Propell Technologies Group, Inc.
Form 10-Q
August 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: June 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: 134,920,371 shares of common stock, $.001 par value per share, as of August 2, 2013.

PROPELL TECHNOLOGIES GROUP, INC.

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PART I.—FINANCIAL INFORMATION

PROPELL CORPORATION

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Propell Corporation and Subsidiaries

Condensed Consolidated Balance Sheets

(A Development Stage Enterprise)

	June 30, 2013 unaudited	December 31, 2012
Assets		
Current Assets		
Cash	$ 21,162	$ 70
Accounts receivable (net of allowances)	862	-
Prepaid expenses	11,652	-
Total Current Assets	33,676	70
Property and Equipment, net	32,634	-
Other Assets		
Deposits	2,200	-
Total Assets	$ 68,510	$ 70
Liabilities and Stockholders' Deficit		
Current Liabilities		
Accounts payable	$ 124,159	$ -
Accrued liabilities	83,589	100
Accrued interest	18,526	-
Notes payable	411,500	
Notes payable and advances - related parties	3,000	-
Convertible notes payable related parties, net of discount of $18,000	47,000	-
Liabilities from discontinued operations	1,221,008	-
Total Current Liabilities	1,908,782	100
Long Term Liabilities		
Notes Payable	500,000	-
Convertible notes payable related parties, net of discount of $1,311,783 and $0 respectively	178,467	-
Accrued Interest	68,316	-
Total Long Term Liabilities	746,783	-
Total Liabilities	2,655,565	100

Stockholders' Deficit		
Prefered stock, $0.001 par value; 5,000,000 shares authorized, 4,312,500 and 0 ares issued and outstanding, respectively. (liquidation preference $345,000 and $0, respectively)	4,312	-
Common stock, $0.001 par value; 500,000,000 shares authorized, 134,920,371 and 100,000,000 shares issued and outstanding, respectively	134,921	100,000
Additional paid-in capital	705,845	-
Accumulated deficit	(3,432,133)	(100,030)
Total Stockholders' Deficit	(2,587,055)	(30)
Total Liabilities and Stockholders' Deficit	$ 68,510	$ 70

See notes to condensed consolidated financial statements

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Propell Corporation and Subsidiaries

Condensed Consolidated Statements of Operations

(A Development Stage Enterprise)

	Three months ended, June 30, 2013	Six months ended, June 30, 2013	Period June 19, 2012 (inception) to June 30, 2012	Cumulative from inception (June 19, 2012 to June 30 ,2013)
	unaudited	unaudited	unaudited	unaudited
Net Revenues	$ 11,360	$ 14,257	$ -	$ 14,257
Cost of Goods Sold	8,267	11,147	-	11,147
Gross Profit	3,093	3,110	-	3,110
Research & development	20,093	38,145	-	38,145
Compensation	412,624	661,669	-	661,669
Sales and Marketing	1,402	48,845	-	48,845
Professional Fees	164,473	265,929	-	265,929
General and administrative	241,016	775,659	895	776,584
Total Expense	839,608	1,790,247	895	1,791,172
Loss from Operations	(836,515)	(1,787,137)	(895)	(1,788,062)
Other Income	(21)	3,845	-	3,845
Debt forgivness	-	1,000	-	1,000
Interest Expense	(37,814)	(73,020)	-	(73,020)
Loss before Provision for Income Taxes	(874,350)	(1,855,312)	(895)	(1,856,237)
Provision for Income Taxes	-	-	-	-
Net Loss	$ (874,350)	$ (1,855,312)	$ (895)	(1,856,237)
Net Loss Per Share – Basic and Diluted	$ (0.01)	$ (0.02)		
Weighted Average Number of Shares Outstanding – Basic and Diluted	134,719,954	94,818,913		

See notes to condensed consolidated financial statements

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Propell Corporation and Subsidiaries

Condensed Consolidated Statements of Changes in Stockholders' Deficit

(A Development Stage Enterprise)

For the Period June 19, 2012 (Inception) to June 30, 2013

(Unaudited)

	Preferred Stock		Common Stock		Additional Paid-in	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	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, 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					661,669		661,669
Conversion of preferred stock	(687,500)	(688)	6,875,000	6,875	(6,187)		-
Conversion of note			487,500	488	9,262		9,750
Issuance of shares for services			200,000	200	3,800		4,000

Net loss for six months ended June 30, 2013		-		-	-	(1,855,312)	(1,855,312)
Balance, June 30, 2013	4,312,500	$ 4,312	134,920,371	$ 134,921	$ 705,845	$ (3,432,133)	$ (2,587,055)

See notes to condensed consolidated financial statements

Propell Corporation and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(A Development Stage Enterprise)

	Six months ended, June 30, 2013 unaudited	Period June 19, 2012 (inception) to June 30, 2012 unaudited	Cumulative from inception (June 19, 2012 to June 30, 2013) unaudited
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss for the period	$ (1,855,312)	$ (895)	$ (1,856,237)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation expense	13,170		13,170
Amortization expense	400		400
Amortization of debt discount	153,187		153,187
Stock options issued for services	661,669		661,669
Stock issued for services	4,000		4,000
Changes in Assets and Liabilities			
Accounts receivable	(862)		(862)
Prepaid expenses	(5,879)		(5,879)
Accounts payable	72,284	100	72,384
Accrued interest	73,054		73,054
Cash Used in Operating Activities	(884,289)	(795)	(885,114)
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	911,500		911,500
NET CASH PROVIDED BY FINANCING ACTIVITIES	911,500	895	912,395
NET INCREASE (DECREASE) IN CASH	21,092	100	21,162
CASH AT BEGINNING OF PERIOD	70	-	-
CASH AT END OF PERIOD	$ 21,162	$ 100	$ 21,162
CASH PAID FOR INTEREST AND TAXES:			
Cash paid for income taxes	$ 1,500	$ -	$ 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	$ 9,750	$ -	$ 9,750

