Propell Technologies Group, Inc.
Form 10-Q
November 14, 2013

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10 – Q**

x QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

**For the quarterly period ended: September 30, 2013**

o TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _________ to ___________

**Commission File Number 000-53488**

**PROPELL TECHNOLOGIES GROUP, INC.**

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Delaware** | **26-1856569** |
| **(State or other jurisdiction of incorporation or organization)** | **(IRS Employer Identification Number)** |

**1701 Commerce Street, Houston, Texas 77002**

*(Address of principal executive offices including zip code)*

**(713) 227-0480**

(Registrant's *telephone number, including area code)*

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every interactive data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 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 x No o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o 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" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer o Accelerated Filer o Non-Accelerated Filer o Smaller Reporting Company x

Number of shares outstanding of the issuer's common stock as of the latest practicable date: 140,382,871 shares of common stock, $.001 par value per share, as of November 14, 2013.

**PROPELL TECHNOLOGIES GROUP, INC.**

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**PROPELL TECHNOLOGIES GROUP, INC.**

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**PROPELL TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

**(A Development Stage Enterprise)**

| | September 30, 2013 unaudited | December 31, 2012 |
|---|---|---|
| Assets | | |
| | | |
| Current Assets | | |
| Cash | $ 56,324 | $ 70 |
| Accounts receivable (net of allowances) | 15,592 | - |
| Prepaid expenses | 20,086 | - |
| Total Current Assets | 92,002 | 70 |
| | | |
| Non-Current assets | | |
| Plant and Equipment, net | 24,794 | - |
| Deposits | 2,200 | - |
| Total non-current assets | 26,994 | - |
| Total Assets | $ 118,996 | $ 70 |
| | | |
| Liabilities and Stockholders' Deficit | | |
| | | |
| Current Liabilities | | |
| Accounts payable | $ 146,135 | $ - |
| Accrued liabilities | 47,352 | 100 |
| Notes payable | 429,406 | - |
| Convertible notes payable | 370,063 | - |
| Derivative financial liabilities | 111,015 | - |
| Liabilities from discontinued operations | 1,186,685 | - |
| Total Current Liabilities | 2,290,656 | 100 |
| | | |
| Long Term Liabilities | | |
| Notes Payable | 526,690 | - |
| Convertible notes payable - Related Party | 42,699 | - |
| Convertible notes payable | 295,175 | - |
| Total Long Term Liabilities | 864,564 | - |
| Total Liabilities | 3,155,220 | 100 |
| | | |
| Stockholders' Deficit | | |
| Preferred stock, $0.001 par value; 5,000,000 shares authorized, 3,887,500 and 0 shares issued and outstanding, respectively. (liquidation preference $311,000 and $0, respectively) | 3,888 | - |

| | | |
|---|---|---|
| Common stock, $0.001 par value; 500,000,000 shares authorized, 139,882,871 and 100,000,000 shares issued and outstanding, respectively | 139,883 | 100,000 |
| Additional paid-in capital | 1,277,339 | - |
| Accumulated deficit | (4,457,334) | (100,030) |
| Total Stockholders' Deficit | (3,036,224) | (30) |
| Total Liabilities and Stockholders' Deficit | $ 118,996 | $ 70 |

See notes to unaudited condensed consolidated financial statements

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**PROPELL TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

**(A Development Stage Enterprise)**

| | Three months ended, September 30, 2013 | Nine months ended, September 30, 2013 | Period June 19, 2012 (inception) to September 30, 2012 | Cumulative from inception (June 19, 2012 to September 30 ,2013) |
|---|---|---|---|---|
| | unaudited | unaudited | Unaudited | unaudited |
| Net Revenues | $ 31,856 | $ 46,113 | $ - | $ 46,113 |
| Cost of Goods Sold | 31,173 | 42,320 | - | 42,320 |
| Gross Profit | 683 | 3,793 | - | 3,793 |
| Research & development | 9,899 | 48,044 | - | 48,044 |
| Stock based compensation | 492,532 | 1,154,201 | - | 1,154,201 |
| Sales and Marketing | (3,366) | 45,479 | - | 45,479 |
| Professional Fees | 243,374 | 509,303 | - | 509,303 |
| General and administrative | (43,670) | 718,315 | 925 | 719,240 |
| Depreciation and amortization | 8,136 | 21,810 | | 21,810 |
| Total Expense | 706,905 | 2,497,152 | 925 | 2,498,077 |
| Loss from Operations | (706,222) | (2,493,359) | (925) | (2,494,284) |
| Other Income | 78,446 | 82,291 | - | 82,291 |
| Debt forgiveness | - | 1,000 | - | 1,000 |
| Amortization of debt discount | (232,570) | (232,570) | | (232,570) |
| Call option expense | (5,500) | (5,500) | | (5,500) |
| Change in fair value of derivative liabilities | (111,015) | (111,015) | | (111,015) |
| Interest Expense | (48,340) | (121,360) | - | (121,360) |
| | (318,979) | (387,154) | | (387,154) |
| Loss before Provision for Income Taxes | (1,025,201) | (2,880,513) | (925) | (2,881,438) |
| Provision for Income Taxes | - | - | - | - |
| Net Loss | $ (1,025,201) | $ (2,880,513) | $ (925) | (2,881,438) |
| Net Loss Per Share – Basic and Diluted | $ (0.01) | $ (0.03) | | |
| Weighted Average Number of Shares Outstanding – Basic and Diluted | 137,414,954 | 108,815,197 | | |

