Propell Technologies Group, Inc.
Form 10-Q
November 13, 2014

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, 2014

¨ 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 ¨

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 ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ 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 ¨ Accelerated Filer ¨ Non-Accelerated Filer ¨ Smaller Reporting Company x

Number of shares outstanding of the issuer's common stock as of the latest practicable date: 241,421,828 shares of common stock, $.001 par value per share, as of November 10, 2014.

PROPELL TECHNOLOGIES GROUP, INC.

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Item 1.

PROPELL TECHNOLOGIES GROUP, INC.

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PROPELL TECHNOLOGIES GROUP, INC. AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2014 (Unaudited)	December 31, 2013
Assets		
Current Assets		
Cash	$131,991	$28,423
Accounts receivable	891	-
Prepaid expenses and other current assets	28,456	17,104
Total Current Assets	161,338	45,527
Non-Current assets		
Plant and Equipment, net	247,300	122,381
Intangibles, net	315,000	-
Deposits	2,200	2,200
Total non-current assets	564,500	124,581
Total Assets	$725,838	$170,108
Liabilities and Stockholders' Equity/(Deficit)		
Current Liabilities		
Accounts payable	$166,595	$186,576
Accrued liabilities and other payables	245,546	60,093
Notes payable	3,000	3,000
Convertible notes payable, net	-	668,887
Derivative financial liabilities	-	237,799
Total Current Liabilities	415,141	1,156,355
Long Term Liabilities		
Notes Payable	112,477	106,532
Convertible notes payable, net	19,204	181,519
Total Long Term Liabilities	131,681	288,051
Total Liabilities	546,822	1,444,406
Stockholders' Equity/(Deficit)		
Preferred stock, $0.001 par value, 10,000,000 authorized shares, 4,500,000 and 5,000,000 shares undesignated and unissued, respectively.	-	-
Series A-1 Convertible Preferred Stock, $0.001 par value; 5,000,000 shares designated, 3,887,500 issued and outstanding. (liquidation preference $311,000)	3,888	3,888
Series B Convertible, Redeemable Preferred Stock, $0.001 par value; 500,000 shares designated; 75,000 and 0 issued and outstanding (liquidation preference $900,000 and $0)	75	-
Common stock, $0.001 par value; 500,000,000 shares authorized, 241,421,828 and 205,297,714 shares issued and outstanding, respectively.	241,422	205,298
Additional paid-in capital	8,877,250	3,910,188
Accumulated deficit	(8,943,619)	(5,393,672)

Total Stockholders' Equity/(Deficit)	179,016	(1,274,298)
Total Liabilities and Stockholders' Equity/(Deficit)	$725,838	$170,108

See notes to unaudited condensed consolidated financial statements

PROPELL TECHNOLOGIES GROUP, INC. AND ITS SUBSIDIARY

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three months ended, September 30, 2014	Three months ended September 30, 2013	Nine months ended, September 30, 2014	Nine months ended September 30, 2013
Net Revenues	$ -	$ 31,856	$ 85,008	$ 46,113
Cost of Goods Sold	34,620	31,173	136,645	42,320
Gross (Loss)/Profit	(34,620)	683	(51,637)	3,793
Consulting fees	53,181	-	140,405	-
Research & development	-	9,899	-	48,044
Stock based compensation	619,125	492,532	1,741,849	1,154,201
Sales and Marketing	1,943	(3,366)	6,026	45,479
Professional Fees	65,898	243,374	200,931	509,303
General and administrative	228,455	(43,670)	574,844	718,315
Depreciation and amortization	23,959	8,136	49,308	21,810
Total Expenses	992,561	706,905	2,713,363	2,497,152
Loss from Operations	(1,027,181)	(706,222)	(2,765,000)	(2,493,359)
Other Income	150,000	78,446	150,000	82,291
Debt forgiveness	-	-	-	1,000
Amortization of debt discount	(4,477)	(232,570)	(333,404)	(232,570)
Call option expense		(5,500)		(5,500)
Change in fair value of derivative liabilities	(33,345)	(111,015)	(430,956)	(111,015)
Interest Expense	(3,832)	(48,340)	(170,587)	(121,360)
	108,346	(318,979)	(784,947)	(387,154)
Loss before Provision for Income Taxes	(918,835)	(1,025,201)	(3,549,947)	(2,880,513)
Provision for Income Taxes	-	-		-
Net Loss	(918,835)	(1,025,201)	(3,549,947)	(2,880,513)
Deemed preferred stock dividend	-	-	(1,604,335)	-
Net loss to common stockholders	$ (918,835)	$ (1,025,201)	$ (5,154,282)	$ (2,880,513)

Net Loss Per Share – Basic and Diluted	$ (0.00)	$ (0.01)	$ (0.02)	(0.03)
Weighted Average Number of Shares Outstanding – Basic and Diluted	239,473,781	137,414,954	225,460,411	108,815,197

See notes to unaudited condensed consolidated financial statements

PROPELL TECHNOLOGIES GROUP, INC. AND ITS SUBSIDIARY

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY/(DEFICIT)

FOR THE PERIOD JANUARY 1, 2014 TO SEPTEMBER 30, 2014

	Preferred Stock				Common Stock		Additional		Total
	Series A Shares	Amount	Series B Shares	Amount	Shares	Amount	Paid-in Capital	Accumulated Deficit	Stockholders' Equity/(Deficit)
Balance as of January 1, 2014	3,887,500	$3,888	-	$-	205,297,714	$205,298	$3,910,188	$(5,393,672)	$(1,274,298)
Conversion of notes and accrued interest thereon to common stock	-	-	-	-	27,510,118	27,510	1,537,792	-	1,565,302
Subscription for Series B Convertible, Redeemable Preferred Stock	-	-	75,000	75	-	-	749,925	-	750,000
Issuance of shares in terms of a private placement	-	-	-	-	7,353,329	7,353	1,095,647	-	1,103,000
Issuance of shares for services	-	-	-	-	1,260,667	1,261	301,086	-	302,347
Share issue expenses	-	-	-	-	-	-	(156,890)	-	(156,890)
Equity based compensation	-	-	-	-	-	-	1,439,502	-	1,439,502
Net loss for the nine months ended September 30, 2014	-	-	-	-	-	-	-	(3,549,947)	(3,549,947)
Balance as of September 30, 2014	3,887,500	$3,888	75,000	$75	241,421,828	$241,422	$8,877,250	$(8,943,619)	$179,016

See notes to unaudited condensed consolidated financial statements

PROPELL TECHNOLOGIES GROUP, INC. AND ITS SUBSIDIARY

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended, September 30, 2014	Nine months ended September 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss for the period	$ (3,549,947)	$ (2,880,513)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	14,308	21,010
Amortization expense	35,000	800
Amortization of debt discount	333,404	232,570
Stock option compensation charge	1,439,502	1,154,201
Stock issued for services rendered	302,347	72,000
Stock based call option	-	5,500
Derivative financial liability	430,956	111,015
Gain on winding up of subsidiary	-	(34,321)
Gain on forgiveness of debt by licensor	(150,000)	-
Changes in Assets and Liabilities		
Accounts receivable	(891)	(15,560)
Prepaid expenses	(11,352)	(13,020)
Accounts payable	(19,981)	94,260
Accrued liabilities and other payables	(14,547)	(37,929)
Accrued interest	39,834	121,360
Cash Used in Operating Activities	(1,151,367)	(1,168,627)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(139,227)	(6,119)
NET CASH USED IN INVESTING ACTIVITIES	(139,227)	(6,119)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds on Series B Preferred stock issued	750,000	-
Proceeds on common stock issued, net of issue expenses	946,110	-
Repayment of notes	(461,948)	-
Proceeds from notes payable and advances	160,000	1,231,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,394,162	1,231,000
NET INCREASE IN CASH	103,568	56,254
CASH AT BEGINNING OF PERIOD	28,423	70
CASH AT END OF PERIOD	$ 131,991	$ 56,324
CASH PAID FOR INTEREST AND TAXES:		
Cash paid for income taxes	$ -	$ 1,500
Cash paid for interest	$ 130,753	$ -

NON-CASH INVESTING AND FINANCING ACTIVITIES		
Licenses acquired not yet paid for	$ 200,000	$ -
Assets acquired in reverse merger	$ -	$ 2,658
Liabilities acquired in reverse merger	$ -	$ 1,447,091
Contributed assets	$ -	$ 37,301
Conversion of debt to equity	$ 794,150	$ 19,750
Conversion of interest on debt to equity	$ 102,397	$ -

See notes to unaudited condensed consolidated financial statements

PROPELL TECHNOLOGIES GROUP, INC. AND ITS SUBSIDIARY

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 patent pending, 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.

2 ACCOUNTING POLICIES AND ESTIMATES

a) 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 months and nine months ended September 30, 2014 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, 2013 as filed with the Securities and Exchange Commission (the "SEC").

Significant accounting policies are described in Note 2 to the consolidated financial statements included in Item 8 of our annual report on Form 10-K as of December 31, 2013.

The preparation of unaudited consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions, which are evaluated on an ongoing basis, that affect the amounts reported in the unaudited consolidated 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: 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, derivative liabilities, the valuation allowance for deferred tax assets due to continuing operating losses, those related to revenue recognition and the allowance for doubtful accounts.

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 unaudited 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.

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

b) Principles of Consolidation

The unaudited 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 unaudited consolidated financial statements. The entities included in these unaudited consolidated financial statements are as follows:

Propell Technologies Group, Inc. – Parent Company

Novas Energy USA Inc.

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PROPELL TECHNOLOGIES GROUP, INC. AND ITS SUBSIDIARY

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2 ACCOUNTING POLICIES AND ESTIMATES (continued)

c) Contingencies

Certain conditions may exist as of the date the unaudited consolidated 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.

d) 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.

e) 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 and Mexico. 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 Mexico and by the general state of those economies. 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.

PROPELL TECHNOLOGIES GROUP, INC. AND ITS SUBSIDIARY

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2 ACCOUNTING POLICIES AND ESTIMATES (continued)

f) Recent Accounting Pronouncements

In June 2014, FASB issued Accounting Standards Update ("ASU") No. 2014-09, "*Revenue from Contracts with Customers"*. The update gives entities a single comprehensive model to use in reporting information about the amount and timing of revenue resulting from contracts to provide goods or services to customers. The proposed ASU, which would apply to any entity that enters into contracts to provide goods or services, would supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance throughout the Industry Topics of the Codification. Additionally, the update would supersede some cost guidance included in Subtopic 605-35, Revenue Recognition – Construction-Type and Production-Type Contracts. The update removes inconsistencies and weaknesses in revenue requirements and provides a more robust framework for addressing revenue issues and more useful information to users of financial statements through improved disclosure requirements. In addition, the update improves comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets and simplifies the preparation of financial statements by reducing the number of requirements to which an entity must refer. The update is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. This updated guidance is not expected to have a material impact on our results of operations, cash flows or financial condition.

In June 2014, FASB issued Accounting Standards Update ("ASU") No. 2014-10, "*Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation*". The update removes all incremental financial reporting requirements from GAAP for development stage entities, including the removal of Topic 915 from the FASB Accounting Standards Codification. In addition, the update adds an example disclosure in Risks and Uncertainties (Topic 275) to illustrate one way that an entity that has not begun planned principal operations could provide information about the risks and uncertainties related to the company's current activities. Furthermore, the update removes an exception provided to development stage entities in Consolidations (Topic 810) for determining whether an entity is a variable interest entity—which may change the consolidation analysis, consolidation decision, and disclosure requirements for a company that has an interest in a company in the development stage. The update is effective for the annual reporting periods beginning after December 15, 2014, including interim periods within that reporting period.

We have elected to adopt the provisions of this ASU early, accordingly all of the past disclosures and presentations on development stage accounting have been eliminated.

In June 2014, FASB issued Accounting Standards Update ("ASU") No. 2014-12, "*Compensation – Stock Compensation (Topic 718); Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target*

Could Be Achieved after the Requisite Service Period". The amendments in this ASU apply to all reporting entities that grant their employees share-based payments in which the terms of the award provide that a performance target that affects vesting could be achieved after the requisite service period. The amendments require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in Topic 718 as it relates to awards with performance conditions that affect vesting to account for such awards. For all entities, the amendments in this ASU are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Earlier adoption is permitted. The effective date is the same for both public business entities and all other entities.

Entities may apply the amendments in this ASU either (a) prospectively to all awards granted or modified after the effective date or (b) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. If retrospective transition is adopted, the cumulative effect of applying this update as of the beginning of the earliest annual period presented in the financial statements should be recognized as an adjustment to the opening retained earnings balance at that date. Additionally, if retrospective transition is adopted, an entity may use hindsight in measuring and recognizing the compensation cost. This updated guidance is not expected to have a material impact on our results of operations, cash flows or financial condition.

In August 2014, the FASB issued Accounting Standards Update "ASU" 2014-15 on "Presentation of Financial Statements Going Concern (Subtopic 205-40) – Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern". Currently, there is no guidance in U.S. GAAP about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern or to provide related footnote disclosures. The amendments in this Update provide that guidance. In doing so, the amendments are intended to reduce diversity in the timing and content of footnote disclosures. The amendments require management to assess an entity's ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. Specifically, the amendments (1) provide a definition of the term *substantial doubt,* (2) require an evaluation every reporting period including interim periods, (3) provide principles for considering the mitigating effect of management's plans, (4) require certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans, (5) require an express statement and other disclosures when substantial doubt is not alleviated, and (6) require an assessment for a period of one year after the date that the financial statements are issued.