See notes to condensed consolidated financial statements

Propell Technologies Group, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

June 30, 2013 and December 31, 2012

Note 1 - Organization and Summary of Significant Accounting Policies

(A) Description of the Business

Propell Technologies Group, Inc. (fka 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 (d/b/a Arrow Media Solutions) ("AMS") and Auleron 2005, LLC (d/b/a 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) Principles of Consolidation

All significant inter-company accounts and transactions have been eliminated in consolidation.

(C) Going Concern

The Company has negative working capital, has incurred operating losses since inception, and its operating activities to date have required financing from outside institutions and related parties. The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company will

continue to need outside financing to support its internal growth.

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 (i.e., 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.

(D) 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 property 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 Condensed Consolidated Financial Statements

June 30, 2013 and December 31, 2012

(E) 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 June 30, 2013.

(F) 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.

(G) 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.

(H) 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 June 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 June 30, 2013 and December 31, 2012, the balance did not exceed the federally insured limit.

(I) Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation. Expenditures for maintenance and repairs are charged to expense as incurred. Items of property and equipment with costs greater than $1,000 are capitalized and depreciated on a straight-line basis over the estimated useful lives, 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

(J) Inventory

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

(K) 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.

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Propell Technologies Group, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

June 30, 2013 and December 31, 2012

(L) Net Loss per Share

Basic earnings (loss) per share and diluted earnings (loss) per share are computed by dividing the net income (loss) for the period by the weighted average number of common shares outstanding. The Company's share equivalents consist of 11,110,666 and 0 stock options for the periods ended June 30, 2013 and December 31, 2012 respectively. Since the Company reported a net loss for the periods ended June 30, 2013 and December 31, 2012, all common stock equivalents would be anti-dilutive; as such there is no separate computation for diluted earnings per share.

(M) Fair Value of Financial Instruments

The carrying amounts of the Company's short-term financial instruments, including accounts receivable, prepaid expenses, due from others, inventory, deposits, accounts payable, accrued liabilities, accrued interest, notes payable and advances – related parties and convertible notes payable approximate fair value due to the relatively short period to maturity for these instruments.

(N) 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.

(O) 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 June 30, 2013, there have been no interest or penalties incurred on income taxes.

(P) Recent Accounting Pronouncements

All new accounting pronouncements issued but not yet effective have been deemed to be immaterial or not applicable.

Note 2 - Prepaid Expenses

For the period ended June 30, 2013, the Company had prepaid expenses of $11,652 comprised of $4,525 of prepaid insurance, $439 of prepaid cost of goods sold and $6,688 of prepaid expenses related to investor relations and the Company's SEC filing expenses.

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

Note 3 - Property and Equipment

Property and Equipment consisted of the following at June 30, 2013 and December 31, 2012:

	June 30, 2013	December 31, 2012
Furniture and fixtures	$ 27,143	$ -
Field equipment	16,120	
Computer and equipment	2,541	-
Total cost	45,804	-
Less: accumulated depreciation	(13,170)	-
Property and equipment, net	$ 32,634	$ -

Depreciation expense was $13,170 and $0 for the period ended June 30, 2013 and the year December 31, 2012, respectively.

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Propell Technologies Group, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

June 30, 2013 and December 31, 2012

Note 4 - Accrued Liabilities

At June 30, 2013 and December 31, 2012 accrued expenses consisted of the following:

	June 30, 2013	December, 31 2012
Payroll	$ 78,125	$ -
Taxes	154	-
Other	5,310	100
Total accrued expenses	$ 83,589	$ 100

Note 5 - Long Term Notes and Convertible Notes Payable at June 30, 2013

Notes and Convertible Notes Payable	Principal Amount
6% convertible notes payable (net of debt discount of $1,311,783) - Related Parties	178,467
8% note payable to Anuta - Related Party	500,000
Accrued Interest	68,316
Total long term notes payable	$746,783

The convertible notes payable consist of notes issued to a number of private parties (the “Exchange Debt”). The notes bear interest at the rate of 6% per annum and are due on November 17, 2017. At June 30, 2013 there remains $1,490,250 of Exchange Debt outstanding, less an unamortized debt discount of $1,311,783 leaving a balance of $178,467. The Exchange Debt is convertible into common stock at a conversion price of $0.02 per share.

The note payable to Anuta in the amount of $500,000 bears interest at the rate of 8% per annum and matures on February 1, 2016.

The Company had no long term notes or convertible notes payable as of December 31, 2012.