See notes to unaudited condensed consolidated financial statements

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**PROPELL TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT**

**(A Development Stage Enterprise)**

**FOR THE PERIOD JUNE 19, 2012 (INCEPTION) TO SEPTEMBER 30, 2013**

**(UNAUDITED)**

| | Preferred Stock Shares | Preferred Stock Amount | Common Stock Shares | Common Stock Amount | Additional Paid-in Capital | Accumulated Deficit | Total Stockholders' Deficit |
|---|---|---|---|---|---|---|---|
| Balance, Inception June 19, 2012 | - | $ - | - | $ - | $ - | $ - | $ - |
| Stock Issued ($0.001 per share) | | | 100,000,000 | 100,000 | | | 100,000 |
| Contributed Capital | | | | | 895 | | 895 |
| Dividends | | | | | (895) | (99,105) | (100,000) |
| Net loss for year ended December 31, 2012 | | | | | | (925) | (925) |
| Balance as of December 31, 2012 | - | - | 100,000,000 | 100,000 | - | (100,030) | (30) |
| Contributed Capital | | | | | 37,301 | | 37,301 |
| Recapitalization as a result of the reverse merger on February 4, 2013 with Novas Energy | 5,000,000 | 5,000 | 27,357,871 | 27,358 | | (1,476,791) | (1,444,433) |
| Equity based compensation | | | | | 1,154,201 | | 1,154,201 |
| Conversion of preferred stock | (1,112,500) | (1,112) | 11,125,000 | 11,125 | (10,013) | | - |
| Conversion of note | | | 987,500 | 987 | 18,763 | | 19,750 |
| | | | 400,000 | 400 | 71,600 | | 72,000 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Issuance of shares for services | | | | | | | |
| Issuance of shares for call option | | | 12,500 | 13 | 5,487 | | 5,500 |
| Net loss for nine months ended September 30, 2013 | | - | | - | - | (2,880,513 ) | (2,880,513 ) |
| Balance as of September 30, 2013 | 3,887,500 | $3,888 | 139,882,871 | $139,883 | $1,277,339 | $(4,457,334 ) | $(3,036,224 ) |

See notes to unaudited condensed consolidated financial statements

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**PROPELL TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(A Development Stage Enterprise)**

| | Nine months ended, September 30, 2013<br>unaudited | Period June 19, 2012 (inception) to September 30, 2012<br>unaudited | Cumulative from inception (June 19, 2012 to September 30, 2013)<br>unaudited |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net loss for the period | $ (2,880,513) | $ (925) | $ (2,881,438) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | |
| Depreciation expense | 21,010 | | 21,010 |
| Amortization expense | 800 | | 800 |
| Amortization of debt discount | 232,570 | | 232,570 |
| Stock option compensation charge | 1,154,201 | | 1,154,201 |
| Stock issued for services rendered | 72,000 | | 72,000 |
| Stock based call option | 5,500 | | 5,500 |
| Derivative financial liability | 111,015 | | 111,015 |
| Gain on winding up of subsidiary | (34,321) | | (34,321) |
| Changes in Assets and Liabilities | | | |
| Accounts receivable | (15,560) | | (15,560) |
| Prepaid expenses | (13,020) | | (13,020) |
| Accounts payable | 94,260 | 100 | 94,360 |
| Accrued liabilities | (37,929) | | (37,929) |
| Accrued interest | 121,360 | | 121,360 |
| Cash Used in Operating Activities | (1,168,627) | (825) | (1,169,452) |
| | | | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchase of property and equipment | (6,119) | - | (6,119) |
| NET CASH USED IN INVESTING ACTIVITIES | (6,119) | - | (6,119) |
| | | | |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Contributed Capital | | 895 | 895 |
| Proceeds from notes payable and advances | 1,231,000 | | 1,231,000 |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 1,231,000 | 895 | 1,231,895 |
| | | | |
| NET INCREASE (DECREASE) IN CASH | 56,254 | 70 | 56,324 |
| CASH AT BEGINNING OF PERIOD | 70 | - | - |
| CASH AT END OF PERIOD | $ 56,324 | $ 70 | $ 56,324 |

