)	(3,466k)	(3,916k)	(8,341k)	(18,661k)	(27,274k)	(34,986k)	(40,660k)
Operating Expenses	(1,216k)	(1,382k)	(1,519k)	(1,652k)	(5,769k)	(2,081k)	(2,613k)	(3,019k)	(3,303k)	(11,015k)	(19,095k)	(28,858k)	(38,765k)
Interest Exp	(68k)	(135k)	(227k)	(410k)	(839k)	(410k)	(399k)	(383k)	(366k)	(1,558k)	(759k)	(495k)	(231k)
Capital Assets	(350k)	(39k)	0k	0k	(389k)	(789k)	(88k)	0k	0k	(877k)	(620k)	(613k)	(617k)
Taxes	0k	0k	0k	0k	0k	(1,975k)	(395k)	(395k)	(395k)	(3,160k)	(27,195k)	(47,398k)	(60,187k)
Expense Cash Outflow	(101k)	32k	6,513k	(5,833k)	567k	(8,503k)	(8,187k)	(9,136k)	(14,206k)	(40,032k)	(86,372k)	(132,517k)	(171,058k)
Net Cash Flow	8k	4,904k	14,506k	(423k)	18,952k	3,448k	7,431k	11,473k	16,038k	38,390k	62,357k	82,308k	91,847k
Current Cash Position	8k	4,912k	19,418k	18,995k	18,995k	22,443k	29,874k	41,347k	57,386k	57,386k	119,742k	202,051k	293,898k

KALLO, INC.

Operating Expenses (unaudited)

Period from Oct/11 to Sep/16

Stated in USD, 000's

Operating Expenses	Quarterly Statements										Annual Statements		
	Q01	Q02	Q03	Q04	Y01	Q05	Q06	Q07	Q08	Y02	Y03	Y04	Y05
Professional Fees	545k	599k	635k	687k	2,467k	958k	920k	1,027k	1,089k	3,995k	5,636k	7,051k	8,365k
Admin	125k	242k	323k	397k	1,087k	486k	586k	719k	858k	2,649k	4,631k	6,952k	9,175k
Compensation:													
Wages, Corp	9	173k	178k	281k	294k	925k	306k	306k	306k	1,222k	1,271k	1,271k	1,271k
Wages, Acc	10	31k	97k	105k	115k	348k	122k	122k	122k	489k	508k	508k	508k
Wages, Biz	7	5k	30k	65k	101k	202k	116k	116k	116k	463k	481k	481k	481k
Wages, Fin	6	55k	83k	107k	115k	360k	120k	120k	120k	478k	498k	498k	498k
Wages, BD	5	0k	50k	64k	78k	192k	81k	85k	95k	356k	395k	395k	395k
Wages, HR	5	13k	38k	52k	61k	165k	73k	78k	78k	307k	324k	324k	324k
Wages, Sales	17	9k	55k	139k	222k	425k	261k	339k	391k	1,409k	1,736k	1,871k	1,898k
Wages, SalesT	1	81k	81k	81k	92k	336k	146k	238k	271k	314k	1,847k	2,622k	3,169k
Wages, Tech	37	17k	62k	178k	326k	583k	497k	587k	630k	656k	3,153k	3,739k	3,883k
Benefits/Comm/Car		121k	377k	599k	926k	2,023k	1,217k	1,475k	1,788k	2,385k	6,866k	11,606k	16,280k
Total Compensation	506k	1,052k	1,671k	2,330k	5,588k	2,938k	3,466k	3,916k	4,609k	14,929k	21,819k	27,989k	32,528k
Mkt	135k	135k	135k	135k	540k	162k	162k	162k	162k	648k	778k	933k	1,120k
Biz Dev	107k	255k	163k	99k	624k	194k	206k	246k	198k	844k	1,026k	1,184k	1,208k
Sales Exp	102k	147k	174k	204k	627k	275k	399k	470k	541k	1,685k	3,115k	4,597k	5,875k
Other	81k	129k	174k	1,557k	1,941k	291k	387k	524k	4,388k	5,589k	10,126k	15,827k	22,192k
Total Expenses	1,601	2,559	3,276	5,407	12,843	5,304	6,127	7,064	11,844	30,339	47,131	64,533	80,464

Eng Salary Costs (inc in COGS) 127k 1,024k 1,572k 1,829k 4,552k 2,237k 3,025k 4,248k 5,134k 14,643k 31,894k 53,943k 77,175k



Intuitive technology. Enhancing life.™

KALLO, Inc.
Projected Outstanding Share Calculation
As of June 29/2011

Description	Shares issued	Warrants & options exercisable	Total
Current share float to Jan 26/2011	43,085,166		43,085,166
Agent compensation (JARR Capital)	800,000		800,000
Warrants		1,580,000	1,580,000
Proposed new issuances to management, BOD, etc.	52,500,000		52,500,000
Balance before issuances to new investors	96,385,166	1,580,000	97,965,166
New investors (Debenture Series I)	\$ 3,400,000		
Price per share	0.0500	68,000,000	68,000,000
New investors (Debenture Series II)	\$ 3,000,000		
Projected price per share	0.0750	40,000,000	40,000,000
Non-Qualified Stock Option Plan		10,000,000	10,000,000
Balance before issuance of options	214,385,166	1,580,000	215,965,166
Options (maximum that could be issued)	10%	21,438,517	21,438,517
Projected fully diluted shares	214,385,166	23,018,517	237,403,683