Note 6 - Short Term Notes and Convertible Notes Payable at June 30, 2013

Notes and Convertible Notes Payable	Principal Amount
8% note payable to Pansies, LTD – Related Party	66,000
8% note payable to Pansies, LTD – Related Party	56,000
8% note payable to Pansies, LTD – Related Party	109,500
8% note payable to Pansies, LTD – Related Party	100,000
8% note payable to Pansies, LTD – Related Party	50,000
8% note payable to Strategic IR	30,000
6% convertible notes payable to Dart Union (net of debt discount of $18,000) – Related Party	47,000
Accrued Interest	18,526
Total short term notes payable	$477,026

Propell Technologies Group, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

June 30, 2013 and December 31, 2012

The notes payable issued by Novas to Pansies, LTD each bear interest at the rate of 8% per annum and mature as follows: (i) the note in the amount of $66,000 matures on March 5, 2014, (ii) the note in the amount of $56,000 matures on March 22, 2014, (iii) the note in the amount of $109,500 matures on April 5, 2014, (iv) the note in the amount of $100,000 matures on May 7, 2014, and (v) the note in the amount of $50,000 matures on June 10, 2014. The Pansies LTD 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 issue date.

The $30,000 note payable issued by Novas to Strategic IR bears interest at the rate of 8% per annum and matures on June 25, 2014.

The convertible notes payable to Dart Union consist of three convertible notes totaling $65,000. These notes are unsecured, bear interest at the rate of six percent (6%) per annum and mature on October 31, 2013. 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 a holder. At June 30, 2013 there remains $65,000 of notes, less an unamortized debt discount of $18,000 leaving a balance of $47,000.

The Company also has an advance payable for $3,000 to a related party, which is due upon demand.

The Company had no short term notes or convertible notes payable as of December 31, 2012.

Note 7 - Notes Payable – Discontinued Operations

The Company's Crystal Magic subsidiary has four (4) notes all of which are either guaranteed or funded by the United States Small Business Administration (SBA). At June 30, 2013, the notes total an aggregate of approximately $838,542. Crystal Magic is in default on all of these notes. In September 2010, the bank managing the loans for the SBA seized substantially all of the assets of CMI and subsequently sold these assets. In addition, the Company

estimates that there are $382,866 of past due accounts payable at CMI.

Note 8 - Related Party Transactions

The Company's long and short term notes and convertible notes are issued to related parties, with the exception of a $30,000 note issued to Strategic IR. At June 30, 2013 there remains (i) principal amount of $1,990,250 of long term notes and convertible notes payable issued to related parties, less an unamortized debt discount of $1,311,783 leaving a balance of $678,467 (see also Note 5 – "Long Term Notes and Convertible Notes Payable at June 30, 2013" for further discussion of the terms of this debt), and (ii) principal amount of $446,500 of short term notes and convertible notes payable to related parties, less an unamortized debt discount of $18,000 leaving a balance of $428,500 (see also Note 6 – "Short Term Notes and Convertible Notes Payable at June 30, 2013" for further discussion of the terms of this debt). .

Propell Technologies Group, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

June 30, 2013 and December 31, 2012

Note 9 - Stockholders' Equity

(A) Common Stock Issuances of Issuer for the Period Ended June 30, 2013

On February 4, 2013, the Company entered into a Share Exchange Agreement with Novas Energy (USA) 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 Propell and the shareholders of Novas were issued shares of the common stock of Propell representing in the aggregate approximately 56% of the outstanding voting power (including common and preferred shares) of Propell. As of the date of the Share Exchange Agreement, there were no material relationships between the Propell and any of Novas' respective affiliates, directors or officers. The Company intends to carry on its business and the business of Novas. They have an exclusive license to engage in the commercial application of a proprietary "Plasma-Pulse Technology" to enhance the recovery of oil and gas in the United States.

As a result of the Share Exchange Agreement, the principal business of Propell became the business of Novas Energy (USA), Inc. As the shareholders of Novas Energy (USA), Inc. obtained the majority of the outstanding shares of the Company through the acquisition, the acquisition is accounted for as a reverse merger or recapitalization of the Company. As such, Novas Energy (USA), Inc. was considered the acquirer for accounting purposes.

During the first calendar quarter of 2013, the Company issued (i) an aggregate of 25,000,000 shares of its Common Stock to convertible note holders upon conversion of an aggregate of $500,000 principal amount of notes held by such noteholders, (ii) 6,875,000 shares of Common Stock upon conversion of 687,500 shares of Series A-1 Preferred Stock, and (iii) 600,000 shares of its Common Stock as payment for employee and consulting services rendered.

During the second calendar quarter of 2013, the Company issued an aggregate of 487,500 shares of its Common Stock to convertible note holders upon conversion of an aggregate of $9,750 principal amount of the Exchange Notes.(see also Note 5 – "Long Term Notes and Convertible Notes Payable at June 30, 2013").

(B) Series A-1 Convertible Preferred Stock

The Company has outstanding 4,312,500 shares of the Series A-1 Convertible Preferred Stock (the "Series A-1 Preferred"). The rights, privileges and preferences of the Series A-1 Preferred are as follows; (i) each share of Series A-1 Preferred is convertible into ten (10) shares of Common Stock; (ii) each holder of Series A-1 Preferred is entitled to vote on all matters submitted to a vote of the stockholders of the Company and shall be entitled to that number of votes equal to the number of shares of Common Stock into which such holder's shares of Series A-1 Preferred could then be converted, (iii) there shall be no adjustment made to the conversion ratio of the Series A-1 Preferred for any stock split, stock dividend, combination, reclassification or other similar event, (iv) the Series A-1 is non-redeemable, (v) upon such time that any dividend is paid to the holders of Common Stock, the holders of Series A-1 Preferred shall be entitled to a dividend in an amount per share equal to that which such holders would have been entitled to receive had they converted all of the shares of Series A-1 Preferred into Common Stock immediately prior to the payment of such dividend, (vi) each share of Series A-1 Preferred is entitled to a liquidation preference of $.08 per share, and (vii) the approval of the holders of at least 2/3 (66.6%) of the outstanding shares of the Series A-1 Preferred, voting together separately as a class, is required for (a) the merger, sale of all, or substantially all of the assets or intellectual property, recapitalization, or reorganization of the Company, (b) the authorization or issuance of any equity security having any right, preference or priority superior to or on a parity with the series A-1 Preferred, (c) the redemption, repurchase or acquisition of any of the Company's equity securities or the payment of any dividends or distributions thereon, (d) any amendment or repeal of the Company's Articles of Incorporation or Bylaws that would have an adverse affect on the rights, preferences or privileges of the Series A-1 Preferred, and (e) the making of any loan or advance to any person except in the ordinary course of business.