| | | | |
|---|---|---|---|
| CASH PAID FOR INTEREST AND TAXES: | | | |
| Cash paid for income taxes | $ 1500 | $ - | $ 1,500 |
| Cash paid for interest | $ - | $ - | $ - |
| | | | |
| NON-CASH INVESTING AND FINANCING ACTIVITIES | | | |
| Assets acquired in reverse merger | $ 2,658 | $ - | $ - |
| Liabilities acquired in reverse merger | $ 1,447,091 | $ - | $ - |
| Contributed assets | $ 37,301 | $ - | $ 37,301 |
| Conversion of debt to equity | $ 19,750 | $ - | $ 19,750 |

See notes to unaudited condensed consolidated financial statements

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**PROPELL TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(A Development Stage Enterprise)**

**1 ORGANIZATION AND DESCRIPTION OF BUSINESS**

**a) Organization**

Propell Technologies Group, Inc. (formerly known as Propell Corporation) (the "Company"), is a Delaware corporation originally formed on January 29, 2008 as CA Photo Acquisition Corp. On April 10, 2008 Crystal Magic, Inc. ("CMI"), a Florida Corporation, merged with an acquisition subsidiary of Propell's, and the Company issued an aggregate of 180,000 shares to the former shareholders of CMI. On May 6, 2008, the Company acquired both Mountain Capital, LLC (doing business as Arrow Media Solutions) ("AMS") and Auleron 2005, LLC (doing business as Auleron Technologies) ("AUL") and made each a wholly owned subsidiary and issued a total of 41,897 shares of the Company's common stock to the members of Mountain Capital, LLC and a total of 2,722 shares of the Company's common stock to the members of AUL. In 2010 AUL and AMS were dissolved and the operations of CMI were discontinued. On February 4, 2013, the Company entered into a Share Exchange Agreement with Novas Energy (USA), Inc. ("Novas") whereby the Company exchanged 100,000,000 shares of its common stock for 100,000,000 shares of common stock in Novas. After the consummation of the share exchange, Novas became a wholly owned subsidiary of the Company. As a result of the share exchange the shareholders of Novas obtained the majority of the outstanding shares of the Company. As such, the exchange is accounted for as a reverse merger or recapitalization of the Company and Novas was considered the acquirer for accounting purposes.

**b) Description of the business**

The Company, through its wholly owned subsidiary, Novas, is an innovative technology and services company whose aim is to radically improve oil production by introducing modern and innovative technologies. Novas has a unique and patented, Plasma-Pulse Treatment ("PPT") technology, which is a new Enhanced Oil Recovery methodology and process that has been developed to be environmentally friendly, mobile, time efficient and extremely cost effective. PPT has the potential to drive new and renewed revenue for energy producers and become a new standard for the entire petroleum industry. The Company also operates an on-demand e-commerce line of business; however its primary focus is its oil recovery technology business.

**2 ACCOUNTING POLICIES AND ESTIMATES**

**a) Interim financial statements and Basis of Presentation**

The accompanying unaudited condensed financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information with the instructions to Form 10-Q and Rule 8-03 of Regulation S-X. Accordingly, these unaudited condensed financial statements do not include all of the information and disclosures required by U.S. GAAP for complete financial statements. In the opinion of management, the accompanying unaudited condensed financial statements include all adjustments (consisting only of normal recurring adjustments), which we consider necessary, for a fair presentation of those financial statements. The results of operations and cash flows for the three and nine months ended September 30, 2013 may not necessarily be indicative of results that may be expected for any succeeding quarter or for the entire fiscal year. The information contained in this quarterly report on Form 10-Q should be read in conjunction with our audited financial statements included in our annual report on Form 10-K as of and for the year ended December 31, 2012 as filed with the Securities and Exchange Commission (the "SEC").

Significant accounting policies are described in Note 1 to the consolidated financial statements included in Item 8 of our annual report on Form 10-K as of December 31, 2012.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and judgments, which are evaluated on an ongoing basis, and that affect the amounts reported in our unaudited condensed financial statements and accompanying notes. Management bases its estimates on historical experience and on various other assumptions that it believes are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the amounts of revenues and expenses that are not readily apparent from other sources. Actual results could differ from those estimates and judgments. In particular, significant estimates and judgments include those related to revenue recognition, allowance for doubtful accounts, useful lives and valuation of plant and equipment.

All amounts referred to in the notes to the financial statements are in United States Dollars ($) unless stated otherwise.