The amendments in this Update are effective for public and nonpublic entities for annual periods ending after December 15, 2016. Early adoption is permitted. We are evaluating the impact that this ASU will have on our disclosures.

Any new accounting standards, not disclosed above, 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 ITS SUBSIDIARY

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2 ACCOUNTING POLICIES AND ESTIMATES (continued)

g) Reporting by Segment

No segmental information is presented as the Company has disposed of its historical virtual trading store business which had minimal revenues. The Company is focusing on developing its Novas Energy, Plasma Pulse Technology for the petroleum industry.

Revenues to date are insignificant.

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 September 30, 2014 and December 31, 2013, 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, 2014 and December 31, 2013, the balance did not exceed the federally insured limit.

i) 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, 2014.

j) Inventory

The Company had no inventory as of September 30, 2014 and December 31, 2013.

k) 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 years
Leasehold improvements and fixtures	Lesser of estimated useful life or life of lease
Plant and equipment	2 to 3 years

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.

l) Intangibles

All of our intangible assets are subject to amortization. We evaluate the recoverability of intangible assets periodically by taking into account events or circumstances that may warrant revised estimates of useful lives or that indicate the asset may be impaired. Where intangibles are deemed to be impaired we recognize an impairment loss measured as the difference between the estimated fair value of the intangible and its book value.

i) License Agreements

License agreements acquired by the Company are reported at acquisition value less accumulated amortization and impairments.

ii) Amortization

Amortization is reported in the income statement on a straight-line basis over the estimated useful life of the intangible assets, unless the useful life is indefinite. Amortizable intangible assets are amortized from the date that they are available for use. The estimated useful life of the license agreement is five years which is the expected period for which we expect to derive a benefit from the underlying license agreements

PROPELL TECHNOLOGIES GROUP, INC. AND ITS SUBSIDIARY

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2 ACCOUNTING POLICIES AND ESTIMATES (continued)

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.

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 unaudited 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, 2014, 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 14, 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).

Any common shares issued as a result of the issue of stock options and warrants would come from newly issued common shares from our remaining authorized shares.

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. Comprehensive income for the periods presented includes net 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 discloses all related party transactions. All transactions are 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.

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PROPELL TECHNOLOGIES GROUP, INC. AND ITS SUBSIDIARY

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3GOING CONCERN

As shown in the accompanying financial statements, the Company incurred a net loss of $3,549,947 during the nine months ended September 30, 2014. As of September 30, 2014, the Company had an accumulated deficit of $8,943,619. The Company had a working capital deficiency of $253,803 as of September 30, 2014. 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.

4PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses consisted of the following as of September 30, 2014 and December 31, 2013:

	September 30, 2014	December 31, 2013
Prepaid equipment rental	$ 7,156	$ 1,533
Prepaid insurance	7,970	10,848
Prepaid professional fees	13,286	4,144
Other	44	579
	$ 28,456	$ 17,104

5PLANT AND EQUIPMENT

Plant and Equipment consisted of the following as of September 30, 2014 and December 31, 2013:

	September 30, 2014	December 31, 2013
Capital work in progress	$ -	$ 105,000
Plasma Pulse Tool	240,720	-
Furniture and equipment	26,643	26,643
Field equipment	19,627	16,120
Computer equipment	1,500	3,041
Total cost	288,490	150,804
Less: accumulated depreciation	(41,190)	(28,423)
Plant and equipment, net	$ 247,300	$ 122,381

Depreciation expense was $14,308 and $21,010 for the nine months ended September 30, 2014 and 2013, respectively.

PROPELL TECHNOLOGIES GROUP, INC. AND ITS SUBSIDIARY

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6 INTANGIBLES

Licenses

Novas licenses the "Plasma-Pulse Technology" ("the Technology") from Novas Energy Group Limited, the Licensor, pursuant to the terms of an exclusive perpetual royalty bearing license it entered into in January 2013, which was amended on March, 2014. The amended license agreement provides Novas with the exclusive right to develop, use, market and commercialize the Technology for itself and/or third parties, sublicense and provide services to third parties related to the Technology in the United States and Mexico including all of its states, districts, territories, possessions and protectorates. The amended license agreement also provides Novas with the right to design and have manufactured the apparatus and to make modifications and improvements to the Technology provided that the Licensor is provided a non-exclusive license to any such improvements and modifications and any patent rights of Novas related to the Technology. The license is limited to the United States and Mexico. It also provides that Novas will pay the Licensor royalties equal to seven and a half percent (7.5%) of Net Service Sales (as defined in the license agreement) and Non-Royalty Sublicensing Consideration (as defined in the license agreement) and provides for a minimum royalty payment of $500,000 per year from United States operations and $500,000 per year from Mexican operations; however, no minimum royalty payment is due prior to the three year anniversary of the license agreement for revenue derived from the United States operations and no minimum royalty is due prior to December 31, 2015 for revenue derived from Mexico. Revenue derived from operations in one territory can be used to satisfy obligations for minimum royalty payments in the other territory. All royalty payments made by Novas as well as sublicensing revenue paid by Novas to the Licensor are credited towards the minimum royalty payment. If the minimum royalty is not timely paid, the Licensor has the right to terminate the license with respect to a particular territory and if the minimum royalty payment for both territories is not paid, to terminate the license agreement. Novas was obligated to pay an initial license fee of $150,000 on or prior to June 30, 2014, this fee was subsequently waived by the Licensor with effect from July 30, 2014, and an additional $200,000 on or prior to June 30, 2015 for the additional rights under the amended license agreement. The Licensor is responsible for the cost of filing prosecuting and maintaining the patents and Novas is responsible for costs of obtaining marketing approvals. The Licensor has the right to terminate the license agreement upon Novas' breach or default. If the Licensor dissolves, becomes insolvent or engages in or is the subject of any other bankruptcy proceeding then the technology and patent rights in the United States shall become our property.

Intangibles consisted of the following as of September 30, 2014 and December 31, 2013:

	September 30, 2014	December 31, 2013
License agreements	$ 350,000	$ -
Website development	8,000	8,000

Total cost	358,000	8,000
Less: accumulated amortization	(43,000)	(8,000)
Intangibles, net	$ 315,000	$ -

Amortization expense was $35,000 and $800 for the nine months ended September 30, 2014 and 2013, respectively.

The minimum commitments due under the license agreement for the next five years are summarized as follows:

	Amount
2015	700,000
2016	1,000,000
2017	1,000,000
2018	1,000,000
	$3,700,000

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PROPELL TECHNOLOGIES GROUP, INC. AND ITS SUBSIDIARY

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7 ACCRUED LIABILITIES AND OTHER PAYABLES

Accrued liabilities consisted of the following as of September 30, 2014 and December 31, 2013:

	September 30, 2014	December 31, 2013
Short-term		
Payroll liabilities	$ 42,074	$ 55,918
Accrued Royalties	3,472	1,758
License fees payable	200,000	-
Other	-	2,417
Total Accrued Liabilities and other payables	$ 245,546	$ 60,093

8 DEFERRED REVENUE

Novas entered into an agreement with a third party to provide oil recovery services in Mexico for an initial period of twenty four months, which may be extended at the option of Novas based upon the attainment of a minimum number of well treatments. The revenue invoiced in terms of this agreement consisted of a limited time technology license fee, administrative fees, cost recovery fees and consumable usage fees. These fees, other than cost recovery fees, were initially to be recognized over the initial term of the agreement, cost recovery fees were recognized as the expense was incurred.

On May 30, 2014 we cancelled this agreement due to the inability of the third party to execute under the agreement.

9 NOTES PAYABLE

Notes payable consisted of the following as of September 30, 2014 and December 31, 2013:

Description	Interest Rate	Maturity	September 30, 2014	December 31, 2013

Short-Term					
Owl Holdings	-		-	$ 3,000	$3,000
Long-Term					
JAZ-CEH Holdings, LLC	7.5	%	October 31, 2015	105,000	105,000
Accrued interest				7,477	1,532
Total Long-Term Notes Payable				112,477	106,532
Total Notes Payable				$ 115,477	$109,532

Owl Holdings

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

JAZ-CEH Holdings, LLC

In October 2013, Novas Energy USA, Inc, entered into an unsecured promissory note with JAZ-CEH Holdings LLC with a face value of $105,000. The note bears interest at 7.5% per annum and matures on October 31, 2015.

PROPELL TECHNOLOGIES GROUP, INC. AND ITS SUBSIDIARY

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10SHORT-TERM CONVERTIBLE NOTES PAYABLE

Short Term Convertible Notes payable consisted of the following as of September 30, 2014 and December 31, 2013:

	Interest Rate	Maturity	September 30, 2014	December 31, 2013
Dart Union	6 %	On demand	$ -	$ 20,000
Dart Union	6 %	On demand	-	25,000
Dart Union	6 %	On demand	-	20,000
Accrued Interest			-	4,221
Total Dart Union			-	69,221
JMJ Financial	12 %	July 1, 2014	-	97,440
JMJ Financial	12 %	September 25, 2014	-	64,960
JMJ Financial	12 %	December 8, 2014	-	64,960
Unamortized debt discount, fees and interest expense			-	(36,306)
Total JMJ Financial			-	191,054
Asher Enterprises	8 %	May 1, 2014	-	53,000
Asher Enterprises	8 %	June 6, 2014	-	42,500
Asher Enterprises	8 %	July 7, 2014	-	32,500
Accrued Interest			-	3,545
Total Asher Enterprises			-	131,545
Gel Properties	6 %	August 1, 2014	-	52,500
Gel Properties	6 %	June 1, 2014	-	-
Gel Properties	6 %	August 1, 2014	-	-
Accrued Interest			-	1,320
Total Gel Properties			-	53,820
Vista Capital Investments	12 %	September 4, 2014	-	30,800
Vista Capital Investments	12 %	December 18, 2014	-	30,800
Unamortized debt discount and interest expense			-	(9,544)
Total Vista Capital Investments			-	52,056
LG Capital Funding, LLC	12 %	June 20, 2014	-	63,448
Unamortized debt discount and interest expense			-	(14,269)
Total LG Capital Funding, LLC			-	49,179

Tonaquint, Inc.	10 %	October 11, 2014	-	155,650	
Unamortized debt discount and interest expense			-	(33,638	)
Total Tonaquint, Inc.			-	122,012	
Total Short-Term Notes Payable			$ -	$ 668,887	

Dart Union

The convertible notes payable to Dart Union consisted of three convertible notes in the aggregate principal amount of $65,000. These notes were unsecured, bore interest at the rate of six percent (6%) per annum and were repayable on demand. The notes were 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.

Effective April 1, 2014, the three convertible notes in the aggregate principal amount of $65,000 together with interest thereon of $5,183 totaling $70,183 were converted into 1,403,660 common shares at a conversion price of $0.05 per share.

PROPELL TECHNOLOGIES GROUP, INC. AND ITS SUBSIDIARY

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(A Development Stage Enterprise)

10 SHORT-TERM CONVERTIBLE NOTES PAYABLE (continued)

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 $10,440, 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 was 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 matured on July 1, 2014.

On January 7, 2014, January 21, 2014, February 10, 2014 and February 27, 2014, the $75,000 borrowed on July 1, 2013, including interest, original issue discount and fees, amounting to $97,440, was converted into an aggregate of 1,045,179 common shares of the Company at an average issue price of $0.09 per share (60% of the lowest trade price in the 25 trading days prior to conversion).

On September 26, 2013, the Company borrowed $50,000 from 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 $6,960, 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 $8,000 and were added to the face value of the note. The note was 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 September 25, 2014.

On March 26, 2014, the funds of $50,000 borrowed on September 26, 2013, including interest, original issue discount and fees, amounting to a total of $64,960, was converted into 721,778 common shares of the Company at an issue price of $0.09 per share (60% of the lowest trade price in the 25 trading days prior to conversion).

On December 9, 2013, the Company borrowed $50,000 from 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 $6,960, 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 $8,000 and were added to the face value of the note. The note was 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 December 8, 2014.

On March 6, 2014, the funds of $50,000 borrowed on December 9, 2013, including interest, original issue discount and fees, amounting to a total of $64,960, was repaid for $58,000 before the once-off interest charge of $6,960 came into effect.

The Company has no further obligations under this note.

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.

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 was convertible into common stock of the Company and bore interest at the rate of 8% per annum, which interest was payable in cash or common stock, at the election of the holder, and matured 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 was 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 could only convert the note following the expiration of 180 days from the date of issuance, July 29, 2013. The holder was not entitled to exercise any conversion right that would result in the holder owning more than 9.99% of the Company's common stock. This note could be prepaid by the Company from the date of issuance to 180 days after issuance date at a prepayment penalty ranging from 112% to 135% of the balance outstanding, including interest thereon, dependent upon the age of the note.

PROPELL TECHNOLOGIES GROUP, INC. AND ITS SUBSIDIARY

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10SHORT-TERM CONVERTIBLE NOTES PAYABLE (continued)

Asher Enterprises (continued)

On February 7, 2014, the unsecured promissory note issued to Asher Enterprises on July 29, 2013 with a face value of $53,000, was repaid for $73,687, inclusive of interest, fees and an early settlement penalty accrued thereon. The Company has no further obligations under this note.