During the period ending June 30, 2013, 687,500 shares of the Series A-1 Preferred were converted into 6,875,000 shares of the Company's Common Stock.

(C) Stock Option Plan

The Company's Board of Directors approved the Company's 2008 Stock Option Plan (the "Stock Plan") for the issuance of up to five (5) million shares of common stock to be granted through incentive stock options, nonqualified stock options, stock appreciation rights, dividend equivalent rights, restricted stock, restricted stock units and other stock-based awards to officers, other employees, directors and consultants of the Company and its subsidiaries. After the reverse stock split in August 2012, a total of 100,000 shares were available for grant. Subsequent to the reverse split the Board of Directors approved an increase in the number of awards available for grant to 2,100,000. The exercise price of stock options under the Stock Plan is determined by the Board of Directors, and may be equal to or greater than the fair market value of the Company's common stock on the date the option is granted. Options become exercisable over various periods from the date of grant, and generally expire ten years after the grant date. At June 30, 2013 and December 31, 2012, there were 110,666 and 0 options issued and outstanding, respectively, under the Stock Plan. In addition, the Company issued 11,000,000 options to two of its Officers which are not covered under this plan (see section (D) – "Non-Plan Stock Options" for further description of these options)

Propell Technologies Group, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

June 30, 2013 and December 31, 2012

In the event of termination, the Company will cease to recognize compensation expense. There is no deferred compensation recorded upon initial grant date, instead, the fair value of the share-based payment is recognized ratably over the stated vesting period.

The Company has applied fair value accounting for all share based payment awards since inception. The fair value of each option or warrant granted is estimated on the date of grant using the Black-Scholes option-pricing model. There is no deferred compensation recorded upon initial grant date, instead, for employees, the fair value of the share-based payment is recognized ratably over the stated vesting period. For consultants, the fair value is recognized as expense immediately. The Company has recorded an expense of $661,669 and $0 for the period ended June 30, 2013 and the year ended December 31, 2012, respectively, in general and administrative expense.

The vesting provisions for these agreements have various terms as follows:

- Annually, over one, two or three years
- Monthly, over six months to one year
- Annually, with monthly vesting after the first year, over a total of three or four years
- Immediately, upon grant

The options outstanding and exercisable at June 30, 2013 are as follows:

	Options Outstanding			Options Exercisable		
Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
$ 25.00	2,500	4.85 years	$ 25.00	2,500	$ 25.00	4.85 years
$ 13.50	5,480	5.96 years	$ 13.50	5,480	$ 13,50	5.96 years
$ 12.50	2,000	8.00 years	$ 12.50	2,000	$ 12.50	8.00 years
$ 8.50	30,500	8.29 years	$ 8.50	23,666	$ 8.50	8.29 years
$ 5.00	14,800	8.29 years	$ 5.00	9,700	$ 5.00	8.29 years

$ 0.25	11,000,000	4.67 years	$ 0.25	3,666,676	$ 0.25	4.67 years
$ 0.65	55,386	9.68 years	$ .65	55,386	$ 0.65	9.68 years
	11,110,666	8.03 years	$ 8.95	3,765,409	$ 9.75	8.03 years

Included in options outstanding are 700 options which vest based on performance. It is unlikely that the optionees will generate the required sales volume for any of these options to vest.

(D) Non-Plan Stock Options

In March of 2013, the Company granted to its Chief Executive Officer, John W. Huemoeller II, options (that are not covered by the Company's Stock Option Plan) to purchase 10,000,000 shares of the Company's common stock with an exercise price equal to $0.25 per share. Vesting was immediate as to 2,500,012 of the options and the balance of the options vest, pro rata, on a monthly basis, over thirty-six (36) months.

Propell Technologies Group, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

June 30, 2013 and December 31, 2012

In March of 2013, the Company granted to one of its directors, John Zotos, options (that are not covered by the Company's Stock Option Plan) to purchase 1,000,000 shares of the Company's common stock with an exercise price equal to $0.25 per share. Vesting was immediate as to 250,012 of the options and the balance of the options vest pro rata, on a monthly basis, over thirty-six (36) months.

Note 10 - Commitments

The Company leases approximately 2,300 square feet of office space in Houston, Texas for a one year lease which started February 1, 2013 and expires January 31, 2014 for $2,200 per month.

The Company sub-leases approximately 748 square feet of loft space in Houston, Texas from a related party for a one year lease which started January 24, 2013 and expires January 31, 2014 for $1,675 per month.

Note 11 - Subsequent Events

In July of 2013 the Company granted stock options exercisable for an aggregate of 57,144 shares of common stock to three directors, with each of the three directors receiving an option exercisable for 19,048 shares of common stock. The options are exercisable at a price of $0.63 per share.