**b) Principles of Consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiary in which it has a majority voting interest. All significant inter-company accounts and transactions have been eliminated in the consolidated financial statements. The entities included in these consolidated financial statements are as follows:

Propell Technologies Group, Inc. – Parent Company

Nova Energy USA Inc.

Crystal Magic, Inc. - Dormant

**c) Use of Estimates**

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Such estimates and assumptions impact, among others, the following: the estimated useful lives for plant and equipment, the fair value of warrants and stock options granted for services or compensation, estimates of the probability and potential magnitude of contingent liabilities and the valuation allowance for deferred tax assets due to continuing operating losses.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the consolidated financial statements, which management considered in formulating its estimate could change in the near term due to one or more future confirming events. Accordingly, the actual results could differ significantly from our estimates.

**PROPELL TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(A Development Stage Enterprise)**

**2 ACCOUNTING POLICIES AND ESTIMATES (continued)**

**d) Contingencies**
Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company's management assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's financial statements. If the assessment indicates that a potential material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material would be disclosed. Loss contingencies considered to be remote by management are generally not disclosed unless they involve guarantees, in which case the guarantee would be disclosed.

**e) Fair Value of Financial Instruments**
The Company adopted the guidance of Accounting Standards Codification ("ASC") 820 for fair value measurements which clarifies the definition of fair value, prescribes methods for measuring fair value, and establishes a fair value hierarchy to classify the inputs used in measuring fair value as follows:

Level 1-Inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.

Level 2-Inputs are unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other then quoted prices that are observable, and inputs derived from or corroborated by observable market data.

Level 3-Inputs are unobservable inputs which reflect the reporting entity's own assumptions on what assumptions the market participants would use in pricing the asset or liability based on the best available information.

The carrying amounts reported in the balance sheets for cash, accounts receivable, prepaid expenses, deposits, accounts payable, accrued liabilities, notes payable, and convertible notes payable approximate fair value due to the relatively short period to maturity for these instruments. The Company did not identify any assets or liabilities that are required to be presented on the balance sheets at fair value in accordance with the accounting guidance.

ASC 825-10 "*Financial Instruments*" allows entities to voluntarily choose to measure certain financial assets and liabilities at fair value (fair value option). The fair value option may be elected on an instrument-by-instrument basis and is irrevocable, unless a new election date occurs. If the fair value option is elected for an instrument, unrealized gains and losses for that instrument should be reported in earnings at each subsequent reporting date. The Company did not elect to apply the fair value option to any outstanding instruments.

**f) Risks and Uncertainties**

The Company's operations will be subject to significant risk and uncertainties including financial, operational, regulatory and other risks associated, including the potential risk of business failure. The recent global economic crisis has caused a general tightening in the credit markets, lower levels of liquidity, increases in the rates of default and bankruptcy, and extreme volatility in credit, equity and fixed income markets. These conditions not only limit the Company's access to capital, but also make it difficult for its customers, vendors and the Company to accurately forecast and plan future business activities.

The Company's operations are carried out in the USA. Accordingly, the Company's business, financial condition and results of operations may be influenced by the political, economic and legal environment in the USA and by the general state of the economy. The Company's results may be adversely affected by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, and rates and methods of taxation, among other things.

**g) Recent Accounting Pronouncements**

Other accounting standards that have been issued or proposed by FASB that do not require adoption until a future date are not expected to have a material impact on the financial statements upon adoption.

**PROPELL TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(A Development Stage Enterprise)**

**2 ACCOUNTING POLICIES AND ESTIMATES (continued)**

**h) Reporting by Segment**
No segmental information is presented as the Company has shifted its focus from its historical virtual trading store business which has minimal revenues and is in the process of developing its Novas Energy Plasma pulse Technology for the petroleum industry.

Revenues to date are insignificant.

**i) Cash and Cash Equivalents**
The Company considers all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents. At September 30, 2013 and December 31, 2012, respectively, the Company had no cash equivalents.

The Company minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. At September 30, 2013 and December 31, 2012, the balance did not exceed the federally insured limit.

**j) Accounts Receivable and Allowance for Doubtful Accounts**
Accounts receivable are reported at realizable value, net of allowances for doubtful accounts, which is estimated and recorded in the period the related revenue is recorded. The Company has a standardized approach to estimate and review the collectability of its receivables based on a number of factors, including the period they have been outstanding. Historical collection and payer reimbursement experience is an integral part of the estimation process related to allowances for doubtful accounts. In addition, the Company regularly assesses the state of its billing operations in order to identify issues, which may impact the collectability of these receivables or reserve estimates. Revisions to the allowance for doubtful accounts estimates are recorded as an adjustment to bad debt expense. Receivables deemed uncollectible are charged against the allowance for doubtful accounts at the time such receivables are written-off. Recoveries of receivables previously written-off are recorded as credits to the allowance for doubtful accounts. There were no recoveries during the period ended September 30, 2013.