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 was convertible into common stock of the Company and bore interest at the rate of 8% per annum, which interest was payable in cash or common stock, at the election of the holder, and matured 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 was 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 could only convert the note following the expiration of 180 days from the date of issuance, September 4, 2013. The holder was not entitled to any conversion right that would result in the holder owning more than 9.99% of the Company’s common stock. This note could be prepaid by the Company from the date of issuance to 180 days after issuance date at a prepayment penalty ranging from 112% to 135% of the balance outstanding, including interest thereon, dependent upon the age of the note.

On February 21, 2014, the unsecured promissory note issued to Asher Enterprises on September 4, 2013 with a face value of $42,500 was repaid for $58,884, inclusive of interest, fees and an early settlement penalty accrued thereon. The Company has no further obligations under this note.

On October 3, 2013, the Company issued an unsecured convertible note to Asher Enterprises with a face value of $32,500, in exchange for $30,000 cash, net of $2,500 in legal fees. The note was convertible into common stock of the Company and bore interest at the rate of 8% per annum, which interest was payable in cash or common stock, at the election of the holder, and matured on July 7, 2014. The conversion price, as well as the formula for determining the number of shares needed to repay the note and any interest thereon was 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 could only convert the note following the expiration of 180 days from the date of issuance, October 3, 2013. The holder was not entitled to 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 from the date of issuance to 180 days after issuance date at a prepayment penalty ranging from 112% to 135% of the balance outstanding, including interest thereon, dependent upon the age of the note.

On March 28, 2014, the unsecured promissory note issued to Asher Enterprises on October 3, 2013 with a face value of $32,500 was repaid for $45,086, inclusive of interest, fees and an early settlement penalty accrued thereon. The Company has no further obligations under this note.

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 was convertible into common stock of the Company and bore interest at the rate of 6% per annum, which interest was payable in common stock, and matured 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, was 65% of the lowest closing price for any five trading days prior to conversion or payment of interest. The holder could 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) was to be 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 was 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 February 10, 2014, the unsecured promissory note issued to Gel Properties on July 30, 2013 with a face value of $52,500, was repaid for $72,538, inclusive of interest, fees and an early settlement penalty accrued thereon. The Company has no further obligations under this note.

PROPELL TECHNOLOGIES GROUP, INC. AND ITS SUBSIDIARY

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10 SHORT-TERM CONVERTIBLE NOTES PAYABLE (continued)

Gel Properties (continued)

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 were secured by a pledge account which had an aggregate appraised value of not less than $100,000. The Back End Notes were due and payable on June 1, 2014 and August 1, 2014 respectively. The Convertible Notes were convertible into common stock of the Company and each bore interest at the rate of 6% per annum, which interest was payable in common stock, and matured 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, was 65% of the lowest closing price for any five trading days prior to conversion or payment of interest. The holder could 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) was to be 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 were redeemable by the Company at any time at a premium over the principal amount due of 50%. The Company had 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 were held in escrow to be released if the Company elects, prior to April 1, 2014, to call the Back End Notes.

On January 16, 2014, the two $50,000 "back end" notes were exercised for proceeds of $95,000, net of $5,000 in legal fees.

On March 11, 2014, one of the two $50,000 secured "back end" promissory note exercised on January 16, 2014, was repaid for $62,950, inclusive of interest and an early settlement penalty accrued thereon. The Company has no further obligations under this note.

On April 11, 2014, the second $50,000 secured "back end" promissory note was repaid for $65,708, inclusive of interest and an early settlement penalty accrued thereon. The Company has no further obligations under this note.

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 $3,300 added to the face value of the note. In addition, the note had 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 was 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 matured on September 5, 2014. The holder was not entitled to exercise any conversion right that would result in the holder owning more than 4.99% of the Company's common stock. The Note was redeemable by the Company within 90 days of the issuance date, after a 10 day notice period, in which notice period the holder could 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 was outstanding, the holder, at its option, had 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.

On March 12, 2014, the funds of $25,000 borrowed on September 5, 2013, including interest, original issue discount and fees, amounting to a total of $30,800, was converted into 366,667 Common shares of the Company at an issue price of $0.084 per share (60% of the lowest trade price in the 25 trading days prior to conversion).

On December 19, 2013, the Company borrowed $25,000 from Vista pursuant to an unsecured convertible promissory note. The terms of the note provided for a once-off interest charge of 12% amounting to $3,300 added to the face value of the note. In addition, the note had 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 was 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 matured on December 18, 2014. The holder was not entitled to exercise any conversion right that would result in the holder owning more than 4.99% of the Company's common stock. The Note was redeemable by the Company within 90 days of the issuance date, after a 10 day notice period, in which notice period the holder could 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 was outstanding, the holder, at its option, had 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.

PROPELL TECHNOLOGIES GROUP, INC. AND ITS SUBSIDIARY

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10 SHORT-TERM CONVERTIBLE NOTES PAYABLE (continued)

Vista Capital Investments (continued)

On March 17, 2014, the funds of $25,000 borrowed on December 19, 2013, including interest, original issue discount and fees, amounting to a total of $30,800, was converted into 354,023 Common shares of the Company at an issue price of $0.087 per share (60% of the lowest trade price in the 25 trading days prior to conversion).

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.

LG Capital Funding, LLC

On October 10, 2013, the Company received, a net $45,000 from LG Capital Funding, LLC (“LG”), after the payment of a $5,000 commission to a third party and legal fees amount to $1,500, pursuant to an unsecured convertible promissory note with a face value of $51,500. The terms of the note provided for an original issue discount of 10% amounting to $5,150 and no interest charge for 90 days, thereafter a once-off interest charge of 12% amounting to $6,798 was added to the face value of the note. The note was 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 matured on June 20, 2014. The holder was not entitled to exercise any conversion right that would result in the holder owning more than 4.99% of the Company’s common stock. The Convertible Note was redeemable by the Company within 90 days of the issuance date, after a 3 day notice period, in which notice period the holder could 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 price of the note had anti-dilutive provisions which would reduce the cap on the conversion price for any subsequent share issuances in certain circumstances. The Company had certain covenants which restricted it from the following; i) 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.

On March 31, 2014, the unsecured promissory note issued to LG with a face value of $51,500 was repaid for $95,172, inclusive of interest, original issue discounts and early settlement penalty accrued thereon. The Company has no further obligations under this note.

Tonaquint, Inc.

On October 11, 2013, the Company received, a net $112,500 from Tonaquint, Inc. (“Tonaquint”), after the payment of a $12,500 commission to a third party, pursuant to a convertible promissory note, with a one-year maturity and a face value of $141,500, inclusive of an original issue discount and fees amounting to $16,500. There was no interest charge for the first 90 days and thereafter a once-off interest charge of 10% amounting to $14,150 was added to the face value of the note. The note was convertible into common stock six months after the issue date, at the holder’s option, in whole or in part, at a conversion price equal to 60% of the lowest trade price in the 25 trading days prior to conversion. The holder was not entitled to exercise any conversion right that would result in the holder owning more than 9.99% of the Company’s common stock. The Convertible Note was redeemable by the Company within 90 days of the issuance date at no penalty.

On April 11, 2014, May 1, 2014, May 20, 2014, June 4, 2014, June 20, 2014, July 7, 2014 and July 28, 2014, Tonaquint converted the note outstanding of $155,650 borrowed on October 11, 2013, including interest, original issue discount and fees into 1,283,576 Common shares of the Company at an average issue price of $0.12 per share (60% of the lowest trade price in the 25 trading days prior to conversion).

PROPELL TECHNOLOGIES GROUP, INC. AND ITS SUBSIDIARY

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11 DERIVATIVE FINANCIAL LIABILITY

Certain of the short-term convertible notes disclosed in note 10 above, had variable priced conversion rights with no fixed floor price and would re-price dependent on the share price performance over varying periods of time. This gave rise to a derivative financial liability, which was valued at $207,186 at inception of the convertible notes using a Black-Scholes valuation model. The value of this derivative financial liability is re-assessed at each financial reporting period, with any movement thereon recorded in the statement of operations in the period in which it is incurred or the convertible debt is converted into equity.

The derivative financial liability was no longer required upon the conversion of the remaining short term convertible notes with variable priced conversion rights on July 28, 2014, resulting in a net credit to the unaudited consolidated statement of operations of $237,799 and a net charge of $(668,755) for convertible debt converted to equity, totaling a net charge of $(430,956) for the nine months ended September 30, 2014.

	September 30, 2014	December 31, 2013
Opening balance	$ 237,799	$ -
Conversion of derivative liability for stock issued at a discount	(668,755)	-
Fair value adjustments to derivative financial liability	430,956	237,799
	$ -	$ 237,799

The following assumptions were used in the Black-Scholes valuation model:

	Nine months ended September 30, 2014		Year ended December 31, 2013	
Stock price over the period	$0.14 – $0.50		$0.20 –$ 0.94	
Risk free interest rate	0.11% to 0.13	%	0.09% to 0.16	%
Expected life of short-term notes payable	1 to 10 months		8 to 12 months	
Expected volatility	119.45	%	114.14	%
Expected dividend rate	0	%	0	%

12 LONG-TERM CONVERTIBLE NOTES PAYABLE

Long Term Convertible Notes payable consisted of the following as of September 30, 2014 and December 31, 2013:

Description	Interest Rate	Maturity	September 30, 2014	December 31, 2013
Notes payable	6 %	November 19, 2017	$ 39,375	$388,875
Accrued interest			4,550	95,124
Unamortized debt discount			(24,721)	(302,480)
Total long-Term Convertible Notes Payable			$ 19,204	$181,519

The convertible notes payable consist of notes issued to a number of private principals (“the Notes”). The Notes bear interest at the rate of 6% per annum and are due on November 19, 2017. The Notes are convertible into common stock at a fixed conversion price of $0.02 per share.

Effective April 1, 2014, convertible notes with an aggregate principle amount of $349,500 inclusive of interest thereon of $97,202 totaling $446,702 was converted into 22,335,124 common shares at a conversion price of $0.02 per share.

PROPELL TECHNOLOGIES GROUP, INC. AND ITS SUBSIDIARY

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13 STOCKHOLDERS' EQUITY/(DEFICIT)

a) Common Stock

The Company has authorized 500,000,000 common shares with a par value of $0.001 each, and issued and outstanding 241,421,828 shares of common stock as of September 30, 2014.

The following common shares were issued by the Company during the nine months ended September 30, 2014:

i) an aggregate of 27,510,118 shares of Common Stock to convertible note holders upon conversion of an aggregate of $1,565,302 of short and long-term convertible notes, inclusive of certain interest and, mark-to-market derivative adjustments thereon, at an average share price of $0.06 per share;

ii) an aggregate of 1,260,667 Common shares issued to consultants and advisors for services at an average issue price of $0.24 per share, the market value of our common stock when the shares were issued.

iii)

In terms of a private placement agreement entered into on April 15, 2014 between the Company and a placement agent ("the Placement Agent"), the Placement Agent agreed to assist the Company in raising financing. The financing could be in the form of debt or equity funding offered to qualified investors only and was in the form of equity. The Placement Agent received a fee of 10% of the gross proceeds raised together with a 3% expense recovery fee. In addition to this the Placement Agent was issued warrants equal to 15% of the total number of shares issued to the investors , on the same terms and conditions of those warrants issued to investors. After the completion of the last funding the Company is obligated to file an S-1 registration statement on Form S-1 registering the common stock issue in the offering and the common stock underlying the warrants within 90 days of the completion of the funding.

During the period June 2014 to August 2014, pursuant to the private placement agreement and individual Securities Purchase Agreements entered into, new, qualified investors, acquired 7,353,329 common units of the Company at a price of $0.15 per unit, each unit consisting of one share of Common Stock and a five year warrant exercisable for one half of a share of common stock at an exercise price of $0.25 per share, for net proceeds of $946,110 after deducting placement agent fees and other share issue expenses of $146,890. A further $10,000 was

paid to the Placement Agent as fees in terms of the agreement. The placement agent was also issued five year warrants to purchase 1,654,499 shares of common stock at an exercise price of $0.25 per share.

b) Preferred Stock

The Company has 10,000,000 authorized preferred shares with a par value of $0.001 each with 5,000,000 preferred shares designated as Series A-1 Convertible Preferred Stock ("Series A-1 Shares"), with 3,887,500 Series A-1 Shares issued and outstanding which are convertible into 38,875,000 shares of common stock.

On March 14, 2014, the Company amended its articles of incorporation by designating 500,000 of the remaining 5,000,000 undesignated preferred shares as Series B Convertible Redeemable Preferred Stock ("Series B Shares"), with 75,000 Series B Shares issued and outstanding, which are convertible into 7,500,000 shares of common stock.

The remaining 4,500,000 preferred shares remain undesignated.

i) **Series A-1 Convertible Preferred Stock**

The rights, privileges and preferences of the Series A-1 Shares are summarized as follows;

Conversion

Each Series A-1 Share has the following conversion rights:

(a) Each share of the Series A-1Shares is convertible into ten shares of Common Stock.

(b) There shall be no adjustment made to the conversion ratio of the Series A-1 Shares for any stock split, stock dividend, combination, reclassification or other similar event.

Company Redemption

The Series A-1Shares are non-redeemable by the Company.

Voting Rights

Each holder of Series A-1 Shares 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 Shares could then be converted.