In July 2013, the Company borrowed $75,000 pursuant to a convertible promissory note. Under its terms the note accrues no interest for the first 90-days and, if not paid in full within the 90-day period, has a one time charge of 12% of its face value added to the note. In addition, the note has an original issue discount of 10% of the amount advanced. 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 the conversion. The note matures in July of 2014. The lender may make further advances under the promissory note up to $275,000 (the $275,000 includes an original issue discount of 10%). Each advance matures one year from the date of the advance. The note also requires payment of a closing and due diligence fee equal to 6% of the amount of each payment received under the note.

In July 2013,the Company entered into a Stock Purchase Agreement with Asher Enterprises, Inc. (“Asher”) and pursuant thereto issued a convertible note, in the principal amount of $53,000, in consideration of its receipt of cash, net of $3,000 in fees of Asher, of $50,000. The note is convertible into common stock of the Company and bears interest at the rate of 8% per annum and matures on May 1, 2014. Asher may convert the note into the Company’s common stock at any time after 180-days from the date of issuance (July 29, 2013). The conversion price is equal to 58% times the average of the lowest 3 Trading Prices (as defined in the note) of the Company’s common stock during the 10-day period prior to conversion. Asher shall not exercise any conversion right that would result in the holder owning more than 9.99% of the Company’s common stock.

In July 2013, the Company issued a convertible note to GEL Properties, LLC (“GEL”), in the principal amount of $52,500, in consideration of its receipt of cash, net of $2,500 in fees of the lender, of $50,000. 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%. In connection with such loan, the Company issued two back-end convertible notes to GEL, each in the principal amount of $50,000 (the “Company Back-End Notes”) in exchange for two “back end” notes in the principal amount of $50,000 issued by GEL to the Company (the “GEL Back End Notes”). Each of the GEL Back End Notes are secured by a security interest in a pledge account which has an appraised value of not less than $50,000. The GEL Back End Notes are due and payable on April 1, 2014 and June 1, 2014 respectively. The Company Back-End 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. GEL 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 GEL at any time in the GELs 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 Company Back End Notes and if it elects to disallow such funding, then the Company Back –End Note will be cancelled along with an offsetting amount of GEL Back-End Note. In consideration of this call right the Company issued 12,500 shares of its common stock to GEL. The shares are held in escrow and will be released to GEL if the Company elects, prior to April 1, 2014, to call the Back End Notes.

In accordance with ASC 855-10, the Company has analyzed its operations subsequent to June 30, 2013 to the date these financial statements were issued, and has determined that it does not have any material subsequent events to disclose in these financial statements other than as set forth above.

Item 2. Management's Discussion and Analysis of Plan of Operations

The following discussion of our financial condition and results of operations should be read in conjunction with the notes hereto and our audited financial statements and notes thereto for the fiscal year ended December 31, 2012. In addition to historical information, the following discussion contains forward-looking statements that involve risks, uncertainties and assumptions. Where possible, we have tried to identify these forward looking statements by using words such as "anticipate," "believe," "intends," or similar expressions. Our actual results could differ materially from those anticipated by the forward-looking statements due to these important factors and risks.

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help the reader understand our results of operations and financial condition. Whenever this report refers to "we", "our", "us" or "the Company", such reference is to Propell Technologies Group, Inc.

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statement as of June 30, 2013 and June 30, 2012, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent liabilities at the financial statement date and reported amounts of revenue and expenses during the reporting period. On an on-going basis we review our estimates and assumptions. Our estimates are based on our historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results are likely to differ from those estimates under different assumptions or conditions. Our critical accounting policies, the policies we believe are most important to the presentation of our financial statements and require the most difficult, subjective and complex judgments are outlined below in "Critical Accounting Policies."

FORWARD LOOKING STATEMENTS

Certain statements made in this report may constitute "forward-looking statements *on our current expectations and projections about future events*." These forward-looking statements involve known or unknown risks, uncertainties and other factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. *In some cases you can identify forward-looking statements by terminology such as "may," "should," "potential," "continue," "expects," "anticipates," "intends," "plans," "believes," "estimates,"* and similar expressions. These statements are based on our curre beliefs, expectations, and assumptions and are subject to a number of risks and uncertainties. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. These forward-looking statements are made as of the date of this report, and we assume no obligation to update these forward-looking statements whether as a result of new information, future events, or otherwise, other than as required by law. In light of these assumptions, risks, and uncertainties, the

forward-looking events discussed in this report might not occur and actual results and events may vary significantly from those discussed in the forward-looking statements.

OUR PLAN OF OPERATIONS

Our Company

We are a Delaware corporation engaged in two lines of business. To date, all of our revenue has been derived from our e-commerce line of business. On February 4, 2013, we commenced operations in a second line of business by effecting a Share Exchange Agreement with the shareholders of Novas Energy (USA), Inc. ("Novas"), under which we acquired all of the outstanding equity securities of Novas in exchange for 100,000,000 shares of our Common Stock. Novas has an exclusive license for the right to engage in the commercial application of a proprietary "Plasma-Pulse Technology" to enhance the recovery of oil in the United States. We began introducing the technology in the United States on a limited basis in March 2013. While our primary focus has now shifted to the further development of our oil recovery technology; we intend to continue to carry on our on-demand e-commerce line of business while we evaluate the opportunities in the oil recovery line of business.