**k) Inventory**

The Company had no inventory as of September 30, 2013 or December 31, 2012.

**l) Plant and Equipment**

Plant and equipment is stated at cost, less accumulated depreciation. Plant and equipment with costs greater than $1,000 are capitalized and depreciated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of the assets are as follows:

| Description | Estimated Useful Life |
|---|---|
| Office equipment and furniture | 2 to 5 years |
| Leasehold improvements and fixtures | Lesser of estimated useful life or life of lease |

The cost of repairs and maintenance is expensed as incurred. When assets are retired or disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gains or losses are included in income in the year of disposition.

**m) Long-Term Assets**

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

**n) Revenue Recognition**

The Company records revenue when all of the following have occurred: (1) persuasive evidence of an arrangement exists, (2) the service is completed without further obligation, (3) the sales price to the customer is fixed or determinable, and (4) collectability is reasonably assured.

**PROPELL TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(A Development Stage Enterprise)**

**2 ACCOUNTING POLICIES AND ESTIMATES (continued)**

**o) Share-Based Payment Arrangements**

Generally, all forms of share-based payments, including stock option grants, restricted stock grants and stock appreciation rights are measured at their fair value on the awards' grant date, based on the estimated number of awards that are ultimately expected to vest. Share-based compensation awards issued to non-employees for services rendered are recorded at either the fair value of the services rendered or the fair value of the share-based payment, whichever is more readily determinable. The expense resulting from share-based payments is recorded in operating expenses in the consolidated statement of operations.

**p) Income Taxes**

Income taxes are computed using the asset and liability method. Under the asset and liability method, deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using the currently enacted tax rates and laws. A full valuation allowance is provided for the amount of deferred tax assets that, based on available evidence, are not expected to be realized. It is the Company's policy to classify interest and penalties on income taxes as interest expense or penalties expense. As of September 30, 2013, there have been no interest or penalties incurred on income taxes.

**q) Net Loss per Share**

Basic net loss per share is computed on the basis of the weighted average number of common shares outstanding during the period.

Diluted net loss per share is computed on the basis of the weighted average number of common shares and common share equivalents outstanding. Dilutive securities having an anti-dilutive effect on diluted net loss per share are excluded from the calculation (See Note 13, below).

Dilution is computed by applying the treasury stock method for options and warrants. Under this method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common shares at the average market price during the period.

Dilution is computed by applying the if-converted method for convertible preferred shares. Under this method, convertible preferred stock is assumed to be converted at the beginning of the period (or at the time of issuance, if later), and preferred dividends (if any) will be added back to determine income applicable to common stock. The shares issuable upon conversion will be added to weighted average number of common shares outstanding. Conversion will be assumed only if it reduces earnings per share (or increases loss per share).

**r) Comprehensive income**

Comprehensive income is defined as the change in equity of a company during a period from transactions and other events and circumstances excluding transactions resulting from investments from owners and distributions to owners. For the Company, comprehensive income for the periods presented includes net income/ (loss).

**s) Related parties**

Parties are considered to be related to the Company if the parties that, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with the Company, or own in aggregate, on a fully diluted basis 5% or more of the Company's stock. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. The Company shall disclose all related party transactions. All transactions shall be recorded at fair value of the goods or services exchanged. Property purchased from a related party is recorded at the cost to the related party and any payment to or on behalf of the related party in excess of the cost is reflected as a distribution to related party.

**PROPELL TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(A Development Stage Enterprise)**

## 3 GOING CONCERN

As shown in the accompanying financial statements, the Company incurred a net loss of $2,880,513 during the nine months ended September 30, 2013. As of September 30, 2013, the Company had an accumulated deficit of $4,457,334. The Company had a working capital deficiency of $2,198,654, including a non-cash derivative liability of $111,015 as of September 30, 2013. These operating losses and working capital deficiency create an uncertainty about the Company's ability to continue as a going concern. Although no assurances can be given, management of the Company believes that potential additional issuances of equity or other potential financing will provide the necessary funding for the Company to continue as a going concern. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. The Company is economically dependent upon future capital contributions or financing to fund ongoing operations.

Management continues to seek funding to pursue its business plans. Such funding may be obtained in the form of debt or equity financing, debt/equity hybrid instruments such as convertible debt, or a combination thereof. As such, the Company could incur additional leverage on its balance sheet and/or significant dilution of the current shareholders. There can be no assurance that the Company will be successful in obtaining the financing or funding necessary to continue as a going concern.