Dividends

Until such time that any dividend is paid to the holders of Common Stock, the holders of Series A-1 Shares 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 Shares into Common Stock immediately prior to the payment of such dividend

Liquidation Preference

Each share of Series A-1 Shares is entitled to a liquidation preference of $.08 per share

No Circumvention

The approval of the holders of at least 2/3 (66.6%) of the outstanding shares of the Series A-1 Shares, 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 Shares;

(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 Shares; and

(e) the making of any loan or advance to any person except in the ordinary course of business.

PROPELL TECHNOLOGIES GROUP, INC. AND ITS SUBSIDIARY

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13 STOCKHOLDERS' EQUITY/(DEFICIT) (continued)

ii) **Series B Convertible Preferred Stock**

The rights, privileges and preferences of the Series B Shares are summarized as follows:

Conversion
The holders of the Series B Preferred Shares shall have conversion rights as follows:

(a) Each share of the Series B Shares shall be convertible at any time prior to the issuance of a redemption notice by the Company into such number of shares of Common Stock by dividing the Stated value ($10) of the Series B Share by $0.10 and shall be subject to adjustment for dividends or distributions made in common stock, the issue of securities convertible into common stock, stock splits, reverse stock splits, or reclassifications of common stock. No adjustments will be made to the conversion rights or conversion price for any reorganization other than to be entitled to receive the same benefits as if the shares were converted immediately prior to such reorganization. No conversion will take place if the holder of the Series B Shares will beneficially own in excess of 4.99% of the shares of Common Stock outstanding immediately after conversion. As of the date hereof, each Series B Share converts into 100 shares of common stock.

(b) The conversion right of the holders of Series B Shares shall be exercised by the surrender of the certificates representing shares to be converted to the Company, accompanied by written notice electing conversion.

(c) No fractional shares of Common Stock or script shall be issued upon conversion of Series B Shares. The Company shall pay a cash adjustment in respect to such fractional interest based upon the fair value of a share of Common Stock, as determined in good faith by the Company's Board of Directors.

(d) All shares of Common Stock issued upon conversion of Series B Shares will upon issuance be validly issued, fully paid and non-assessable. All certificates representing Series B Shares surrendered for conversion shall be appropriately canceled on the books of the Company and the shares so converted represented by such certificates shall be restored to the status of authorized but unissued shares of preferred stock of the Company.

Company Redemption
The Company shall have the right, at any time after the date the Series B Shares have been issued, to redeem all or a portion of any Holder's Series B Shares at a price per Series B Share equal to the issue price per Series B Share multiplied by 120%.

Voting Rights

Each holder of Series B Shares shall be entitled to vote on all matters submitted to a vote of the stockholders of the Company and shall be entitled to votes equal to the number of shares of Common Stock into which Series B Shares could be converted, and the holders of shares of Series B Shares and Common Stock shall vote together as a single class on all matters submitted to the stockholders of the Company.

Dividends

(a) The holders of the Series B Shares shall be entitled to receive cumulative dividends at the rate of eight percent per annum of the issue price per share, accrued daily and payable annually in arrears on December 31st of each year ("Dividend Date"). Such dividends shall accrue on any given share from the day of original issuance of such share. Such dividends shall be cumulative, whether or not declared by the Board of Directors, but shall be non-compounding.

(b) Any dividend payable on a dividend payment date may be paid, at the option of the Company, either (i) in cash or (ii) in shares of common stock at an issue price of $0.10 per common share.

(c) Nothing contained herein shall be deemed to establish or require any payment or other charges in excess of the maximum permitted by applicable law.

(d) In the event that pursuant to applicable law or contract the Company shall be prohibited or restricted from paying in cash the full dividends to which the holders of the Series B Shares shall be entitled, the cash amount available pursuant to applicable law or contract shall be distributed among the holders of the Series B Shares ratably in proportion to the full amounts to which they would otherwise be entitled and any remaining amount due to holders of the Series B Shares shall be payable in cash.

PROPELL TECHNOLOGIES GROUP, INC. AND ITS SUBSIDIARY

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13 STOCKHOLDERS' EQUITY/(DEFICIT) (continued)

ii) **Series B Convertible Preferred Stock (continued)**

Liquidation Preference
In the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary, the holders of the Series B Shares shall be entitled to receive, prior and in preference to any distribution of any assets of the Company to the holders of any other preferred stock of the Company and subordinate to any distribution to the Series A-1 Shares, and prior and in preference to any distribution of any assets of the Company to the holders of the Common Stock, the amount of 120% of the issue price per share.

No Circumvention
The Company shall not amend its certificate of incorporation, or participate in any reorganization, sale or transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action for the purpose of avoiding or seeking to avoid the observance or performance of any of the terms to be observed or performed by the Company.

On March 27, 2014, we entered into a Securities Purchase Agreement with an individual, pursuant to which the individual agreed to purchase and we agreed to sell 75,000 Series B Shares at an issue price of $10 per share for net proceeds of $750,000. Of the total proceeds of $750,000, $550,000 was received on deposit, prior to the issuance of the Series B Preferred shares.

The proceeds received above, were primarily used to settle the following convertible notes outstanding (Refer note 10 above):

i. On February 7, 2014, the unsecured promissory note issued to Asher Enterprises on July 29, 2013 with a face value of $53,000, was repaid for $73,687, inclusive of interest, fees and an early settlement penalty accrued thereon.

ii. On February 10, 2014, the unsecured promissory note issued to Gel Properties on July 30, 2013 with a face value of $52,500, was repaid for $72,538, inclusive of interest, fees and an early settlement penalty accrued thereon.

iii. On February 21, 2014, the unsecured promissory note issued to Asher Enterprises on September 4, 2013 with a face value of $42,500 was repaid for $58,884, inclusive of interest, fees and an early settlement penalty accrued thereon.

iv. On March 6, 2014, the funds of $50,000 borrowed from JMJ Financial on December 9, 2013, including interest, original issue discount and fees, amounting to a total of $64,960, was repaid for $58,000 before the once-off interest charge of $6,960 came into effect.

v. On March 11, 2014, one of the two $50,000 “back end” promissory notes issued to GEL Properties and exercised on January 16, 2014, was repaid for $62,950, inclusive of interest and an early settlement penalty accrued thereon.

vi. On March 28, 2014, the unsecured promissory note issued to Asher Enterprises on October 3, 2013 with a face value of $32,500 was repaid for $45,086, inclusive of interest, fees and an early settlement penalty accrued thereon.

vii. On March 31, 2014, the unsecured promissory note issued to LG Capital Funding, LLC, with a face value of $51,500 was repaid for $95,172, inclusive of interest, original issue discounts and early settlement penalty accrued thereon.

viii. On April 11, 2014, the second $50,000 “back end” promissory note issued to GEL Properties was repaid for $65,708, inclusive of interest and an early settlement penalty accrued thereon.

We have undeclared dividends on the Series B Preferred stock amounting to $30,740 as of September 30, 2014. The beneficial conversion feature of these undeclared dividends will be recorded upon the declaration of these dividends.

PROPELL TECHNOLOGIES GROUP, INC. AND ITS SUBSIDIARY

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13 STOCKHOLDERS' EQUITY/(DEFICIT) (continued)

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 5,000,000 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 shares. 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 September 30, 2014 and December 31, 2013, there were 452,960 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)

The vesting provisions for these stock options have various terms as follows:

- Monthly, over one to three years
- Immediately, upon grant

No options were issued during the current period.

d) Non-Plan Stock Options

In March of 2013, the Company granted to its Chief Executive Officer 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 36 months.

In March of 2013, the Company granted to one of its directors 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 36 months.

The following assumptions were used to value the plan and non-plan options issued using the Black-Scholes valuation model:

	Year ended December 31, 2013	
Stock price over the period	$0.50 –$ 0.65	
Risk free interest rate	1.41% to 2.71	%
Expected life of options	5 to 10 years	
Expected volatility	127.99% to 150.0	%
Expected dividend rate	0	%

In the event of the employees' termination, the Company will cease to recognize compensation expense.

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 $1,439,502 and $1,657,273 for the nine months ended September 30, 2014 and the year ended December 31, 2013 relating to options issued.

PROPELL TECHNOLOGIES GROUP, INC. AND ITS SUBSIDIARY

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13STOCKHOLDERS' EQUITY/(DEFICIT) (continued)

The options outstanding and exercisable at September 30, 2014 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	3.60 years	$ 25.00	2,500	$ 25.00	3.60 years
$ 13.50	5,480	4.71 years	$ 13.50	5,480	$ 13,50	4.71 years
$ 12.50	2,000	6.04 years	$ 12.50	2,000	$ 12.50	6.04 years
$ 8.50	30,500	6.75 years	$ 8.50	30,500	$ 8.50	6.75 years
$ 5.00	14,800	7.04 years	$ 5.00	14,500	$ 5.00	7.04 years
$ 0.25	11,000,000	3.43 years	$ 0.25	7,104,172	$ 0.25	3.43 years
$ 0.65	55,386	6.84 years	$ 0.65	55,386	$ 0.65	6.84 years
$ 0.63	57,144	3.75 years	$ 0.63	57,144	$ 0.63	3.75 years
$ 0.51	285,150	5.54 years	$ 0.51	285,150	$ 0.51	5.54 years
	11,452,960	3.52 years	$ 0.30	7,556,832	$ 0.33	3.56 years

No options were granted for the nine months ended September 30, 2014. During the year ended December 31, 2013, awards granted under the Plan were incentive stock options. A summary of all of our option activity during the period January 1, 2013 to September 30, 2014 is as follows:

	Shares	Exercise price per share	Weighted average exercise price
Outstanding January 1, 2013	55,280	$**5.00 to 25.00**	$ 8.49
Granted – plan options	397,680	0.51 to 0.65	0.54
Granted – non plan options	11,000,000	0.25	0.25
Forfeited/Cancelled	-	-	-
Exercised	-	-	-
Outstanding December 31, 2013	11,452,960	**$0.25 to 25.00**	$ 0.30

Granted – plan options	-	-	-
Granted – non plan options	-	-	-
Forfeited/Cancelled	-	-	-
Exercised	-	-	-
Outstanding September 30, 2014	11,452,960	**$0.25 to 25,00**	0.30

Stock options outstanding as of September 30, 2014 as disclosed in the above table, have an intrinsic value of $0.

e) Warrants

In terms of the recent private placement which took place between June 27, 2014 and August 8, 2014, as disclosed under (a) above, the new investors were entitled to a half warrant exercisable for one share of common stock per unit issued. The new, qualified, investors subscribed for a total of 7,353,329 units, each unit consisting of one share of common stock and one half warrant per share, resulting in the issue of 3,676,665 full warrants which are exercisable for shares of common stock at an exercise price of $0.25 per share. In addition to this, the placement agent is entitled to warrant units equal to 15% of the total shares issued under the Placement Agent Agreement. Each warrant unit consists of one warrant (“First Warrant”) and one half warrant upon exercise of the First Warrant, which are exercisable for shares of common stock at an exercise price of $0.25 per share. This resulted in the issue of 1,654,499 warrants to the Placement Agent.

The warrants outstanding and exercisable at September 30, 2014 are as follows:

	Warrants Outstanding			Warrants 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
$ 0.30	375,000	4.08 years	$ 0.30	375,000	$ 0.30	4.08 years
$ 0.25	2,277,167	4.74 years	$ 0.25	2,277,167	$ 0.25	4.74 years
$ 0.25	1,508,333	4.84 years	$ 0.25	1,508,333	$ 0.25	4.84 years
$ 0.25	1,545,665	4.85 years	$ 0.25	1,545,665	$ 0.25	4.85 years
$ 0.25	633,333	4.90 years	$ 0.25	633,333	$ 0.25	4.90 years
	6,339,498			6,339,498		

PROPELL TECHNOLOGIES GROUP, INC. AND ITS SUBSIDIARY

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14 NET LOSS PER SHARE

Basic loss per share is based on the weighted-average number of common shares outstanding during each period. Diluted loss per share is based on basic shares as determined above plus common stock equivalents, including convertible preferred shares and convertible notes as well as the incremental shares that would be issued upon the assumed exercise of in-the-money stock options and warrants using the treasury stock method. The computation of diluted net loss per share does not assume the issuance of common shares that have an anti-dilutive effect on net loss per share. For the nine months ended September 30, 2014 and 2013, respectively, all stock options and warrants, convertible preferred stock and convertible notes were excluded from the computation of diluted net loss per share.

Dilutive shares which could exist pursuant to the exercise of outstanding stock instruments and which were not included in the calculation because their affect would have been anti-dilutive are as follows:

	Nine months ended September 30, 2014 (Shares)	Nine months ended September 30, 2013 (Shares)
Options to purchase shares of common stock	11,452,960	11,452,960
Warrants to purchase shares of common stock	6,339,498	-
Convertible preferred Series A-1 shares	38,875,000	38,875,000
Convertible preferred Series B shares	7,500,000	-
Convertible long-term notes	1,968,750	74,012,500
Convertible short-term notes*	-	-
	66,136,208	124,340,460

* Convertible short term notes have variable conversion pricing dependent upon share prices prior to conversion, see note 10 above.

As of September 30, 2013, short-term notes amounting to $402,948 are convertible into common shares at discounts ranging from 50% to 65% of average trading prices immediately prior to conversion. The closing share price as of September 30, 2013 was $0.36. There were no short-term convertible notes outstanding at September 30, 2014.

15 RELATED PARTY TRANSACTIONS

There are no material or disclosable related party transactions.