On January 30, 2013, Novas entered into an exclusive, perpetual royalty bearing license agreement with Novas Energy Group Limited ("Licensor") which granted Novas the right to practice in the United States the proprietary process of the Licensor (the "Technology") and utilize its apparatus for enhanced oil production. The license agreement provides Novas with the right to practice the licensed process and to utilize the Technology to provide services to third parties and for itself as well, and to sublicense the technology in the United States. Although new to the United States, the process has been successfully utilized outside of the United States for several years. The Licensor has filed for patent protection of the Technology in the United States. The process utilizes a downhole tool that is lowered into vertical wellbores to the perforated oil producing zone. When initiated, the tool delivers metallic plasma-generated, directed, non-linear, wide-band elastic oscillations at resonance frequencies to enhance oil production using the tool developed by the Licensor and enhanced by Novas. The Technology is suitable for oil wells as deep as 12,000 feet. By optimizing production efficiency combined with the resulting increased oil production we expect to extend the economic life of mature oil fields and to recover previously unrecoverable oil efficiently. .

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Since March 19, 2013, we have been requested to treat nine oil wells located in three states within the United States with our exclusive licensed technology. This treatment had been shown to increase oil production in all nine wells that we have treated. Although the results of this treatment have been very encouraging, the results on the nine wells treated may not be indicative of the results of treatment on additional wells. We currently have two apparatuses that we use to perform the treatments. In addition, we are modifying the current apparatus used by the licensor of our technology outside of the United States so that it can be used on additional oil wells in the United States. Our current Technology and tools only work in vertical wells with a minimum of 5 ½-inch casings and not in horizontal wells. We are currently in the process of developing a tool to treat 4 ½-inch cased wells and also horizontal wells. We anticipate the smaller diameter tool to be available in the fourth quarter of 2013 and anticipate testing the new horizontal tool in the 4th quarter of 2013. Initially, we expect to offer our services to independent oil wells for a percentage of the revenue that our customers derive from the additional production resulting from the use of our technology. We may also charge a service fee for use of the technology as opposed to a percentage of revenue. In addition, we may acquire wells and use the technology on our acquired wells to increase their production. Our anticipated customers are the owners of independent oil wells.

Our results of operation for the quarter ended June 30, 2013 and 2012 involve the sales and operations from Propell Shops since to date Novas has not generated any revenue. Our current e-commerce customers include eChalk, the Los Angeles Times, the Navy Exchange Command, and numerous K-12 schools and universities, through e-commerce web sites. In addition, our management has a long track record of delivering a variety of consumer and photo products, services and logistics to partners, including Wal-Mart, Walgreens, CVS and Rite-Aid. Our ability to continue to fulfill customer orders and expand our business during the prior year has been dependent upon us raising additional funding. Due to limited capital and related staff reductions, we had reduced our outbound sales and marketing activities. Although we continue to accept and ship orders placed on our ecommerce web sites from existing customers, and from new customers who use our online tools to set up their own shops, our activity during the year was limited due to our financing needs.

To date we have financed our operations from sales of our securities, both debt and equity, and revenue from operations and we expect to continue to obtain required capital in a similar manner. Novas has financed its operations from loans it has received. We have incurred an accumulated deficit of $3,142,126 through June 30, 2013 and there can be no assurance that we will be able to achieve profitability.

Our principal offices are located at 1701 Commerce Street, Houston, Texas 77002. Our telephone number is (713) 227-0480. Our fiscal year end is December 31.

History

Propell Technologies Group, Inc. (fka Propell Corporation) 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 we issued an aggregate of 108,000 shares to the former shareholders of CMI. On May 6, 2008, the Company acquired both Mountain Capital, LLC (d/b/a Arrow Media Solutions) ("AMS") and Auleron 2005, LLC (d/b/a Auleron Technologies) ("AUL") and made each a wholly owned subsidiary and issued a total of 41,987 shares of the Company's common stock to the members of Mountain Capital, LLC and a total of 2,721 shares of the Company's common stock to the members of AUL (the share amounts set forth above are adjusted to reflect the Company's 1-for-50 reverse split in August 2012, which is discussed below). In 2010 AUL and AMS were dissolved. In September 2010, CMI's assets were foreclosed upon by its largest creditor and these assets were liquidated. On July 6, 2012, we filed a Certificate of Designations, Rights and Preferences with the Secretary of State of the State of Delaware designating 5,000,000 shares as Series A-1 Convertible Preferred Stock. On August 17, 2012, we filed an amendment to our Certificate of Incorporation, which increased the number of shares of our authorized common stock to 500,000,000 shares, effectuated a 1-for-50 reverse split of the number of shares of our outstanding common stock and changed our name to Propell Technologies Group. Inc. 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 Energy (USA), Inc. is considered the acquirer for accounting purposes.

Critical Accounting Policies

Management believes that the critical accounting policies and estimates discussed below involve the most complex management judgments due to the sensitivity of the methods and assumptions necessary in determining the related asset, liability, revenue and expense amounts. Specific risks associated with these critical accounting policies are discussed throughout this MD&A, where such policies have a material effect on reported and expected financial results. For a detailed discussion of the application of these and other accounting policies, refer to the individual Notes to the Financial Statements for the three and six months ended June 30, 2013.

Revenue Recognition

We recognize revenues when products are shipped or services are delivered to customers, pricing is fixed or determinable, and collection is reasonably assured. Net revenues include product sales net of returns and allowances.

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Estimates are based on historical experience, management expectations for future performance, and other assumptions as appropriate. Key areas affected by estimates include the assessment of the recoverability of long-lived assets, which is based on such factors as estimated future cash flows. We re-evaluate estimates on an ongoing basis; therefore, actual results may vary from those estimates.