## 4 PREPAID EXPENSES

Prepaid expenses consisted of the following as of September 30, 2013 and December 31, 2012:

| | **September 30, 2013** | **December 31, 2012** |
|---|---|---|
| Prepaid equipment rental | $ 10,733 | $ - |
| Prepaid insurance | 5,634 | - |
| Prepaid professional fees | 2,528 | - |
| Other | 1,191 | - |
| | $ 20,086 | $ - |

For the year ended December 31, 2012, the Company had no prepaid expenses.

**5 PLANT AND EQUIPMENT**

Plant and Equipment consisted of the following as of September 30, 2013 and December 31, 2012:

| | September 30, 2013 | December 31, 2012 |
|---|---|---|
| Furniture and fixtures | $ 26,643 | $ - |
| Field equipment | 16,120 | - |
| Computer and equipment | 3,041 | - |
| Total cost | 45,804 | - |
| Less: accumulated depreciation | (21,010) | - |
| Property and equipment, net | $ 24,794 | $ - |

Depreciation expense was $7,840 and $21,010 for the three months and nine months ended September 30, 2013, respectively. Depreciation was $0 for the year ended December 31, 2012.

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## 6 ACCRUED LIABILITIES

Accrued liabilities consisted of the following as of September 30, 2013 and December 31, 2012:

| | September 30, 2013 | December, 31 2012 |
|---|---|---|
| Payroll liabilities | $ 34,000 | $ - |
| Accrued professional fees | 7,500 | - |
| Accrued commissions | 5,370 | - |
| Other | 482 | 100 |
| Total accrued expenses | $ 47,352 | $ 100 |

## 7 NOTES PAYABLE

Notes payable consisted of the following as of September 30, 2013:

| Description | Interest Rate | Maturity | September 30, 2013 |
|---|---|---|---|
| **Short-Term** | | | |
| Pansies Limited | 8 % | March 5, 2014 | $ 66,000 |
| Pansies Limited | 8 % | March 22, 2014 | 56,000 |
| Pansies Limited | 8 % | April 5, 2014 | 109,500 |
| Pansies Limited | 8 % | May 7, 2014 | 100,000 |
| Pansies Limited | 8 % | June 10, 2014 | 50,000 |
| Accrued Interest | | | 14,275 |
| Total Pansies Limited | | | 395,775 |
| | | | |
| Strategic IR | 8 % | June 25, 2014 | 30,000 |
| Accrued interest | | | 631 |

| | | | | | |
|---|---|---|---|---|---|
| Total Strategic IR | | | | | 30,631 |
| Owl Holdings | - | | - | | 3,000 |
| Total Short-Term Notes Payable | | | | | 429,406 |
| **Long-Term** | | | | | |
| Anuta Limited | 8 | % | February 1, 2016 | | 500,000 |
| Accrued Interest | | | | | 26,690 |
| Total Anuta Limited | | | | | **526,690** |
| **Total Notes Payable** | | | | **$** | **956,096** |

**Pansies Limited**

The notes payable advanced by Pansies Limited to Novas Energy USA, Inc. ("Novas"), each bear interest at the rate of 8% per annum, interest is calculated on a 360 day year and maturity dates are disclosed above. The Pansies Limited notes were funded pursuant to a Credit Agreement that allows for loans to be made to Novas up to an aggregate of $500,000. Each loan under the Credit Agreement bears interest at the rate of 8% per annum and is evidenced by a note which matures one year from the date of issuance.

**Strategic IR**

The note payable advanced by Strategic IR to Novas bears interest at the rate of 8% per annum and matures on June 25, 2014.

**Owl Holdings**

The note payable advanced by Owl Holdings to the Company has no interest rate and is repayable on demand.

**Anuta Limited**

The note payable advanced by Anuta Limited to the Company bears interest at the rate of 8% per annum and matures on February 1, 2016.

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## 8 SHORT-TERM CONVERTIBLE NOTES PAYABLE

Convertible Notes payable consisted of the following as of September 30, 2013:

| Description | Interest Rate | Maturity | September 30, 2013 |
|---|---|---|---|
| Dart Union | 6% | October 31, 2013 | $ 20,000 |
| Dart Union | 6% | November 26, 2013 | 25,000 |
| Dart Union | 6% | January 7, 2014 | 20,000 |
| Accrued Interest | | | 3,238 |
| Unamortized debt discount | | | (5,000) |
| Total Dart Union | | | 63,238 |
| | | | |
| JMJ Financial | 12% | July 1, 2014 | 96,000 |
| Unamortized debt discount, fees and interest expense | | | (15,750) |
| Total JMJ Financial | | | 80,250 |
| | | | |
| Asher Enterprises | 8% | May 1, 2014 | 53,000 |
| Asher Enterprises | 8% | June 6, 2014 | 42,500 |
| Accrued Interest | | | 986 |
| Total Asher Enterprises | | | 96,486 |
| | | | |
| Gel Properties | 6% | August 1, 2014 | 52,500 |
| Accrued Interest | | | 526 |
| Total Gel Properties | | | 53,026 |
| | | | |
| Vista Capital Investments | 12% | September 4, 2014 | 30,500 |
| Unamortized debt discount and interest expense | | | (5,103) |
| Total Vista Capital Investments | | | 25,397 |
| | | | |
| LG Capital Funding, LLC | 12% | June 20, 2014 | 63,448 |
| Unamortized debt discount and interest expense | | | (11,782) |
| Total LG Capital Funding, LLC | | | 51,666 |
| | | | |
| Total Short-Term Notes Payable | | | $ 370,063 |

**Dart Union**

The convertible notes payable to Dart Union consist of three convertible notes in the aggregate principal amount of $65,000. These notes are unsecured, bear interest at the rate of six percent (6%) per annum and mature as disclosed above. The notes are convertible at a conversion price equal to the higher of $0.05 per share or a 50% discount to the 3-day average closing price of the Company’s Common Stock for the three (3) business days immediately preceding the date of a conversion request from the holder. At September 30, 2013 the remaining unamortized debt discount of $5,000 will be amortized over three months.

**JMJ Financial**

On July 1, 2013, the Company borrowed $75,000 from JMJ Financial (“JMJ”) pursuant to an unsecured convertible promissory note. The terms of the note provided for no interest charge for 90 days and thereafter a once-off interest charge of 12%, amounting to $9,000, was added to the face value of the note. In addition, the note has an original issue discount of 10% and a closing and due diligence fee of 6% of the amount advanced; together these amounted to $12,000 and were added to the face value of the note. The note is convertible into common stock at any time, at the holder’s option, in whole or in part, at a conversion price equal to the lesser of $0.65 or 60% of the lowest trade price in the 25 trading days prior to conversion. The note matures on July 1, 2014. JMJ may make further advances under the promissory note up to $275,000 (net $250,000 after an original issue discount of 10% or $25,000). Each note matures one year from the date of advance. The promissory note also requires payment of a closing and due diligence fee equal to 6% of the amount of each advance.

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**8 SHORT-TERM CONVERTIBLE NOTES PAYABLE (continued)**

**Asher Enterprises**

On July 29, 2013, the Company issued an unsecured convertible note to Asher Enterprises with a face value of $53,000, in exchange for $50,000 cash, net of $3,000 in legal fees. The note is convertible into common stock of the Company and bears interest at the rate of 8% per annum, which interest is payable in cash or common stock, at the election of the holder, and matures on May 1, 2014. The conversion price, as well as the formula for determining the number of shares needed to repay the note and any interest thereon is 58% of the average of the lowest closing price for any three trading days during the last ten day trading period prior to conversion or payment of interest. The holder may only convert the note following the expiration of 180 days from the date of issuance, July 29, 2013. The holder shall not exercise any conversion right that would result in the holder owning more than 9.99% of the Company's common stock. This note may be prepaid by the Company within 30 days of issuance by the giving of three days notice. The prepayment penalty will amount to 112% of the balance outstanding, including any interest and charges thereon.

On September 4, 2013, the Company issued an unsecured convertible note to Asher Enterprises with a face value of $42,500, in exchange for $40,000 cash, net of $2,500 in legal fees. The note is convertible into common stock of the Company and bears interest at the rate of 8% per annum, which interest is payable in cash or common stock, at the election of the holder, and matures on June 6, 2014. The conversion price, as well as the formula for determining the number of shares needed to repay the note and any interest thereon is 58% of the average of the lowest closing price for any three trading days during the last ten day trading period prior to conversion or payment of interest. The holder may only convert the note following the expiration of 180 days from the date of issuance, September 4, 2013. The holder shall not exercise any conversion right that would result in the holder owning more than 9.99% of the Company's common stock. This note may be prepaid by the Company within 30 days of issuance by the giving of three days notice. The prepayment penalty will amount to 112% of the balance outstanding, including any interest and charges thereon.

**Gel Properties**

On July 30, 2013, the Company issued a convertible note, face value $52,500, in exchange for $50,000 cash, net of $2,500 in legal fees. The note is convertible into common stock of the Company and bears interest at the rate of 6% per annum, which interest is payable in common stock, and matures on August 1, 2014. The conversion price, as well as the formula for determining the number of shares needed to pay the interest on the note, is 65% of the lowest closing price for any five trading days prior to conversion or payment of interest. The holder may only convert the note following the expiration of the requisite holding period under Rule 144 of the Securities Act of 1933. Payments of interest (in common stock pursuant to the formula outlined above) are made upon demand by the holder at any time in the holder's discretion following the expiration of the requisite Rule 144 holding period. The note is redeemable by the Company at any time within 6 months from the date of issuance (July 30, 2013) at a 20% premium over the principal amount due within the first 30-days, which premium escalates by 3% every 30-days to a maximum of 35%.