16 COMMITMENTS AND CONTINGENCIES

The Company entered into an Agreement with an Investor Relations entity (“IR Entity”) on December 13, 2013 (“the effective date”), whereby the IR Entity will provide investor relations services for a period of one year from the effective date for a consideration consisting of the following; i) a cash consideration of $2,500 per month and, ii) the issue of 174,600 shares of common stock, issued as follows; 43,650 shares on conclusion of the agreement and a further 130,950 shares over the nine month period January to September 2014. The issuance of stock has not taken place as yet.

It is unlikely that the common stock will be issued to this IR Entity due to the non-performance of its obligations under the agreement.

The Company disposed of its Crystal Magic, Inc. subsidiary effective December 31, 2013. In terms of the sale agreement entered into by the Company, the purchaser has been indemnified against all liabilities whether contingent or otherwise, claimed by third parties, this includes claims by creditors of the Company amounting to $372,090 and claims against long-term liabilities of $848,916. Management does not consider it likely that these claims will materialize and accordingly no provision has been made for these contingent liabilities.

The Company leases approximately 2,300 square feet of office space in Houston, Texas on a month to month basis for $2,200 per month.

The Company sub-leases approximately 748 square feet of loft space in Houston, Texas from a related party on a month to month basis for $1,675 per month.

The minimum commitments due under the amended license agreement entered into on January 30, 2013, for the next five years, are summarized as follows:

	Amount
2015	700,000
2016	1,000,000
2017	1,000,000
2018	1,000,000
	$3,700,000

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PROPELL TECHNOLOGIES GROUP, INC. AND ITS SUBSIDIARY

NOTES TO THE UUNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17 SUBSEQUENT EVENTS

On October 31, 2014, the Company received, a net $95,000 from LG Capital Funding, LLC ("LG"), after the payment of a $5,000 legal fee, pursuant to an unsecured convertible promissory note with a face value of $107,000, including an original issue discount of 7% amounting to $7,000. The note bears interest at the rate of 8% per annum commencing on October 31, 2014. 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 62% of the lowest closing bid price in the 10 trading days prior to conversion. The note matures on October 31, 2015. The holder is not entitled to exercise any conversion right that would result in the holder owning more than 9.9% of the Company's common stock. The Convertible Note is redeemable by the Company within 180 days of the issuance date. The note has change of control provisions to protect the note holder and has certain covenants governing the event of default in terms of the note.

LG further provided a "Back-end" fully secured collateralized note of $100,000 which will bear interest at the rate of 8% per annum. This note is to be funded by LG by no later than January 31, 2015, unless advised otherwise by the Company. The company may repay this note at any time.

In accordance with ASC 855-10, the Company has analyzed its operations subsequent to September 30, 2014 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 Financial Condition and Results of Operations

The following discussion and analysis is intended as a review of significant factors affecting our financial condition and results of operations for the periods indicated. The discussion should be read in conjunction with our consolidated financial statements and the notes presented herein and the risk factors and the financial statements and the other information set forth in our Annual Report on Form 10-K for the year ended December 31, 2013. In addition to historical information, the following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. Our actual results could differ significantly from those anticipated in these forward-looking statements as a result of certain factors discussed herein and any other periodic reports filed and to be filed with the Securities and Exchange Commission.

Cautionary Note Regarding Forward-Looking Statements

This report and other documents that we file with the Securities and Exchange Commission contain forward-looking statements that are based on current expectations, estimates, forecasts and projections about our future performance, our business, our beliefs and our management's assumptions. Statements that are not historical facts are forward-looking statements. Words such as "expect," "outlook," "forecast," "would," "could," "should," "project," "intend," "p "continue," "sustain", "on track", "believe," "seek," "estimate," "anticipate," "may," "assume," and variations of such words a expressions are often used to identify such forward-looking statements, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are not guarantees of future performance and involve risks, assumptions and uncertainties, including, but not limited to, those described in our reports that we file or furnish with the Securities and Exchange Commission. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated or anticipated by such forward-looking statements. Accordingly, you are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date they are made. Except to the extent required by law, we undertake no obligation to update publicly any forward-looking statements after the date they are made, whether as a result of new information, future events, changes in assumptions or otherwise.

Overview and Financial Condition

Our Company

We are a Delaware corporation with principal offices located at 1701 Commerce Street, Houston, Texas 77002. We are engaged 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. Prior to this, all of our revenue had been derived from our e-commerce and other lines of business, which we have recently discontinued, effective December 31, 2013, to enable us to focus all of our attention to our oil recovery business.

Since February 4, 2013, following the closing of the Share Exchange Agreement with the shareholders of Novas, under which we acquired all of the outstanding equity securities of Novas in exchange for 100,000,000 shares of our

Common Stock, our primary focus has shifted to the further development of our licensed oil recovery technology. The oil recovery technology held by Novas is based on an exclusive, perpetual royalty-bearing license to engage in the commercial application of the Technology entered into on January 30, 2013, with the Licensor which granted Novas the right to practice, develop, use, market and commercialize the proprietary process of the Licensor which consists of a specially designed apparatus and certain proprietary technology, methods and processes that may be applied to enhance the production of hydrocarbon deposits using metallic plasma-generated, directed, non-linear, wide-band and elastic oscillations at resonance frequencies. 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 ourselves as well, and to sublicense the technology in the United States. In March 2014, the license was amended to, among other things, increase the territory in which Novas can practice the licensed process and utilize the Technology to Mexico. 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 down-hole 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.

Since March 19, 2013, we have used the Technology to treat thirty seven oil wells located in seven states; Louisiana, Oklahoma, Kansas, Texas, California, Tennessee and Wyoming. The Technology has been shown to increase oil production in the majority of the wells that we have treated. The initial results of this treatment have been very encouraging, however the results on the wells treated may not be indicative of the results of treatment on additional wells. As such, we are continuing to monitor closely the longer-term results while, based upon the prior success from the use of “Plasma-Pulse Technology” outside of the United States, we expect the positive data from the treated wells in the United States to continue. We currently have five tools that we use to perform the treatments of which four only work in vertical wells with a minimum of 5 ½-inch casings and not in horizontal wells. We have developed a tool to treat 4 ½-inch cased wells and have recently begun treating wells with the new tool.

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In August 2013, we signed one Oil Services Revenue Sharing Agreement to treat up to ten wells in Creek County Oklahoma and thus far have treated four wells under the agreement, which four wells are included in the thirty seven oil wells mentioned above. We do not expect to treat further wells under this agreement. The agreement provides that Novas pays for all expenses related to the treatment and is reimbursed for such expenses from the initial funds received from the increase in production until Novas' expenses are paid in full and then Novas will receive 49% of the increased oil production revenue for a twelve month period after treatment of the wells. We received revenue from these treated wells in the fourth quarter of 2013 and revenue from the treatment of other wells in 2014. We also completed treatment of seven wells in Oklahoma for a service fee.

We expect to continue to offer our services to operators of oil wells based on our joint venture model in which we receive a percentage of the revenue that our customers derive from the additional production resulting from the use of our technology. We may also offer our services on a fee based model and 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.

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. We have incurred an accumulated deficit of $8,943,619 through September 30, 2014 and there can be no assurance that we will be able to achieve profitability.

Our fiscal year end is December 31.

History

Propell Technologies Group, Inc. (f/k/a 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, we 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 our Common Stock to the members of Mountain Capital, LLC and a total of 2,721 shares of our Common Stock to the members of AUL (the shares referenced above are in pre-split amounts, that is prior to our 50-to-1 reverse split in August 2012). 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 and effective December 31, 2014, we disposed of our interest in CMI for nominal consideration. 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 50:1 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, we acquired all of the outstanding shares of Novas and Novas became our wholly owned subsidiary. Effective December 31, 2013, we discontinued our e-commerce line of business. On March 14,

2014, we filed a Certificate of Designations, Rights and Preferences with the Secretary of State of the State of Delaware designating 500,000 shares as Series B Convertible Preferred Stock.

Recent Developments

During the nine months ended September 30, 2014, we have raised gross proceeds of $2,013,000 and repaid $461,948 owed in connection with notes we had issued, as follows:

- We raised $100,000 through the exercise of two $50,000 “back-end” notes issued to GEL Properties. The notes bear interest at 6% per annum and are repayable on June 1, 2014 and August 1, 2014. These notes were repaid on March 11, and April 11, 2014.

- We raised $750,000 pursuant to an agreement entered into with an individual whereby we sold and he acquired 75,000 Series B preferred shares at an issue price of $10 per share for net proceeds of $750,000. These proceeds were primarily used to settle short-term convertible notes for aggregate proceeds of $532,025, including interest, early settlement penalties, fees and original issue discounts thereon.

- We raised proceeds of $1,103,000 pursuant to a private placement agreement and individual Securities Purchase Agreements entered into with new, qualified investors who acquired 7,353,329 units of the Company at a price of $0.15 per unit, each unit consisting of one share of Common Stock and one half of a five-year warrant to purchase a share of common stock at an exercise price of $0.25 per share. We paid share issue expenses of $156,890, resulting in net proceeds of $946,110.

- We raised $60,000 from an investor, Strategic IR, as temporary funding which amount was repaid in full on July 2, 2014.

In terms of conversion notices received from convertible note holders, 27,510,118 shares of Common Stock were issued upon the conversion of an aggregate of $1,565,302 of short- and long-term convertible notes, inclusive of interest and mark-to-market derivative adjustments at an average conversion price of $0.06 per share.

Subsequent to the nine months ended September 30, 2014, on October 31,2014, the Company received, a net $95,000 from LG Capital Funding, LLC (“LG”), after the payment of a $5,000 legal fee, pursuant to an unsecured convertible promissory note with a face value of $107,000, including an original issue discount of 7% amounting to $7,000. The note bears interest at the rate of 8% per annum commencing on October 31, 2014.

Our discussion and analysis of our financial condition and results of operations are based upon our unaudited consolidated financial statement as of September 30, 2014 and September 30, 2013, 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.

Results of Operations for the three months ended September 30, 2014 and September 30, 2013

Net revenues

Net revenues were $- and $31,856 for the three months ended September 30, 2014 and 2013 respectively, a decrease of $31,856 or 100.0%. This is primarily due to the cancellation of the Mexico oil services contract with a non-performing third party. Revenues will be generated through new relationships which we are in the process of establishing. The net revenue from the prior year consisted of revenue from our oil recovery business of $23,443, which was primarily used to explore the potential of the technology and revenue generated from our e-commerce shops of $8,413, which was disposed of with effect from December 31, 2013.

Cost of goods sold

Cost of goods sold was $34,620 and $31,173 for the three months ended September 30, 2014 and 2013, respectively, an increase of $3,447 or 11.1%. Cost of goods during the current year, sold primarily represents non-recoverable set up fees including engineering costs and travel costs incurred on projects we are currently working, while Cost of goods sold in the prior year consisted of cost of goods sold from our oil recovery business amounting to $24,393, including engineering costs and equipment rental necessary to conduct our oil recovery business and Cost of goods sold from our e-commerce business amounted to $6,780, which was disposed of with effect from December 31, 2013 to enable us to focus on our oil recovery business.

Gross (loss)/profit

Gross (loss)/profit was $(34,620) and $683 for the three months ended September 30, 2014 and 2013, respectively, a decrease of $35,303 or 102.0%. This primarily represents engineering costs and travel costs for project costs we are currently working. The prior year gross profit of $683 consisted of a gross loss from our oil recovery business of $950, offset by a gross profit of $1,633 from our e-commerce business.

Total expenses

Total expenses were $992,561 and $706,905 for the three months ended September 30, 2014 and 2013, respectively, an increase of $285,656 or 40.4%. Total expenses consisted primarily of the following:

- Stock based compensation expense was $619,125 and $492,532 for the three months ended September 30, 2014 and 2013, respectively, an increase of $126,593. This increase is primarily due to stock based payments to investor relations and investment consultants incurred during the current year.
- General and administrative expenditure was $228,455 and $(43,670) for the three months ended September 30, 2014 and 2013, respectively, an increase of $272,125 or 623.1%. The prior year expenditure included a re-allocation of debt discount amount to $133,188 to the finance cost section of the statement of operations, actual general and administrative expenses amounted to $89,518 and consisted primarily of travel and rental related expenditure. The increase in the current year is primarily due to the increase in normal business activity while conducting our oil recovery business and includes administrative expenses such as rent, travel expenditure, investor relations expenditure and other general office expenses.
- Professional fees were $65,898 and $243,374 for the three months ended September 30, 2014 and 2013, respectively, a decrease of $177,476 or 72.9%. This decrease is due to the decrease in the level of professional activity associated with the reverse merger conducted in the prior year.

Other income

Other income consisted of a gain realized on debt forgiveness by our Technology Licensor of $150,000 which was due in the current year. Other income in the prior year included a non-cash gain of $34,321 on the de-consolidation of a subsidiary, Mountain Capital, LLC which was wound up several years ago, the gain represented liabilities reflected as outstanding by Mountain Capital, LLC. In addition to this, a gain of $44,125 was realized on the release of an accrual for unpaid payroll liabilities which is not due and is longer required.

Amortization of debt discount

Amortization of debt discount was $4,477 and $232,570 for the three months ended September 30, 2014 and 2013 respectively, a decrease of $228,093 or 98.1%. The charge in the prior year included the reallocation of $133,188 from general and administrative expenses relating to prior periods. The current year charge is significantly lower than the prior year charge due to the conversion of substantially all of the convertible debt during the current year and the end of the prior year, resulting in accelerated amortization charges in prior periods.