Fair Values of Financial Instruments

The carrying values of cash, accounts receivable, accounts payable and accrued expenses approximate the fair values of these instruments due to their short-term nature. The carrying amount for borrowings under the financing agreement approximates fair value because of the variable market interest rates charged for these borrowings. We adopted FASB ASC Topic 820, *Fair Value Measurements & Disclosures*, for financial assets and financial liabilities in the first quarter of fiscal 2009, which did not have an impact on our financial statements.

Concentration of Credit Risk

Financial instruments, which potentially subject us to concentrations of credit risk, consist of cash and cash equivalents and accounts receivable. We place our cash with high quality financial institutions and at times may exceed the FDIC insurance limit. We extend credit based on an evaluation of the customer's financial condition, generally without collateral. Exposure to losses on receivables is principally dependent on each customer's financial condition. We monitor our exposure for credit losses and maintain allowances for anticipated losses, as required.

Recently Issued Accounting Standards

For a discussion of the adoption and potential impacts of recently issued accounting standards, refer to the "Recent Accounting Pronouncements" section of Note 1, "Organization and Summary of Significant Accounting Policies," in the Notes to Financial Statements.

Consolidated Results of Operations for the three months ended June 30, 2013 and June 30, 2012

	Three months ended June 30, 2013		
Net Revenues	$	11,360	
Cost of Goods Sold		(8,267	)
Gross Profit		3,093	
Research and development		20,093	
Compensation		412,624	
Sales and Marketing		1,402	
Professional Fees		164,473	
General and administrative		241,016	
Other Income		(21	)
Debt forgiveness		0	
Interest Expense		(37,814	)
Net Loss	$	(874,350	)

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As a result of reverse merger accounting following the share exchange transaction with Novas, our results prior to the date of the merger reflect the results of Novas as the deemed acquirer. As a result of the fact that the inception date of Novas is June 19, 2012 Novas had no activity in the period ending June 30, 2012 other than $895 of general and administrative expenses. As such, we have no material financial data to present for the three month period ending June 30, 2012 for comparison against the same period ending June 30, 2013.

For the three months ended June 30, 2013 we have net revenues of $11,360. The low sales volume is the result of diminished sales and marketing efforts due to lack of working capital.

For the three months ended June 30, 2013 cost of goods sold was $8,267, representing a gross margin of 27.2%. The small gross margin is a reflection of the low sales volume.

We incurred a net loss of $874,350 for the three month period ending June 30, 2013. Contributing to the net loss was (i) compensation expense of $412,624, which entirely consists of option expense, (ii) professional fees of $164,473, (iii) sales and marketing costs of $1,402, and (iv) general and administrative expense of $241,016.

Consolidated Results of Operations for the six months ended June 30, 2013 and June 30, 2012

	Six months ended June 30, 2013		
Net Revenues	$	14,257	
Cost of Goods Sold		(11,147	)
Gross Profit		3,110	
Research and development		38,145	
Compensation		661,669	
Sales and Marketing		48,845	
Professional Fees		265,929	
General and administrative		775,659	
Other Income		3,845	
Debt forgiveness		1,000	
Interest Expense		(73,020	)
Net Loss	$	(1,855,312	)

As a result of reverse merger accounting following the share exchange transaction with Novas, our results prior to the date of the merger reflect the results of Novas as the deemed acquirer. As a result of the fact that the inception date of Novas is June 19, 2012 Novas had no activity in the period ending June 30, 2012 other than $895 of general and administrative expenses. As such, we have no material financial data to present for the six month period ending June

30, 2012 for comparison against the same period ending June 30, 2013.

For the six months ended June 30, 2013 we have net revenues of $14,257. The low sales volume is the result of diminished sales and marketing efforts due to lack of working capital.

For the six months ended June30, 2013 cost of goods sold was $11,147, representing a gross margin of 21.8%. The small gross margin is a reflection of the low sales volume.

We incurred a net loss of $1,855,312 for the six month period ending June 30, 2013. Contributing to the net loss was (i) compensation expense of $661,669 which entirely consists of option expense, (ii) professional fees of $265,929, (iii) sales and marketing costs of $48,845, and (iv) general and administrative expense of $775,659, of which $500,000 is comprised of debt incurred for business development expenses prior to the merger.

Consolidated Results of Operations Cumulative from Inception at June 19, 2012 to June 30, 2013

	Cumulative from inception (June 19, 2012 to June 30, 2013)
Net Revenues	$ 14,257
Cost of Goods Sold	(11,147)
Gross Profit	3,110
Research and development	38,145
Compensation	661,669
Sales and Marketing	48,845
Professional Fees	265,929
General and administrative	765,584
Other Income	3,845
Debt forgivness	1,000
Interest Expense	(73,020)
Net Loss	$ (1,856,237)

As a result of reverse merger accounting following the share exchange transaction with Novas, our results prior to the date of the merger reflect the results of Novas as the deemed acquirer. Novas had no activity other than the incurrence of $925 of general expenses in the period from inception at June 19, 2012 through the period ending December 31, 2012. Therefore, our results for the period from inception at June 19, 2012 through June 30, 2013 are the same as for the six month period ending June 30, 2013, with the exception of the $925 of additional expenses incurred in the longer reporting period.

Liquidity and Capital Resources.