On July 30, 2013, the Company issued two convertible notes, each having a face value of $50,000 (the "Convertible Notes") in exchange for two $50,000 "back end" notes (the "Back End Notes"). The Back End Notes are secured by a pledge account which has an aggregate appraised value of not less than $100,000. The Back End Notes are due and payable on June 1, 2014 and August 1, 2014 respectively. The Convertible Notes are convertible into common stock of the Company and each bear interest at the rate of 6% per annum, which interest is payable in common stock, and mature on August 1, 2015. The conversion price, as well as the formula for determining the number of shares needed to pay the interest on the note, is 65% of the lowest closing price for any five trading days prior to conversion or payment of interest. The holder may only convert the note following the expiration of the requisite holding period under Rule 144 of the Securities Act of 1933. Payments of interest (in common stock pursuant to the formula outlined above) are made upon demand by the holder at any time at the holder's discretion following the expiration of the requisite Rule 144 holding period. The Convertible Notes are redeemable by the Company at any time at a premium over the principal amount due of 50%. The Company has the right to call and not allow funding of the Back End Notes by offsetting the Convertible Notes against the Back End Notes. In consideration of this call right the Company issued 12,500 shares of its common stock to the issuer of the Back End Notes. The shares are held in escrow and will be released if the Company elects, prior to April 1, 2014, to call the Back End Notes.

**Vista Capital Investments**

On September 5, 2013, the Company borrowed $25,000 from Vista Capital Investments ("Vista") pursuant to an unsecured convertible promissory note. The terms of the note provided for a once-off interest charge of 12% amounting to $3,000 added to the face value of the note. In addition, the note has an original issue discount of 10% of the amount advanced which amounted to $2,500 and was added to the face value of the note. The note is convertible into common stock at any time, at the holder's option, in whole or in part, at a conversion price equal to the lesser of $0.33 or 60% of the lowest trade price in the 25 trading days prior to conversion. The note matures on September 5, 2014. Vista may make further advances under the promissory note up to $250,000 (net $225,000 after an original issue discount of 10% or $25,000). Each note matures one year from the date of advance. The holder shall not exercise any conversion right that would result in the holder owning more than 4.99% of the Company's common stock. The Note is redeemable by the Company within 90 days of the issuance date, after a 10 day notice period, in which notice period the holder may still elect to exercise the conversion feature of the note, at a premium over the principal amount due of 50%, plus any interest earned thereon. As long as the note is outstanding, the holder, at its option, has the right to adopt any future, more favorable financing or conversion terms on any subsequent financings conducted by the Company or any of its subsidiaries.

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**8 SHORT-TERM CONVERTIBLE NOTES PAYABLE (continued)**

**LG Capital Funding, LLC**

On September 20, 2013, the Company borrowed $56,650 from LG Capital Funding, LLC ("LG") pursuant to an unsecured convertible promissory note. The terms of the note provided for no interest charge for 90 days and thereafter a once-off interest charge of 12% amounting to $6,798 is already added to the face value of the note. In addition, the note has an original issue discount of 10% amounting to $5,150, resulting in net cash proceeds of $51,500 on issuance of the note. The note is convertible into common stock at any time, at the holder's option, in whole or in part, at a conversion price equal to the lesser of $0.65 or 60% of the lowest trade price in the 25 trading days prior to conversion. The note matures on June 20, 2014. The holder shall not exercise any conversion right that would result in the holder owning more than 4.99% of the Company's common stock. The Convertible Notes are redeemable by the Company within 90 days of the issuance date, after a 3 day notice period, in which notice period the holder may still elect to exercise the conversion feature of the note, at a premium over the principal amount due of 22%, plus any interest earned thereon, subject to the holders approval. The conversion right of the note has anti-dilutive provisions which will reduce the cap on the conversion price for any subsequent share issuances in certain circumstances. The Company has certain covenants which restrict it from; i) the payment of dividends or other distributions, in cash or otherwise; ii) restrictions on stock repurchases; iii) the incurrence of debt other than in the ordinary course of business or to repay the note or borrowings not exceeding $1,000,000; iv) the sale of a significant portion of the assets outside of the ordinary course of business and; v) lend money unless committed to prior to this note, made in the ordinary course of business or in excess of $100,000, without the note holders consent.

**9 DERIVATIVE FINANCIAL LIABILITY**