Change in fair value of derivatives

Change in fair value of derivative liabilities was $(33,345) and $(111,015) for the three months ended September 30, 2014 and 2013, respectively, a decrease of $77,670 or 70.0% includes the current year release of the remaining derivative liability of $16,104 upon the conversion of the remaining short term convertible notes, offset by the charge of $49,449 on the conversion of those notes to equity. The prior year charge of $111,015 consisted of valuations

raised on short-term convertible instruments issued during that period.

Interest expense

Interest expense was $3,832 and $48,340 for the three months ended September 30, 2014 and 2013 respectively, a decrease of $44,508 or 92.1%, which is primarily due to the repayment or conversion of substantially all of the interest bearing long- and short-term notes outstanding prior to the commencement of the current quarter.

Net loss

The Company incurred a net loss of $918,835 and $1,025,201 for the three months ended September 30, 2014 and 2013, a decrease of $106,366 or 10.4%, respectively and which consists of the various revenue and expense items discussed above.

Results of Operations for the nine months ended September 30, 2014 and September 30, 2013

Net revenues

Net revenues were $85,008 and $46,113 for the nine months ended September 30, 2014 and 2013 respectively, an increase of $38,895 or 84.3%. Revenue in the current year consists of; i) the amortization of a once off licensing fee and initial set up revenues amounting to $40,000 for a well treatment project undertaken in Mexico, which has subsequently been terminated due to non-performance with the reversal of all deferred revenue and receivables under that project; and $45,000 earned on the treatment of several wells in the USA. The revenue from the prior year represented sales from our oil recovery business amounting to $23,443 and revenue generated from our e-commerce shops of $22,670, which was disposed of with effect from December 31, 2013.

Cost of goods sold

Cost of goods sold was $136,645 and $42,320 for the nine months ended September 30, 2014 and 2013, respectively, an increase of $94,325 or 222.9%. Cost of goods sold during the current year, primarily represents non-recoverable set up fees including engineering costs and travel costs incurred on our projects, offset by cost recovery fees charged to customers, while cost of goods sold in the prior year represents cost of goods sold from our oil recovery business amounting to $24,393, this included engineering costs and equipment rental necessary to conduct our oil recovery business, and cost of goods sold from our e-commerce business amounting to $17,927, which was disposed of with effect from December 31, 2013.

Gross (loss)/profit

Gross (loss)/profit was $(51,637) and $3,793 for the nine months ended September 30, 2014 and 2013, respectively, a decrease of $55,430 or 1,461%. This primarily represents set up expenditure incurred on our project which is not initially recoverable from the project. The prior year gross profit of $3,793 consisted of a gross loss from our oil recovery business of $950, offset by a gross profit of $4,743 from our e-commerce business. The gross loss on the oil recovery business is primarily due to the incurrence of engineering costs prior to the generation of revenue.

Total expenses

Total expenses were $2,713,363 and $2,497,152 for the nine months ended September 30, 2014 and 2013, respectively, an increase of $216,211 or 8.7%. Total expenses consisted primarily of the following:

- Stock based compensation expense was $1,741,849 and $1,154,201 for the nine months ended September 30, 2014 and 2013, respectively, an increase of $587,648. The current year charge includes a charge of $302,347 for shares issued to certain consultants and advisors for work performed, the remaining increase is primarily due to the timing of stock options issued to our CEO and a director during March in the prior year;
- General and administrative expenditure was $574,844 and $718,315 for the nine months ended September 30, 2014 and 2013, respectively, a decrease of $143,471 or 20.0%. This decrease represents includes the once-off amortization of debt discount on the conversion of long-term debt to equity, offset by the increase in normal business activity whilst conducting our oil recovery business and includes administrative expenses such as rent, travel expenditure, investor relations expenditure and other general office expenses.
- Professional fees were $200,931 and $509,303 for the nine months ended September 30, 2014 and 2013, respectively, a decrease of $308,372 or 60.5%. This decrease is due to the decrease in the level of professional activity associated with the reverse merger conducted in the prior year.

Other income

Other income consisted of a gain realized on debt forgiveness by our Russian Technology Licensor of $150,000. Other income in the prior year included a non-cash gain of $34,321on the de-consolidation of a subsidiary, Mountain Capital, LLC which was wound up several years ago, the gain represented liabilities reflected as outstanding by Mountain Capital, LLC. In addition to this, a gain of $44,125 was realized on the release of an accrual for unpaid payroll liabilities which is not due and is longer required.

Amortization of debt discount

Amortization of debt discount was $333,404 and $232,570 for the nine months ended September 30, 2014 and 2013, respectively, the current year includes the amortization of debt discount on long-term notes of $277,759 which includes the accelerated amortization of debt discount on long term notes which were converted into equity during the current nine months; and the amortization of $55,645 on short-term convertible notes which was also accelerated due to the conversion of these notes into equity. The prior year amortization consisted primarily of the amortization of debt discount on the long-term notes.

Change in fair value of derivatives

The change in fair value of derivative liabilities was $430,956 and $111,015 for the nine months ended September 30, 2014 and 2013 respectively, an increase of $319,941 or 288.2%. The current year includes a charge of $668,755 representing the mark-to-market of equities issued to short-term convertible note holders who converted their debt into

equity at deeply discounted prices based on variable pricing options, offset by a mark-to-market credit of $243,603 on short-term convertible notes prior to conversion to equity and the creation of a derivative liability of $5,803 on short term debt issued during the nine months ended September 30, 2014. The prior year change in derivatives was due to creation of derivative liabilities on short-term convertible debt issued.

Interest expense

Interest expense was $170,587 and $121,360 for the nine months ended September 30, 2014 and 2013, respectively, an increase of $49,227 or 40.6%. The current year interest charge includes a penalty of $122,399 incurred on the early redemption of short term convertible notes before they converted into equity; and the accrual of interest on notes payable of $47,822 for the nine months ended September 30, 2014, compared to an interest accrual of $121,360 for the prior year on primarily long-term and short-term notes. The decrease in interest accrual is primarily due to the conversion and repayment of substantially all of the interest bearing long and short term notes during the last quarter of the prior year and the first two quarters of the current year.

Net loss

The Company incurred a net loss of $3,549,947 and $2,880,513 for the nine months ended September 30, 2014 and 2013, an increase of $669,434 or 23.2%, respectively and which consists of the various revenue and expense items discussed above.

A deemed preferred stock dividend of $1,604,335 has been disclosed in the statement of operations for the nine months ended September 30, 2014. This amount represents the in-the-money value of the conversion feature of the newly issued Series B Preferred stock as of the date of issue. These Series B Preferred shares are convertible into common stock at an exercise price of $0.10 per share. The valuation of this beneficial conversion feature was determined using a Black-Scholes valuation model.

Liquidity and Capital Resources

We license the “Plasma-Pulse Technology” from Novas Energy Group Limited, the Licensor, pursuant to the terms of an exclusive perpetual royalty bearing license we entered into in January 2013, which was amended on March, 2014. The amended license agreement provides us with the exclusive right to develop, use, market and commercialize the Technology for ourselves and/or third parties, sublicense and provide services to third parties related to the Technology in the United States and Mexico including all of its states, districts, territories, possessions and protectorates. The amended license agreement also provides Novas with the right to design and have manufactured the apparatus and to make modifications and improvements to the Technology provided that the Licensor is provided a non-exclusive license to any such improvements and modifications and any patent rights of Novas related to the Technology. The license is limited to the United States and Mexico. It also provides that we will pay the Licensor royalties equal to seven and a half percent (7.5%) of Net Service Sales (as defined in the license agreement) and Non-Royalty Sublicensing Consideration (as defined in the license agreement) and provides for a minimum royalty payment of $500,000 per year from United States operations and $500,000 per year from Mexican operations; however, no minimum royalty payment is due prior to the three year anniversary of the license agreement for revenue derived from the United States operations and no minimum royalty is due prior to December 31, 2015 for revenue derived from Mexico. Revenue derived from operations in one territory can be used to satisfy obligations for minimum royalty payments in the other territory. All royalty payments made by us as well as sublicensing revenue paid by us to Licensor are credited towards the minimum royalty payment. If the minimum royalty is not timely paid, Licensor has the right to terminate the license with respect to a particular territory and if the minimum royalty payment for both territories is not paid, to terminate the license agreement. We are obligated to pay an initial license fee of $150,000 on or prior to June 30, 2014, this fee was subsequently waived by the Licensor with effect from July 30, 2014 and an additional $200,000 on or prior to June 30, 2015 for the additional rights under the amended license agreement. The Licensor is responsible for the cost of filing prosecuting and maintaining the patents and we are responsible for costs of obtaining marketing approvals. Licensor has the right to terminate the license agreement upon our breach or default. If Licensor dissolves, becomes insolvent or engages in or is the subject of any other bankruptcy proceeding then the technology and patent rights in the United States shall become our property.

The minimum commitments due under the license agreement for the next five years are summarized as follows:

	Amount
2015	700,000
2016	1,000,000
2017	1,000,000
2018	1,000,000
	$3,700,000

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 $8,943,619 for the period since inception through September 30, 2014. 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 September 30, 2014 we had notes, outstanding of $134,681, including principal, interest and unamortized debt discounts. The Company does not have the resources to repay the remaining loans as they become due.

Notes payable consisted of the following as of October 31, 2014:

Description		Maturity	Principal outstanding at September 30, 2014	Converted October 31, 2014	Raised/ (Repaid) October 31, 2014	Principal outstanding at October 31, 2014
Non-Convertible notes						
Short-term						
Owl Holdings	-	On demand	$ 3,000	$ -	$ -	$ 3,000
LG Capital Funding, LLC	8.0%	October 31, 2015	-	-	107,000	107,000
Long-term						
JAZ-CEH Holdings, LLC	7.5 %	October 31,2015	105,000	-	-	105,000
Convertible notes						
Long -Term						
Various principals	6.0 %	November 19, 2017	39,375	-	-	39,375
Total			$ 147,375	$ -	$ 107,000	$ 254,375

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 year. Our ability to continue and expand our business is dependent upon us raising additional funding in the near term. We continue to develop our oil recovery business and expect revenues to start improving as the technology gains acceptance.

Off Balance Sheet Arrangements

There are no off balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risks

None.

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 and insufficient controls over review and accounting for certain complex transactions, that the Company’s disclosure controls and procedures as of September 30, 2014 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.

We have begun to take actions that we believe will substantially remediate the material weaknesses identified. In response to the identification of our material weaknesses, we are in the process of expanding our finance and accounting staff. However, we cannot assure you that our internal control over financial reporting, as modified, will enable us to identify or avoid material weaknesses in the future.

(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, 2014 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 1A. Risk Factors

Our business is difficult to evaluate because we are currently focused on a new line of business and have very limited operating history and limited information.

The Company has recently engaged in a new business line involving its Plasma Pulse Technology. There is a risk that we will be unable to successfully operate this new line of business or be able to successfully integrate it with our current management and structure. Our estimates of capital, personnel and equipment required for our new line of business are based on the experience of management and businesses they are familiar with. Our management has limited direct experience in our new lines of business. We are subject to the risks such as our ability to implement our business plan, market acceptance of our proposed business and services, under-capitalization, cash shortages, limitations with respect to personnel, financing and other resources, competition from better funded and experienced companies, and uncertainty of our ability to generate revenues. There is no assurance that our activities will be successful or will result in any revenues or profit, and the likelihood of our success must be considered in light of the stage of our development. Even if we generate revenue, there can be no assurance that we will be profitable. In addition, no assurance can be given that we will be able to consummate our business strategy and plans, as described herein, or that financial, technological, market, or other limitations may force us to modify, alter, significantly delay, or significantly impede the implementation of such plans. We have insufficient results for investors to use to identify historical trends or even to make quarter to quarter comparisons of our operating results. You should consider our prospects in light of the risk, expenses and difficulties we will encounter as an early stage company. Our revenue and income potential is unproven and our business model is continually evolving. We are subject to the risks inherent to the operation of a new business enterprise, and cannot assure you that we will be able to successfully address these risks.

We currently have limited revenues from our Plasma Pulse Technology and may not generate any revenue in the near future, if at all from the use of our technology.

We currently have generated limited revenues from the use of our Plasma Pulse Technology. The majority of the thirty one wells that were treated were treated as sample wells to demonstrate the ability of the Plasma Pulse Technology at no cost to the well owner. Therefore there can be no assurance that well owners will determine that the price to be paid by our customers for our services, whether in the form of a cash payment or profit sharing arrangement, will be deemed to be reasonable and that customers will be willing to pay such price.

We may not be able to continue as a going concern.

Our condensed consolidated financial statements, report a loss from operations of $(2,765,000) and a net loss of $(3,549,947) for the nine months ended September 30, 2014. Our consolidated audited financial statements for the year ended December 31, 2013, report a loss from operations of $(3,493,837) and a net loss of $(3,816,851). The opinion of our independent registered accounting firm on our audited financial statements as of and for the period ended December 31, 2013 for Propell was qualified subject to substantial doubt as to our ability to continue as a going concern. See “Report of Independent Registered Public Accounting Firm” and the notes to our Financial Statements.

We may not be profitable.