To date, our primary sources of cash have been funds raised from the sale of our securities and the issuance of convertible and non-convertible debt

We have incurred an accumulated deficit of $3,432,133 through June 30, 2013 and incurred negative cash flow from operations since we started our business. We have spent, and need to continue to spend, substantial amounts in connection with implementing our business strategy, including our planned product development effort. As of June 30, 2013 we have notes outstanding, before debt discount, in the aggregate principal amount of $2,466,750, and the Company does not currently have the resources to repay these loans as they become due, which includes $65,000 due in October 2013, $122,000 due in March of 2014, $109,500 due in April of 2014, $100,000 due in May of 2014, $50,000 due in June of 2014, $30,000 due in June of 2014, $500,000 due in February of 2016 and $1,490,250 due in November 2017 (there is also $3,000 that is due upon demand).

Based on our current plans, we believe that our cash will not be sufficient to enable us to meet our planned operating needs in the next quarter. Our ability to continue to fulfill customer orders and expand our business is dependent upon us raising additional funding in the near term. Due to limited capital and related staff reductions, we have reduced our outbound sales and marketing activities until such time that more working capital can be secured or is generated from sales growth. We continue to accept and ship orders placed on our ecommerce web sites from existing customers, and from new customers who use our online tools to set up their own shops. However, our lack of working capital makes it difficult to implement our business strategy.

We will need to raise additional working capital to fund our operations, implement our business strategy and meet our debt obligations. In furtherance of meeting our anticipated cash requirements, on April 23, 2013 Novas entered into a $500,000 credit agreement which terminates on April 22, 2015 (the “Credit Agreement”). The Credit Agreement 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 to be evidenced by a note which matures one year from the issue date. In contemplation of the Credit Agreement Novas was advanced $66,000 on March 5, 2013, $56,000 on March 22, 2013, and $109,500 on April 5, 2013. Subsequent to the execution of the Agreement there were additional advances made for $100,000 on May 7, 2013 and $50,000 on June 10, 2013, bringing the total of all advances under the Credit Agreement to $381,500. Each advance is due and payable one-year from the date of the advance.

Off Balance Sheet Arrangements

There are no off balance sheet arrangements.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures

Pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 (“Exchange Act”), the Company carried out an evaluation, with the participation of the Company’s management, including the Company’s Chief Executive Officer (“CEO”), who also serves as our principal financial and accounting officer, of the effectiveness of the Company’s disclosure controls and procedures (as defined under Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, the Company’s CEO who also serves as our principal financial and accounting officer concluded that due to a lack of segregation of duties that the Company’s disclosure controls and procedures as of June 30, 2013 were not effective to ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act, was recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to the Company’s management, including the Company’s CEO, as appropriate, to allow timely decisions regarding required disclosure. The Company intends to retain additional individuals to remedy the ineffective controls.

(b) Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during our fiscal quarter ended June 30, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In July, 2013, we issued options exercisable for an aggregate of 19,048 shares of common stock to three directors as compensation for their services as directors.

In July 2013, we issued a convertible promissory note in the principal amount of $75,000. 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 the conversion.

During the second calendar quarter of 2013, we issued an aggregate of 487,500 shares of our common stock upon conversion of an aggregate principal amount of $9,750 of convertible notes. The issuance qualified for exemption under Section 3 (a)(9) of the Securities Act of 1933.

In July 2013, we entered into a Stock Purchase Agreement with Asher Enterprises, Inc. (“Asher”) and pursuant thereto issued a convertible note, in the principal amount of $53,000, in consideration of our receipt of cash, net of $3,000 in fees of Asher, of $50,000. The note is convertible into our common stock at a conversion price equal to 58% of the average of the lowest 3 Trading Prices (as defined in the note) of our common stock during the 10-day period prior to conversion and bears interest at the rate of 8% per annum and matures on May 1, 2014.

In July 2013, we issued a convertible note to GEL Properties, LLC (“GEL”), in the principal amount of $52,500, in consideration of our receipt of cash, net of $2,500 in fees of the lender, of $50,000. The note is convertible into shares of our common stock at a conversion price equal to 65% of the lowest closing price for any five trading days prior to conversion or payment of interest and bears interest at the rate of 6% per annum, which interest is payable in common stock, and matures on August 1, 2014. We also issued two additional notes to GEL in the principal amount of $50,000 each, bearing interest at a rate of 6% per annum and maturing August 1, 2015 in connection with such loan and issued 12,500 shares of common stock to an escrow agent to be released to GEL if we elect to disallow funding of the two

additional notes we issued to GEL.

Unless otherwise stated, the sales of the above securities were deemed to be exempt from registration under the Securities Act in reliance upon Section 4(a)(2) of the Securities Act (or Regulation D promulgated thereunder), or Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701. The recipients of the securities in each of these transactions represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were placed upon the stock certificates issued in these transactions.

Item 3. Defaults upon senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Regulation Number	**Exhibit**
10.1*	Credit Agreement of Novas Energy USA, Inc.
31.1	Certification of the Chief Executive Officer and Chief Financial Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act

* Incorporated by reference to the Company’s Form 8K/A filed on April 25, 2013.

**+101.INS XBRL Instance Document
**+101.SCH XBRL Taxonomy Extension Schema Document
**+101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
**+101.DEF XBRL Taxonomy Extension Definition Linkbase Document
**+101.LAB XBRL Taxonomy Extension Label Linkbase Document
**+101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	PROPELL TECHNOLOGIES GROUP, INC.
DATE: August 14, 2013	(Registrant)
	By:*/s/John W. Huemoeller II* John W. Huemoeller II, President and Chief Executive Officer (Principal Executive Officer and Principal Financial Officer)

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