We expect to incur operating losses for the foreseeable future. For the nine months ended September 30, 2014, we had revenues of $85,008 primarily from the amortization of a once off licensing fee and sales of our plasma pulse services and a net loss of $(3,549,947). For the year ending December 31, 2013, we had net revenues of $94,362 from our oil recovery and our e-commerce business. For the year ending December 31, 2013, we sustained a net loss of $(3,816,851). To date, we have not generated significant revenue from our Plasma Pulse Technology. Our ability to become profitable depends on our ability to have successful operations and generate and sustain sales, while maintaining reasonable expense levels, all of which are uncertain in light of our limited operating history in our current line of business.

Our future plans and operations are dependent on our raising additional capital.

To date, we have not generated enough revenue from operations to pay all of our expenses. During the year ended December 31, 2013 we raised a total of $1,721,431 from financing activities, of which we received $1,599,500 in net proceeds from the sale of our long term and short term notes, the majority of which have conversion options, the remaining $121,931 was raised by the issuance of equity securities. We have used the funds raised in our financings for working capital purposes. Subsequent to December 31, 2013, we raised an additional $1,696,110, net of issue expenses of $156,890 in equity securities and a further $160,000 in short term notes. We do not believe that our existing resources will be sufficient to allow us to implement our anticipated plan of operations or meet our future anticipated cash flow requirements.

We may not be able to service customers with the five down-hole tools that we currently have.

Our ability to continue to service customers and expand our business is dependent upon us raising additional funding in the near term to acquire additional apparatuses to be utilized with the Plasma Pulse Technology. We currently have only four down-hole tools and one tool that treats 4 ½ inch cased wells and horizontal wells. If the tools should require repair we may be unable to service customers. In addition, with only five tools, we can only treat a limited number of wells at a time and are unable to treat wells on days when the tools are in transit from one customer's well to another well. In addition, only one of the tools can treat the 4 ½ inch cased wells and horizontal wells.

We may not be able to retrofit the down-hole tool to fit a large number of well holes in the United States.

Four of our tools only work in vertical wells with a minimum of 5 ½ inch casings and not in horizontal wells. We recently developed a tool to treat 4 ½-inch cased wells and horizontal wells. However, there can be no assurance that such tool will be effective in treating wells in the United States.

There is uncertainty as to market acceptance of our Technology and products.

The Plasma Pulse Technology that we license has been utilized in the United States on only a limited basis. The Company has not yet generated significant revenue from the technology that it licenses and there can be no assurance that the Company's Plasma Pulse Technology will be accepted in the market or that the Company's commercialization efforts will be successful.

The results of our the application of our technology for initial well treatments may not support future well treatments and are not necessarily predictive of future long term results on the wells for which the initial data is favorable.

To date, we have applied our licensed Plasma Pulse Technology to treat only thirty seven wells, which treatments were performed fairly recently, and we do not have long terms results on the wells that were treated. We have seen improved results in many wells. Favorable results in our early treatments may not last and may not be repeated in later treatments of other wells. Success in early treatments does not ensure that wells treated at a later date will be successful. Additionally, collecting treatment data results is not always possible as operators that pay for the service are not required to deliver data or we are required to work under non-disclosure agreements.

We rely on a license to use the Plasma Pulse Technology that is material to our business and if the agreement were to be terminated, it would halt our ability to market our technology, as well as have an immediate material adverse effect on our business, operating results and financial condition.

We have a licensing agreement with Novas Energy Group Limited granting us the right to use certain critical intellectual property. If we breach the terms of these licensing agreements, including any failure to make minimum royalty payments required there under, the Licensor has the right to terminate the license. If we were to lose or

otherwise be unable to maintain this license on acceptable terms, or find that it is necessary or appropriate to secure new licenses from other third parties, it would halt our ability to market our technology, which would have an immediate material adverse effect on our business, operating results and financial condition.

We may be unable to generate sufficient revenues to meet the minimum royalties under our license agreement,

The license agreement with Novas Energy Group Limited requires us to pay minimum royalty payments of $1,000,000 per year; however, no minimum royalty payment is due prior to (i) December 31, 2015 with respect to Mexican operations and (ii) the three year anniversary of the license agreement with respect to the United States operations. If the minimum royalty is not timely paid, the Licensor has the right to terminate the license agreement with respect to a certain territory under certain circumstances and in certain other circumstances has the right to terminate the entire agreement. In addition, we are obligated to pay an additional $200,000 on or prior to June 30, 2015 with respect to our rights in Mexico. To date, we have not generated enough revenue to pay the amount owed in June 2014 or any minimum royalty payments. No assurance can be given that we will generate sufficient revenue or raise additional financing to make these minimum royalty payments. Any failure to make the payments would permit the licensor to terminate the license. If we were to lose or otherwise be unable to maintain this license, it would halt our ability to market our technology, which would have an immediate material adverse effect on our business, operating results and financial condition.

Trends in oil and natural gas prices affect the level of exploration, development, and production activity of our customers and the demand for our services and products which could have a material adverse effect on our business, consolidated results of operations, and consolidated financial condition.

Demand for our services and products is particularly sensitive to the level of exploration, development, and production activity of, and the corresponding capital spending by, oil and natural gas companies, including national oil companies. The level of exploration, development, and production activity is directly affected by trends in oil and natural gas prices, which historically have been volatile and are likely to continue to be volatile.

Prices for oil and natural gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty, and a variety of other economic factors that are beyond our control. Any prolonged reduction in oil and natural gas prices will depress the immediate levels of exploration, development, and production activity which could have a material adverse effect on our business, consolidated results of operations, and consolidated financial condition. Even the perception of longer-term lower oil and natural gas prices by oil and natural gas companies can similarly reduce or defer major expenditures given the long-term nature of many large-scale development projects. Factors affecting the prices of oil and natural gas include:

- the level of supply and demand for oil and natural gas, especially demand for natural gas in the United States;
- governmental regulations, including the policies of governments regarding the exploration for and production and development of their oil and natural gas reserves;
- weather conditions and natural disasters;
- worldwide political, military, and economic conditions;
- the level of oil production by non-OPEC countries and the available excess production capacity within OPEC;
- oil refining capacity and shifts in end-customer preferences toward fuel efficiency and the use of natural gas;
- the cost of producing and delivering oil and natural gas; and
- potential acceleration of development of alternative fuels.

Legislative and regulatory changes affecting the environment and the oil industry could adversely affect our business

Political, economic and regulatory influences are subjecting oil recovery efforts to potential fundamental changes that could substantially affect our results of operations. State and local governments, for example, continue to propose and pass legislation designed to reduce the impact of oil recovery efforts on the environment. We cannot predict the effect any legislation may have on our business and we can offer no assurances they will not have a material adverse effect on our business.

Various federal legislative and regulatory initiatives have been undertaken which could result in additional requirements or restrictions being imposed on hydraulic fracturing operations and possibly our operations. For example, the Department of Interior has issued proposed regulations that would apply to hydraulic fracturing operations on wells that are subject to federal oil and gas leases and that would impose requirements regarding the disclosure of chemicals used in the hydraulic fracturing process as well as requirements to obtain certain federal

approvals before proceeding with hydraulic fracturing at a well site. These regulations, if adopted, could also be applicable to our operations and would establish additional levels of regulation at the federal level that could lead to operational delays and increased operating costs. At the same time, legislation and/or regulations have been adopted in several states that require additional disclosure regarding chemicals used in the hydraulic fracturing process but that include protections for proprietary information. Legislation and/or regulations are being considered at the state and local level that could impose further chemical disclosure or other regulatory requirements (such as restrictions on the use of certain types of chemicals or prohibitions on hydraulic fracturing operations and competitive operations in certain areas) that could affect our operations.

The adoption of any future federal, state, local, or foreign laws or implementing regulations imposing reporting obligations on, or limiting or banning, the hydraulic fracturing process if applicable to competitive processes such as ours, could make it more difficult to complete natural gas and oil wells and could have a material adverse effect on our liquidity, consolidated results of operations, and consolidated financial condition.

Liability for cleanup costs, natural resource damages, and other damages arising as a result of environmental laws could be substantial and could have a material adverse effect on our liquidity, consolidated results of operations, and consolidated financial condition.

We will be exposed to claims under environmental requirements. In the United States, environmental requirements and regulations typically impose strict liability. Strict liability means that in some situations we could be exposed to liability for cleanup costs, natural resource damages, and other damages as a result of our conduct that was lawful at the time it occurred or the conduct of prior operators or other third parties. Liability for damages arising as a result of environmental laws could be substantial and could have a material adverse effect on our liquidity, consolidated results of operations, and consolidated financial condition.

Existing or future laws, regulations, related to greenhouse gases and climate change could have a negative impact on our business and may result in additional compliance obligations with respect to the release, capture, and use of carbon dioxide that could have a material adverse effect on our liquidity, consolidated results of operations, and consolidated financial condition.

Changes in environmental requirements related to greenhouse gases and climate change may negatively impact demand for our services. For example, oil and natural gas exploration and production may decline as a result of environmental requirements (including land use policies responsive to environmental concerns). State, national, and international governments and agencies have been evaluating climate-related legislation and other regulatory initiatives that would restrict emissions of greenhouse gases in areas in which we conduct business. Because our business depends on the level of activity in the oil and natural gas industry, existing or future laws, regulations, treaties, or international agreements related to greenhouse gases and climate change, including incentives to conserve energy or use alternative energy sources, could have a negative impact on our business if such laws, regulations, treaties, or international agreements reduce the worldwide demand for oil and natural gas. Likewise, such restrictions may result in additional compliance obligations with respect to the release, capture, sequestration, and use of carbon dioxide that could have a material adverse effect on our liquidity, consolidated results of operations, and consolidated financial condition.

Our failure to protect our proprietary information and any successful intellectual property challenges or infringement proceedings against us could materially and adversely affect our competitive position.

We rely on a variety of intellectual property rights that we use in our services and products. We may not be able to successfully preserve these intellectual property rights in the future, and these rights could be invalidated, circumvented, or challenged. In addition, the laws of some foreign countries in which our services and products may be sold do not protect intellectual property rights to the same extent as the laws of the United States. Our failure to protect our proprietary information and any successful intellectual property challenges or infringement proceedings against us could materially and adversely affect our competitive position.

We may acquire oil wells or form joint ventures or make investments in oil wells that could harm our operating results, dilute our stockholders' ownership, increase our debt or cause us to incur significant expense.

As part of our business strategy, we may pursue acquisitions of oil wells. We also may pursue strategic alliances and joint ventures that leverage our core technology. We have no experience with acquiring oil wells or interests therein. We may not be able to find suitable partners or acquisition candidates, and we may not be able to complete such transactions on favorable terms, if at all. If we make any acquisitions, we may not be able to integrate these acquisitions successfully into our existing business, and we could assume unknown or contingent liabilities. Any future acquisitions also could result in significant write-offs or the incurrence of debt and contingent liabilities, any of which could have a material adverse effect on our financial condition, results of operations and cash flows. Integration of an acquired company also may disrupt ongoing operations and require management resources that would otherwise focus on developing our existing business. We may experience losses related to investments in other companies, which could have a material negative effect on our results of operations. We may not identify or complete these transactions in a timely manner, on a cost-effective basis, or at all, and we may not realize the anticipated benefits of any acquisition, technology license, strategic alliance or joint venture.

To finance any acquisitions or joint ventures, we may choose to issue shares of our Common Stock as consideration, which would dilute the ownership of our stockholders. If the price of our Common Stock is low or volatile, we may not be able to acquire other companies or fund a joint venture project using our stock as consideration. Alternatively, it may be necessary for us to raise additional funds for acquisitions through public or private financings. Additional funds may not be available on terms that are favorable to us, or at all. In addition, we may choose to incur additional debt in order to finance such acquisitions, which may also negatively affect our financial position.

Any future recompletion activities engaged upon by us on wells that we acquire may not be productive.

We may acquire properties upon which we believe recompletion activity will be successful. Recompletion or workovers on oil and natural gas wells involves numerous risks, including the risk that we will not encounter commercially productive oil or natural-gas reservoirs. The costs of recompleting, and operating wells are often uncertain, and operations may be curtailed, delayed, or canceled as a result of a variety of factors, including the following unexpected drilling conditions:

- pressure or irregularities in formations
- equipment failures or accidents
- fires, explosions, blowouts, and surface cratering
- difficulty identifying and retaining qualified personnel
- title problems
- other adverse weather conditions
- shortages or delays in the delivery of equipment

Certain of our future activities may not be successful and, if unsuccessful, this failure could have an adverse effect on our future results of operations and financial condition.

International expansion of our business exposes us to business, regulatory, political, operational, financial and economic risks associated with doing business outside of the United States.

Our amended license agreement grants us a license to utilize the Plasma Pulse Technology in Mexico. Doing business internationally involves a number of risks, including:

· multiple, conflicting and changing laws and regulations such as tax laws, export and import restrictions, employment laws, regulatory requirements and other governmental approvals, permits and licenses;

· failure by us to obtain regulatory approvals for the sale or use of our technology in various countries;

· difficulties in managing foreign operations;

· financial risks, such as longer payment cycles, difficulty enforcing contracts and collecting accounts receivable and exposure to foreign currency exchange rate fluctuations;·

· reduced protection for intellectual property rights;

· natural disasters, political and economic instability, including wars, terrorism and political unrest, outbreak of disease, boycotts, curtailment of trade and other business restrictions; and

· failure to comply with the Foreign Corrupt Practices Act, including its books and records provisions and its anti-bribery provisions, by maintaining accurate information and control over activities.

Any of these risks, if encountered, could significantly harm our future international expansion and operations and, consequently, have a material adverse effect on our financial condition, results of operations and cash flows.

We will have limited control over the activities on properties for which we own an interest but we do not operate.

We may acquire interests in oil wells that will be operated by other companies. We will have limited ability to influence or control the operation or future development of these non-operated properties or the amount of capital expenditures that we are required to fund with respect to them. Our dependence on the operator and other working interest owners for these projects and our limited ability to influence or control the operation and future development of these properties could materially adversely affect the realization of our targeted returns on capital and lead to unexpected future costs.

The loss of key personnel and an inability to attract and retain additional personnel could affect our ability to successfully grow our business.

We are highly dependent upon the continued service and performance of our senior management, in particular John W. Huemoeller II, our Chief Executive Officer. The loss of any key employees may significantly delay or prevent the achievement of our business objectives. We believe that our future success will also depend in part on our and their continued ability to identify, hire, train and motivate qualified personnel. We and they face intense competition for qualified individuals. We may not be able to attract and retain suitably qualified individuals who are capable of meeting our growing operational and managerial requirements, or we may be required to pay increased compensation in order to do so. Our failure to attract and retain qualified personnel could impair our ability to implement our business plan.

We may be adversely affected by actions of our competitors.

The market in the oil and gas recovery industry is highly competitive. Many of our competitors have substantially greater financial, technical and other resources than we have. We face competition from owners of oil wells as well as large oil and gas companies Our ability to compete effectively depends in part on market acceptance of our technology, the environmental impact of our technology and our ability to service our customers in a timely manner. There can be no assurance that we will be able to compete effectively or that we will respond appropriately to industry trends or to activities of competitors.

We intend to expend a significant amount of time and resources to develop additional down-hole tools and products related to our technology, and if the technology does not achieve commercial acceptance, ours operating results may suffer.

We expect to spend a significant amount of time and resources to develop additional down-hole tools and enhancements to our current down-hole tool. In light of the long product development cycles, any developmental expenditure will be made well in advance of the prospect of deriving revenues from the use of the technology. The Company's ability to commercially introduce and successfully market its technology will be subject to a wide variety of challenges during this development cycle that could delay introduction of these products. If the Company does not achieve market acceptance of its technology, the Company's operating results will suffer. The Company's technology may also be priced higher than alternative competitive technologies, which may impair commercial acceptance. The Company cannot predict whether its technology will achieve commercial acceptance.

Most of the Company's potential customers are owners of oil wells and are subject to risks faced by those industries.

We expect to derive a significant portion of our future revenues from the implementation of the Plasma Pulse Technology. As a result, we will be subject to risks and uncertainties that affect the oil industry, such as availability of capital, weather and environmental issues, government regulation, and the uncertainty resulting from technological change.

The Company may need to depend on credit terms and lines of credit from lenders and may not generate sufficient revenue to be able to pay existing debt obligations when they come due.

As of September 30, 2014, the Company had notes outstanding in the aggregate principal amount of $147,375, $3,000 is repayable on demand and $144,975 is not repayable within the next twelve months. Each loan bears interest at rates ranging from 6% to 7.5% per annum. To date, the Company has not generated enough revenue to pay the amounts outstanding under these loans.

We have no independent audit committee. Our full Board of Directors functions as our audit committee and is composed of five directors, three of whom are considered independent. This may hinder our Board of Directors'

effectiveness in fulfilling the functions of the audit committee.

Currently, we have no separate audit committee. Our full Board of Directors functions as our audit committee and is comprised of five directors, three of whom are considered to be "independent" in accordance with the requirements of Rule 10A-3 under the Securities Exchange Act of 1934. An independent audit committee plays a crucial role in the corporate governance process, assessing the Company's processes relating to its risks and control environment, overseeing financial reporting, and evaluating internal and independent audit processes. The lack of an independent audit committee may prevent the Board of Directors from being independent from management in its judgments and decisions and its ability to pursue the committee's responsibilities without undue influence. We may have difficulty attracting and retaining directors with the requisite qualifications. If we are unable to attract and retain qualified, independent directors, the management of our business could be compromised.

Our Board of Directors, which consists of five directors, acts as our compensation committee, which presents the risk that compensation and benefits paid to these executive officers who are board members and other officers may not be commensurate with our financial performance.

A compensation committee consisting of independent directors is a safeguard against self-dealing by company executives. Our Board of Directors acts as the compensation committee and determines the compensation and benefits of our executive officers, administers our employee stock and benefit plans, and reviews policies relating to the compensation and benefits of our employees. Although all board members have fiduciary obligations in connection with compensation matters, our lack of an independent compensation committee presents the risk that our executive officers on the board may have influence over their personal compensation and benefits levels that may not be commensurate with our financial performance.

Trading on the OTC Bulletin Board may be sporadic because it is not a stock exchange, and stockholders may have difficulty reselling their shares.

Trading in stock quoted on the OTC Bulletin Board is often thin and characterized by wide fluctuations in trading prices, due to many factors that may have little to do with the our operations or business prospects. Moreover, the OTC Bulletin Board is not a stock exchange, and trading of securities on the OTC Bulletin Board is often more sporadic than the trading of securities listed on a quotation system like NASDAQ or a stock exchange like NYSE. Accordingly, you may have difficulty reselling any of the shares you purchase from the selling stockholders.

We cannot guarantee that an active trading market will develop for our Common Stock.

There currently is not an active public market for our Common Stock and there can be no assurance that a regular trading market for our Common Stock will ever develop or that, if developed, it will be sustained. Therefore, purchasers of our Common Stock should have long-term investment intent and should recognize that it may be difficult to sell the shares, notwithstanding the fact that they are not restricted securities. We cannot predict the extent to which a trading market will develop or how liquid a market might become.

There may be future dilution of our Common Stock.

If we sell additional equity or convertible debt securities, those sales could result in additional dilution to our stockholders. In addition, holders of our convertible preferred A-1 shares have the right to convert their shares into 38,875,000 common shares; the holders of the convertible series B shares have the right to convert their shares into 7,500,000 common shares, holders of our long-term convertible notes have the right to convert their notes into 1,968,750 common shares.

Recent accounting changes may make it more difficult for us to sustain profitability.

We are a publicly traded company, and are therefore subject to the Sarbanes-Oxley Act of 2002, which requires that our internal controls and procedures comply with Section 404 of the Sarbanes-Oxley Act. We expect compliance to be costly and it could impact our results of operations in future periods. In addition, the Financial Accounting Standards Board now requires us to follow the accounting standards on share based payments. Under this rule, companies must calculate and record in their statement of operations the cost of equity instruments, such as stock options or restricted stock, awarded to employees for services. We expect that we will use stock options to attract, incentivize and retain our employees and will therefore incur the resulting stock-based compensation expense. This will continue to adversely affect our operating results in future periods.

Maintaining and improving our financial controls and the requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain qualified board members.

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, the Sarbanes-Oxley Act of 2002 and the rules and regulations of an exchange or the OTC-Bulletin Board. The requirements of these rules and regulations will likely continue to increase our legal, accounting and financial compliance costs, make some activities more difficult, time-consuming or costly and may also place undue strain on our personnel, systems and resources.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and effective internal control over financial reporting. Significant resources and management oversight are required to design, document, test, implement and monitor internal control over relevant processes and to, remediate any deficiencies. As a result, management's attention may be diverted from other business concerns, which could harm our business, financial condition and results of operations. These efforts also involve substantial accounting related costs.

We have identified material weaknesses in our internal controls, and we cannot provide assurances that these weaknesses will be effectively remediated or that additional material weaknesses will not occur in the future. If our internal control over financial reporting or our disclosure controls and procedures are not effective, we may not be able to accurately report our financial results, prevent fraud, or file our periodic reports in a timely manner, which may cause investors to lose confidence in our reported financial information and may lead to a decline in our stock price.

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. We have identified material weaknesses in our internal controls with respect to our financial statement for the quarter ended September 30, 2014. Our management discovered insufficient controls over review and accounting for certain complex transactions and a lack of segregation of duties.

The design of monitoring controls used to assess the design and operating effectiveness of our internal controls is inadequate.

We have begun to take actions that we believe will substantially remediate the material weaknesses identified. In response to the identification of our material weaknesses, we are in the process of expanding our finance and accounting staff. However, we cannot assure you that our internal control over financial reporting, as modified, will enable us to identify or avoid material weaknesses in the future.

We have never paid dividends and have no plans to pay dividends in the future.

Holders of shares of our Common Stock are entitled to receive such dividends as may be declared by our Board of Directors. To date, we have paid no cash dividends on our shares of our preferred or Common Stock and we do not expect to pay cash dividends in the foreseeable future. We intend to retain future earnings, if any, to provide funds for operations of our business. Therefore, any return investors in our Preferred or Common Stock may have will be in the form of appreciation, if any, in the market value of their shares of Common Stock.

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Our stock price may be volatile or may decline regardless of our operating performance.

The market price of our Common Stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- price and volume fluctuations in the overall stock market;
- changes in operating performance and stock market valuations of other technology companies generally, or those in our industry in particular;
- the public's response to our press releases or other public announcements, including our filings with the SEC;
- announcements by us or our competitors of significant technical innovations, acquisitions, strategic partnerships, joint ventures or capital commitments;
- introduction of technologies or product enhancements that reduce the need for our products;
- market conditions or trends in our industry or the economy as a whole;
- the loss of key personnel;
- lawsuits threatened or filed against us;
- future sales of our Common Stock by our executive officers, directors and significant stockholders; and
- other events or factors, including those resulting from war, incidents of terrorism or responses to these events.

We may issue Preferred Stock with greater rights than our Common Stock.

Our Certificate of Incorporation authorizes the Board of Directors to issue up to 10 million shares of Preferred Stock, par value $.001 per share. The Preferred Stock may be issued in one or more series, the terms of which may be determined by the Board of Directors at the time of issuance without further action by stockholders, and may include voting rights (including the right to vote as a series on particular matters), preferences as to dividends and liquidation, conversion and redemption rights and sinking fund provisions. Any Preferred Stock that is issued may rank ahead of our Common Stock, in terms of dividends, liquidation rights and voting rights that could adversely affect the voting power or other rights of the holders of our Common Stock. In the event of such an issuance, the Preferred Stock could be utilized, under certain circumstances, as a method of discouraging, delaying or preventing a change of control of our company. Any delay or prevention of a change of control transaction or changes in our Board of Directors or management could deter potential acquirers or prevent the completion of a transaction in which our stockholders could require substantial premium over the then current market price per share. We currently have 3,887,500 Series A-1 Preferred shares outstanding and have recently designated a further 500,000 preferred shares as Series B Convertible Preferred Shares and have issued 75,000 of these Series B Preferred Shares to investors for net proceeds of $750,000.

If we fail to meet the new eligibility requirements of the OTC Market Group, we will no longer be eligible to have our common stock quoted on the OTCQB

If we fail to maintain a minimum bid price of $.01 per share one day per each thirty consecutive days, our stock will no longer be eligible to be traded on the OTCQB and will be traded on the pink sheets. Effective May 1, 2014, the OTC Market Group implemented new eligibility standards for companies traded on the OTCQB that will be gradually phased in over a one year period. Investors of companies that do not meet the eligibility requirements will not have the benefit of the additional disclosure requirements of the OTCQB and trading may be more difficult.

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds for the nine months ended September 30, 2014

The following common shares were issued by the company during the nine months ended September 30, 2014:

i) an aggregate of 27,510,118 shares of Common Stock to convertible note holders upon conversion of an aggregate of $1,565,302 of short- and long-term convertible notes, inclusive of certain interest and, mark-to –market derivative adjustments, at an average share price of $0.06 per share. The exchange of the Common Stock for debt is exempt from registration requirements under Section 3(a) (9) of the Securities Act of 1933, as amended ("the Securities Act").

ii) An aggregate of 75,000 Series B convertible preferred shares at an issue price of $10 per share for net proceeds of $750,000.

iii) an aggregate of 1,260,667 Common shares issued to consultants for services to be performed at an average issue price of $0.24 per share, the market value of our common stock when the shares were issued.

iv) An aggregate of 7,353,329 Common shares and warrants exercisable for 3,676,665 Common shares issued to new qualified investors for gross proceeds of $1,103,000 pursuant to a Private placement agreement and individual Securities Purchase Agreements entered into at a price of $0.15 per unit, each unit consisting of one share of Common Stock and one half of a five-year common stock purchase warrant at an exercise price of $0.25 per share. In addition, we issued to the placement agent in connection with the offering warrants to purchase 1,650,499 Common shares with an exercise price of $0.25 per share.

Subsequent to the nine months ended September 30, 2014, on October 31,2014, the Company received, a net $95,000 from LG Capital Funding, LLC ("LG"), after the payment of a $5,000 legal fee, pursuant to an unsecured convertible promissory note with a face value of $107,000, including an original issue discount of 7% amounting to $7,000. The note bears interest at the rate of 8% per annum commencing on October 31, 2014.

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), 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
31.1	Certification of the Chief Executive Officer and Chief Financial Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer and 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 8 filed on November 5, 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: November 13, 2014

(Registrant)

By: */s/John W. Huemoeller II*

John W. Huemoeller II, President and Chief Executive Officer

(Principal Executive Officer and Principal Financial Officer)